



Etalon Group plc
Prospectus relating to an application to increase the size of the GDR block listing for Etalon Group plc

This prospectus (the “**Prospectus**”) relates only to an application to increase the size of the block listing (the “**Application to Increase the Block Listing**” that Etalon Group plc (the “**Company**”) obtained on 20 April 2011 (the “**Existing GDRs**” and together with the Additional GDRs as defined below the “**GDRs**”) global depository receipts representing interests in ordinary shares (“**Ordinary Shares**” and together with the GDRs the “**Securities**”) in the Company (the “**Application**”).

Application will be made (1) to the United Kingdom Financial Conduct Authority (the “**FCA**”), in its capacity as competent authority (the U.K. Listing Authority, or “**UKLA**”) under the Financial Services and Markets Act 2000 (the “**FSMA**”), for an additional 88,487,395 GDRs (the “**Additional GDRs**”) either currently issued or to be issued from time to time against the deposit of Ordinary Shares (to the extent permitted by law) with a custodian acting on behalf of The Bank of New York Mellon, as depository (the “**Depository**”), to be admitted to the official list of the FCA (the “**Official List**”), bringing the total number of GDRs listed by the Company to 383,445,362 GDRs; and (2) to the London Stock Exchange plc (the “**London Stock Exchange**”) for the Additional GDRs to be admitted to trading on the London Stock Exchange’s regulated market for listed securities (the “**Regulated Market**”), which is a regulated market for the purposes of Directive 2014/65/EU (“**MiFID II**”). The Existing GDRs are currently, and the Additional GDRs upon approval by the UKLA and the London Stock Exchange will be, admitted to trading on the Regulated Market on the International Order Book under the symbol “ETLN”. Admission of the Additional GDRs to the Official List and unconditional trading on the London Stock Exchange (“**Admission**”) is expected to take place on or about 29 July 2021.

The GDRs are also traded in the “Level 1” part of the List of Securities Admitted to Trading on Public Joint stock Company “Moscow Exchange MICEX-RTS” (“**Moscow Exchange**”), a part of the Moscow Exchange Group, under the symbol “ETLN”. Approval of the FCA or any other competent authority has not been sought in relation to the Ordinary Shares and no such shares are or will be admitted to listing on the Official List or admitted to trading on the London Stock Exchange or any other stock exchange.

This prospectus relates only to the Application to Increase the Block Listing and does not constitute an offer to any person or to the public generally to purchase or otherwise acquire the Securities. This prospectus is not, and should not be construed as an inducement or encouragement to buy or sell any Securities.

See “Risk Factors” beginning on page 8 to read about factors you should consider before buying the GDRs.

This Prospectus does not constitute an offer to sell, or solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful. Neither the GDRs nor the Ordinary Shares have been or will be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States, except to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act, or outside the United States in offshore transactions in reliance on Regulation S. Prospective purchasers are hereby notified that sellers of the GDRs may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a discussion of certain restrictions on transfers of the GDRs, see “*Terms and Conditions of the Global Depository Receipts*” and “*Selling and Transfer Restrictions*.”

This Prospectus has been approved by the United Kingdom Financial Conduct Authority (the “**FCA**”), as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of European Union (Withdrawal) Act 2018 (“**UK Prospectus Regulation**”), as a prospectus in accordance with the Prospectus rules of the FCA made under section 73A of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”) or by any other regulatory authority. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Company that is the subject of this Prospectus.

Prospectus dated 27 JULY 2021

IMPORTANT INFORMATION

By accepting delivery of this Prospectus, you agree to the following. This Prospectus is being furnished by the Company solely for the purpose of the Application to Increase the Block Listing. Any reproduction or distribution of this Prospectus, in whole or in part, any disclosure of its contents or use of any information herein for any purpose other than the Application to Increase the Block Listing is prohibited, except to the extent that such information is otherwise publicly available.

If you are in any doubt about the contents of this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or financial adviser. It should be remembered that the price of listed securities (including the GDRs) and the income from them can be volatile and go down as well as up.

The Company accepts responsibility for the information contained in this Prospectus and the information contained in this Prospectus is, to the best of the Company's knowledge, in accordance with the facts and contains no omissions likely to affect its import. Colliers (as defined below) accepts responsibility for the information contained in the Valuation Report and the information contained in the Valuation Report is, to the best of Colliers' knowledge, in accordance with the facts and contains no omissions likely to affect its import.

The Company has included its own estimates, assessments, adjustments and judgments in preparing some market information, which has not been verified by an independent third party. Market information included herein is, therefore, unless otherwise attributed to a third-party source, to a certain degree, subjective. This information may at times be less complete or reliable than that of some of the more developed market economies of North America and Western Europe and may be produced on a basis that differs from those used in Western countries. Some official data released by the Russian government may also be inaccurate. Any discussion of matters relating to the Russian Federation herein is therefore subject to uncertainty due to concerns about the completeness or reliability of available official and public information. While the Company believes that its own estimates, assessments, adjustments and judgments are reasonable and that the market information prepared by the Company approximately reflects the industry and the markets in which the Company operates, there is no assurance that the Company's own estimates, assessments, adjustments and judgments are the most appropriate for making determinations relating to market information or that market information prepared by other sources will not differ materially from the market information included herein.

In making an investment decision, each person contemplating making an investment in the GDRs must conduct its own investigation and analysis of the creditworthiness of the Company and its consolidated subsidiaries (together, the "**Group**"); including the merits and risks involved, its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. No person has been authorised to provide any information or to make any representation in connection with any offering of GDRs. If any such information is given or any such representations are made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company or any other person. The information contained in this Prospectus is only accurate as of the date on the front cover of this Prospectus. The delivery of this Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to its date. The delivery of this Prospectus shall not in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Company or the Group since the date of this Prospectus.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Company that any recipient of this Prospectus should subscribe for or purchase the GDRs.

The contents of the Company's websites, or the websites of any member of the Group, do not form any part of this document unless otherwise indicated in this Prospectus.

You should not consider any information in this Prospectus to be investment, legal or tax advice. You should consult your own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding purchasing the GDRs. The Company makes no representation to any offeree or purchaser of the GDRs regarding the legality of an investment in the GDRs by such offeree or purchaser under appropriate investment or similar laws.

The distribution of this Prospectus may be restricted by law in certain jurisdictions. You must inform yourself about and observe any such restrictions. See "*Terms and Conditions of the Global Depositary Receipts*" and

“Selling and Transfer Restrictions”. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the GDRs or possess or distribute this Prospectus and must obtain any consent, approval or permission required for your purchase, offer or sale of the GDRs under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. The Company is not making an offer to sell any GDRs to, nor is soliciting an offer to buy, any GDRs.

The Regulation S GDRs and the Rule 144A GDRs will be delivered by the Depositary, pursuant to the deposit agreement (the “**Deposit Agreement**”), dated on or about 15 April 2011 (as amended and restated on 15 May 2017 and on 12 April 2021), between the Company and the Depositary.

NOTICE TO CERTAIN INVESTORS

NOTICE TO EEA INVESTORS

This Prospectus has been prepared on the basis that all offers of the Ordinary Shares or GDRs in any member state of the European Economic Area (each a “**Member State**”) following approval by the FCA will be made pursuant to an exemption under Article 1(4) of Regulation (EU) 2017/1129 (as amended, the “**Prospectus Regulation**”). Accordingly, any person making or intending to make any offer within a Member State of the Ordinary Shares or GDRs may only do so in circumstances in which no obligation arises for the Company to produce a prospectus pursuant to Article 3(1) of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case in relation to such offer. The Company has not authorised, nor will the Company authorise, the making of any offer of the Ordinary Shares or GDRs through any financial intermediary.

In relation to each Member State, the Ordinary Shares and GDRs have not and will not to be offered to the public in that Member State prior to the publication of a prospectus in relation to the Ordinary Shares or GDRs that has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, all in accordance with the Prospectus Regulation, except that offers of the Ordinary Shares and GDRs may be made to public in that Member State at any time:

- (a) to any legal entity which is a qualified investor as defined in Article 2(e) of the Prospectus Regulation;
- (a) to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2(e) of the Prospectus Regulation) in that Member State, subject to obtaining the prior consent of the Joint Global Coordinators and Joint Bookrunners; or
- (b) in any other circumstances falling within Article 1(4) of the Prospectus Regulation, provided that no such offer of the Ordinary Shares or GDRs shall require the Company to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “**offer to the public**” in relation to the Ordinary Shares or GDRs in any Member State means the communication in any form and by any means of sufficient information on the terms of an offering and the Ordinary Shares or GDRs so as to enable an investor to decide to purchase the Ordinary Shares or GDRs.

NOTICE TO UK INVESTORS

This Prospectus has been prepared on the basis that all offers of the Ordinary Shares or GDRs in the United Kingdom following approval by the FCA will be made pursuant to an exemption under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018. Accordingly, any person making or intending to make any offer within the United Kingdom of the Ordinary Shares or GDRs may only do so in circumstances in which no obligation arises for the Company to produce a prospectus pursuant to section 85 of the Financial Services and Markets Act 2000 or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation, in each case in relation to such offer. The Company has not authorised, nor will the Company authorise, the making of any offer of the Ordinary Shares or GDRs through any financial intermediary.

No offer of the Ordinary Shares or GDRs contemplated by this Prospectus may be made to the public in the United Kingdom prior to the publication of a prospectus in relation to the Ordinary Shares or GDRs that either (i) has been approved by the FCA or (ii) is to be treated as if it had been approved by the FCA in accordance with the transitional provisions in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, except that offers of the Ordinary Shares and GDRs may be made to the public in the United Kingdom at any time:

- (a) to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation, subject to obtaining the prior consent of the relevant Joint Global Coordinators and Joint Bookrunners nominated by the Group for any such offer); or

- (c) in any other circumstances falling within section 86 of the FSMA, provided that no such offer of the Ordinary Shares or GDRs shall require the Group or any Joint Global Coordinator or Joint Bookrunner to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation. Each person who initially acquires the Ordinary Shares or GDRs or to whom any offer is made will be deemed to have represented, warranted and agreed to, and with the Company, that it is a qualified investor within the meaning of Article 2 of the UK Prospectus Regulation.
- (d) In addition, in the United Kingdom, this Prospectus is only being distributed to and is only directed at: (1) Qualified Investors who are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”) or high net worth entities falling within Article 49(2)(a)-(d) of the Order; or (2) persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as “**relevant persons**”). The Ordinary Shares or GDRs are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with the relevant persons. This Prospectus and its contents should not be acted upon or relied upon by persons who are not relevant persons.

For the purposes of this provision, the expression “**an offer to the public**” in relation to any Ordinary Shares or GDRs in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offering and the Ordinary Shares or GDRs to be offered so as to enable an investor to decide to purchase or subscribe for the Ordinary Shares or GDRs.

NOTICE TO INVESTORS IN THE RUSSIAN FEDERATION

This Prospectus should not be considered as a public offer or advertisement of the Ordinary Shares or GDRs in the Russian Federation and is not an offer, or an invitation to make offers, to purchase any Ordinary Shares or GDRs in the Russian Federation. Neither the Ordinary Shares nor the GDRs nor the Prospectus or other document relating to them have been or will be registered with the Central Bank of the Russian Federation (the “**CBR**”).

NOTICE TO UNITED STATES INVESTORS

Because of the following restrictions, purchasers in the United States are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Ordinary Shares or GDRs.

Neither the Ordinary Shares nor the GDRs have been or will be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered or sold in the United States, except to persons reasonably believed to be QIBs or outside the United States in offshore transactions in reliance on Regulation S. Prospective investors are hereby notified that sellers of the Ordinary Shares and GDRs may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES NOR ANY OTHER U.S. REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED OF THE ORDINARY SHARES AND GDRS OR PASSED UPON OR ENDORSED THE MERITS OF THE ORDINARY SHARES AND GDRS OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

INCORPORATION BY REFERENCE

The following document shall be deemed to be incorporated in, and form part of, this prospectus, with the exception of documents incorporated by reference thereto:

- The Company's press release in relation to its 1H and 2Q 2021 operating results dated July 21, 2021.

Copies of the document incorporated by reference may be obtained from (i) the website of the Company at <https://www.etalongroup.com/investor-relations/investor-news/news-detail/news/detail/News/907/> and (ii) the registered office of the Company. For the avoidance of doubt, the contents of the Company's websites, or the websites of any member of the Group, do not form any part of this document unless otherwise indicated in this Prospectus.

CONTENTS

	<u>Page</u>
SUMMARY	1
RISK FACTORS	8
PRESENTATION OF FINANCIAL AND OTHER INFORMATION	39
CURRENCIES AND EXCHANGE RATES	50
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	52
AVAILABLE INFORMATION	54
DIVIDEND POLICY	55
CAPITALISATION	56
SELECTED CONSOLIDATED FINANCIAL INFORMATION	57
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	60
INDUSTRY	92
BUSINESS	105
REGULATION OF REAL ESTATE IN RUSSIA	163
DIRECTORS, MANAGEMENT AND CORPORATE GOVERNANCE	173
RELATED PARTY TRANSACTIONS	179
MATERIAL CONTRACTS	181
PRINCIPAL SHAREHOLDERS	183
DESCRIPTION OF SHARE CAPITAL AND CERTAIN REQUIREMENTS OF CYPRIOT LAW	185
TERMS AND CONDITIONS OF THE GLOBAL DEPOSITARY RECEIPTS	193
SUMMARY OF PROVISIONS RELATING TO THE GLOBAL DEPOSITARY RECEIPTS WHILST IN MASTER FORM	216
TAXATION	218
SELLING AND TRANSFER RESTRICTIONS	232
SETTLEMENT AND DELIVERY	236
INFORMATION RELATING TO THE DEPOSITARY	239
INDEPENDENT AUDITORS	240
GENERAL INFORMATION	241
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS	F-1

SUMMARY

INTRODUCTION

The following summary information should be read as an introduction to the more detailed information appearing elsewhere in this Prospectus, including our financial statements and the accompanying notes beginning on page F-2 of this Prospectus. Any decision to invest in the GDRs should be based on consideration of this Prospectus as a whole, including the information discussed in “Cautionary Note Regarding Forward-looking Statements” and “Risk Factors,” and not solely on this summarised information. The investor could lose all or part of the invested capital. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.

NAME AND ISIN OF THE SECURITIES

The ticker for the GDRs is ETLN. The ISIN for the Rule 144A GDRs is US29760G2021 and the ISIN for the Regulation S GDRs is US29760G1031.

IDENTITY AND CONTACT DETAILS OF THE ISSUER

Etalon Group plc (**LEI:213800U2O9SKHOYSDY32**) is a limited company registered in Cyprus with its registered address at 2-4 Arch. Makariou III Avenue, Capital Center, 9th floor, 1065 Nicosia, Cyprus and telephone number +44 (0)20 8123 1328.

IDENTITY AND CONTACT DETAILS OF THE COMPETENT AUTHORITY

Financial Conduct Authority, with its registered address at 12 Endeavour Square, London, E20 1JN, United Kingdom and telephone number +44 (0) 20 7066 8348.

DATE OF APPROVAL OF PROSPECTUS: 27 JULY 2021

KEY INFORMATION ON THE ISSUER

WHO IS THE ISSUER OF THE SECURITIES?

Etalon Group plc (**LEI:213800U2O9SKHOYSDY32**) is a limited company registered in Cyprus.

We are one of Russia’s largest and oldest residential real estate developers. In 2020, we were among the top nine developers in St. Petersburg and Moscow by sales on the primary real estate market, according to DOM.RF (*Primary Housing Market Data, 5 July 2021*), and the sixth largest developer in Russia, according to the Forbes Russia ranking (*Forbes Russia, 29 October 2020*).

Our strong portfolio is currently represented in the mid-market segment and partially in the upper segment. These segments include residential complexes in the comfort class, business class and premium price segments. With over 33 years of experience in real estate development and construction, we believe we have one of the longest track records in this sector in Russia, and we were ranked second among the top 20 most reliable developers by Forbes Russia in 2019 (*Forbes Russia, 2019*). Since our inception in 1987, we have successfully completed a total net sellable area of approximately 7.5 million square metres with approximately 0.5 million square metres, 0.6 million square metres and 0.5 million square metres delivered in 2018, 2019 and 2020, respectively.

For the years ended 31 December 2018, 2019 and 2020, our consolidated revenue was RUB 72.3 billion, RUB 84.3 billion and RUB 78.7 billion, respectively. For the year ended 31 December 2018, we had loss of RUB 0.7 billion, Adjusted EBITDA of RUB 7.2 billion, negative Net corporate debt of RUB 2.2 billion and negative Net corporate debt/Adjusted EBITDA ratio of 0.3x, while for the years ended 31 December 2019 and 2020, we had profit of RUB 0.2 billion and RUB 2.0 billion, Adjusted EBITDA of RUB 11.2 billion and RUB 16.5 billion, Net corporate debt of RUB 21.5 billion and RUB 19.6 billion and Net corporate debt/Adjusted EBITDA ratio of 1.9x and 1.2x, respectively.

The regions in which we operate are St. Petersburg and the Moscow Metropolitan Area, where we have achieved one of the leading positions, with 10% and 4% average annual market shares of total residential completions between 2010 and 2020 in St. Petersburg and between 2015 and 2020 in Moscow, respectively, based on Rosstat’s

data on total residential completions and the Company's calculations (*Rosstat, 2021*). Leveraging our extensive experience and capabilities, in 2008 we expanded our property development business into the Moscow Metropolitan Area by commencing development projects there. We further expanded our operations in Moscow by acquiring on 16 August 2019 a 100% stake in JSC "Leader-Invest", a Moscow-based residential developer which focuses on projects in the comfort, business and premium-class segments, and had total net sellable area of 1.3 million square metres as at 19 February 2019 (the date the Group acquired an initial 51% stake) and increasing on 14 June 2019 our stake to 100% in LLC Razvitie, which holds the development rights for the ZIL-Yug project.

As of 31 December 2020, our portfolio comprised 60 projects with approximately 2.8 million square metres of total unsold net sellable area, of which 26% and 74% were attributed to St. Petersburg and the Moscow Metropolitan Area, respectively. We expect that by 2024 our portfolio will include more than 6 million square metres of total unsold net sellable area, of which approximately 50% will be attributed to Moscow, approximately 40% to St. Petersburg (including 20%-30% of unzoned land for potential development) and approximately 10% to new regions.

We believe our project portfolio will generate a predictable cash flow stream for us, with approximately 52.4% of the portfolio's total unsold net sellable area comprising residential projects in the design stage, 34.9% comprising residential projects under construction, 12.3% comprising completed residential projects with unsold units and 0.3% comprising standing commercial property, as of 31 December 2020. With the view to secure a well-balanced schedule of completions and establish a basis for growth of new contract sales and revenue, we are considering new land acquisitions. Subject to the assumptions set out in the Valuation Report, our beneficial interest in the project portfolio amounted to USD 2.6 billion (RUB 191 billion) and the market value of the assets comprising our production unit amounted to USD 0.2 billion (RUB 13 billion) as of 31 December 2020.

In every region where we operate, we focus on construction of large-scale and mid-sized projects, while also realizing infill developments. To meet the demands of our customers, we focus on providing high quality living at affordable prices. We construct our residential complexes using monolithic concrete technology, which is commonly used for its high quality, scalability, design flexibility and capital expenditure efficiency, and which enables us to offer our customers exceptional value for money. We also intend to develop alternatives to monolithic concrete technology, including modern prefabricated construction methods, modular construction and construction from cross-laminated timber (CLT) panels, which can significantly reduce costs and construction time, while improving the quality of the final product. The defining feature of our residential developments is construction of entire estates and, in some cases, micro-districts, integrated with social infrastructure, including kindergartens, schools and hospitals. Our projects are primarily located close to city centres or in residential districts with well-developed transport and social infrastructure. Our product proposition is further enhanced through provision of on-site, consumer-oriented commercial properties, recreational areas and comprehensive property maintenance services, all of which contribute to the quality lifestyle that our customers value. We have the highest quality score (5 out of 5) according to the Russian Unified Register of Residential Real Estate Developers (ERZ).

We are able to create added value for our clients and shareholders at every stage of development: from land plot analysis and acquisition to the delivery of completed properties and provision of post-development housing services. A project's life cycle is divided into three key stages: land development, construction and ongoing services, and usually ranges from three to four-and-a-half years (however, our goal is to reduce this term). We aim to maximise return on investment at every stage, while also creating value for our customers in order to encourage loyalty to the Etalon brand. One of the ways that we are doing this is by creating an ecosystem platform that covers a wide range of convenient services for residents, from paying utility bills to food delivery and cleaning services.

Access to our potential customer base is substantially expanded through our nationwide marketing and sales network, one of the largest in the country. Focused on the regions in which people with the highest disposable income reside in Russia (including regions rich in natural resources), our network targets prospective buyers who are seeking to relocate or purchase housing in St. Petersburg and the Moscow Metropolitan Area. Our regional sales contracts accounted for approximately 32.5% of our total contracts concluded in 2020, and 30% in the first quarter of 2021.

We also view digital technologies in sales, such as virtual reality tours, remote mortgage approval and online sales, as offering key new channels to reach customers, which has been an important element in the development of our eco-system that provides wide range of interactions with potential buyers and owners of our apartments.

With an average of 4,671 employees during 2020, we have ample execution capabilities and technical expertise to manage the most important stages of the development process; from assessment of development opportunities to master planning and permit management, construction, nationwide marketing and sales, and on-going maintenance of the completed developments. We also operate in selected business areas critical to our property development business, including tower crane operations. We believe our business model allows us to control quality in the development process, and to lower our dependence on subcontractors in key areas.

Our Board of Directors currently consists of eleven directors. Two directors are executive directors and nine directors are non-executive directors, six of whom are also independent directors. The Chairman of our Board of Directors is Sergey Egorov, Gennadii Shcherbina and Maksim Berlovich acts as Executive Directors of the Company. Oleg Mubarakshin and Denis Vinokurov are Non-Executive Directors of the Company, and the other non-executive directors of the company are independent directors.

The Company's auditors are Deloitte Limited (the 2020 Consolidated Financial Statements and 2019 Consolidated Financial Statements) and KPMG Limited (the 2018 Consolidated Financial Statements).

The following table shows the principal shareholders of the issuer:

<u>Name of Shareholder</u>	<u>Number of Ordinary Shares</u>	<u>Per cent of Ordinary Shares</u>
BNY (Nominees) Limited ⁽¹⁾	294,251,042	76.74
PJSC "MTS-Bank" ⁽²⁾	88,487,390	23.08
Polunin Emerging Markets Small Cap LLC (USA)	669,464	0.18
Polunin Funds - Emerging Markets Small Cap Fund (Luxemburg)	37,462	0.01
Dehus Dolmen Nominees Limited ⁽³⁾	1	0.01
Sistema Management Cyprus Limited	2	0.01
Sistema Finance JSC	1	0.01

(1) The Ordinary Shares are held by BNY (Nominees) Limited as nominee for The Bank of New York Mellon, as custodian and depository for the Company's GDR facility. As of the date of this Prospectus, Sistema (through its subsidiary Capgrowth Investments Limited) owns 25,743,576 equity securities in the Company, in the form GDRs.

(2) PJSC "MTS-Bank" holds 88,487,390 Ordinary Shares as custodian of Sistema Capital LLC which acts as an Asset Manager for and behalf of Capgrowth Investments Limited, Sistema's subsidiary.

(3) The Ordinary Share held by Dehus Dolmen Nominees Limited is beneficially owned by the Baring Vostok Funds.

The following table sets forth the holders of GDRs who, based on the information provided by IHS Markit, and available as of 10 June 2021, own at least 1% of the ordinary share capital, as of the dates specified in the respective column:

<u>Name of Holder</u>	<u>Number of GDRs</u>	<u>Per cent of Ordinary Shares represented by GDRs</u>	<u>Information as of</u>
Norges Bank Investment Management	11,318,840	3.0%	31 December 2020
East Capital Asset Management ...	5,232,509	1.4%	30 April 2021
Swedbank Robur Fonder AB	4,660,721	1.2%	31 May 2021
M&G Investment Management, ...	4,553,428	1.2%	30 April 2021

In addition, the following table sets forth the holders of GDRs that submitted to us notifications upon crossing certain ownership thresholds in accordance with Cypriot securities laws:

<u>Name of Holder</u>	<u>Number of GDRs</u>	<u>Per cent of Ordinary Shares represented by GDRs</u>	<u>Information as of</u>
Alfa Bank ¹	64,143,016	16.7%	19 May 2021
Capgrowth Investments Limited (Sistema's subsidiary)	25,743,576	6.7%	04 June 2021

¹ According to PCA notification received by the Company

Name of Holder	Number of GDRs	Per cent of Ordinary Shares represented by GDRs	Information as of
Mubadala Investment Company	24,083,239	6.3%	21 May 2021
Kopernik Global Investors	19,329,515	5.0%	21 July 2021
Prosperity Capital Management ...	15,741,295	4.1%	25 January 2021
GIC Private Limited	14,210,623	3.7%	8 June 2020
Baring Vostok.....	11,231,256	2.9%	22 July 2020

WHAT IS THE KEY FINANCIAL INFORMATION REGARDING THE ISSUER?

The selected consolidated financial information set forth below has been extracted without material adjustment from our Consolidated Financial Statements.

Consolidated statement of profit or loss and other comprehensive income data

	For the year ended 31 December		
	2018 (restated) ⁽¹⁾	2019	2020
	mln RUB		
Revenue	72,327	84,330	78,655
<i>Year-on-year revenue growth</i>	<i>2.4%</i>	<i>16.6%</i>	<i>(6.7%)</i>
Cost of sales	(55,272)	(64,273)	(56,740)
Gross profit	17,055	20,057	21,915
<i>Gross profit margin</i> ²	<i>23.6%</i>	<i>23.8%</i>	<i>27.9%</i>
General and administrative expenses	(6,922)	(7,280)	(5,235)
Selling expenses	(3,318)	(4,822)	(4,560)
Impairment loss on trade and other receivables	(800)	(476)	(329)
Gain from bargain purchase	-	729	-
Other expenses, net	(2,811)	(1,724)	(1,573)
Results from operating activities	3,204	6,484	10,218
Finance income (interest revenue and other)	2,284	2,991	2,016
Finance costs	(5,065)	(7,704)	(7,512)
Profit before income tax	423	1,771	4,722
Income tax expense	(1,123)	(1,585)	(2,686)
Profit/(loss) for the year	(700)	186	2,036
Basic and diluted earnings (loss) per share	0,12	(2,53)	(2,41)

(1) The 2018 restated financial data represents the Group's change in accounting policy effective from 1 January 2019 with respect to capitalisation of borrowing costs and significant financing component.

Consolidated statement of financial position data

	As of 31 December		
	2018 (restated)	2019	2020
	mln RUB		
Non-current assets	12,842	13,429	15,568
Current assets	111,695	157,915	170,951
Total assets	124,537	171,344	186,519
Total equity	55,291	52,576	51,073
Non-current liabilities	21,274	52,064	69,429
Current liabilities	47,972	66,704	66,017
Total equity and liabilities	124,537	171,344	186,519

² Percentage of gross profit divided by Revenue

Consolidated statement of cash flows data

	For the year ended 31 December		
	2018	2019	2020
	(restated)	mln RUB	
Net cash from/(used in) operating activities.....	15,157	8,512	(897)
Net cash (used in)/from investing activities.....	596	(7,037)	1,164
Net cash (used in)/from financing activities.....	(7,230)	6,762	(5,589)
Net increase/(decrease) in cash and cash equivalents.....	8,523	8,237	(5,322)

Other financial data

	As of, and for the year ended 31 December		
	2018	2019	2020
Adjusted EBITDA (mln RUB) ⁽¹⁾	7,180	11,175	16,482
Adjusted EBITDA margin (%) ⁽²⁾	10	13	21
Net corporate debt (mln RUB) ⁽³⁾	(2,154)	21,484	19,580
Net corporate debt/Adjusted EBITDA ratio ⁽⁴⁾	(0.30)	1.92	1.19
Adjusted net debt (mln RUB) ⁽⁵⁾	(25,491)	(30,988)	(52,074)
Adjusted net debt/Adjusted EBITDA ratio ⁽⁶⁾	(3.55)	(2.77)	(3.16)

- (1) Adjusted EBITDA for each period is defined as profit/(loss) for the year before net finance costs, income tax expense, depreciation and amortisation and effect of purchase price allocation, impairment loss on trade and other receivables, gain from bargain purchase from acquisition of subsidiary and net other expenses.

The following table presents a reconciliation of Adjusted EBITDA for the years indicated:

	For the year ended 31 December		
	2018	2019	2020
	mln RUB		
Profit/(loss) for the year.....	(700)	186	2,036
Income tax expense.....	1,123	1,585	2,686
Net finance costs.....	2,781	4,713	5,496
Impairment loss on trade and other receivables.....	800	476	329
Gain from bargain purchase from acquisition of subsidiary.....	-	(729)	-
Other expenses, net.....	2,811	1,724	1,573
Depreciation and amortisation.....	365	542	481
Purchase price allocation from acquisition of JSC "Leader-Invest" included in cost of sales.....	-	2,678	3,881
Adjusted EBITDA.....	7,180	11,175	16,482

- (2) Adjusted EBITDA margin represents Adjusted EBITDA divided by revenue.
- (3) Net corporate debt is calculated as loans and borrowings less cash and cash equivalents, bank deposits over 3 months and secured project financing.

	For the year ended 31 December		
	2018	2019	2020
	mln RUB		
Loans and borrowings.....	20,912	52,692	50,505
Less: Cash and cash equivalents.....	(23,066)	(31,128)	(25,830)
Less: Bank deposits over 3 months.....	-	(80)	(100)
Less: secured project financing.....	-	-	(4,995)
Net corporate debt.....	(2,154)	21,484	19,580

- (4) Net corporate debt to Adjusted EBITDA is a ratio calculated by dividing Net corporate debt by Adjusted EBITDA. We use this measure as well as Adjusted net debt to Adjusted EBITDA as the principal statistics for evaluating the impact of the total size of our net borrowings on our operations.
- (5) Adjusted net debt as loans and borrowings less cash and cash equivalents and bank deposits over 3 months plus contract liabilities in the Residential development segment less balance of inventories under construction. Adjusted net debt measures the Group's net indebtedness that provides an indicator of the overall balance sheet strength.

	For the year ended 31 December		
	2018	2019	2020
		mln RUB	
Loans and borrowings	20,912	52,692	50,505
Less: Cash and cash equivalents	(23,066)	(31,128)	(25,830)
Less: Bank deposits over 3 months	-	(80)	(100)
Add: Contract liabilities in the Residential development segment	26,716	32,798	25,530
Less: Inventories under construction	(50,053)	(85,270)	(102,179)
Adjusted net debt	(25,491)	(30,988)	(52,074)

(6) Adjusted net debt to Adjusted EBITDA is a ratio calculated by dividing Adjusted net debt by Adjusted EBITDA.

WHAT ARE THE KEY RISKS THAT ARE SPECIFIC TO THE ISSUER?

An investment in the GDRs involves a high degree of risk, including those relating to or arising from the Group's business and industry, political, social, economic, legislative and legal risks associated with Russia and including business risks associated with the following matters:

- cyclical nature of the Russian real estate market;
- numerous development, construction and investment risks inherent to real estate development;
- potential delays in commencement or completion of construction and financial loss with respect to real estate development projects, a number of which are currently in the early stages of development;
- our ability to obtain adequate capital to fund our working capital requirements, including the effect of the amendments to the Shared Construction Law on our ability to finance construction projects from pre-sales of flats;
- our ability to locate and acquire land suitable for development at attractive prices and upon favourable terms and conditions;
- potential delays or refusals in, or challenges to, (i) acquiring legal title, ownership interests or lease rights in land and difficulty or impossibility of establishing legal title that is not susceptible to challenge or delays or entering into, and/or renewing as they expire, land lease agreements/rights; and (ii) obtaining all necessary governmental permits and authorisations and our ability to comply with the terms and conditions of such permits and authorisations;
- broad discretion of various governmental authorities over the issuance of development rights and potential deterioration of our relationships with such authorities;
- our ability to execute formal agreements and/or obtain rights necessary to complete the development of several projects included in the Valuation Report, including execution of final sale and purchase agreements, investment contracts and lease agreements, and registration of such agreements (as applicable) with appropriate governmental authorities;
- real estate appraisals with respect to the properties and projects included in this Prospectus, which may not reflect their actual market values because determining such values is an inherently subjective process;
- our ability to achieve our production plan or sales targets whilst operating in a highly competitive industry;
- geographic concentration of our project portfolio in St. Petersburg and the Moscow Metropolitan Area;
- availability and cost of components, materials and external subcontractors, and availability of sufficient local infrastructure; and
- the ability of our major shareholder to exert significant influence over us.

The foregoing is not a comprehensive list of the risks and uncertainties to which the Company is subject. Investors should carefully consider all of the information in the Prospectus, including the information included under “*Risk Factors*”.

KEY INFORMATION ON THE SECURITIES

WHAT ARE THE MAIN FEATURES OF THE SECURITIES?

The GDRs are issued pursuant to the Deposit Agreement. Each GDR represents an interest in one Ordinary Share on deposit with the Custodian.

The ISIN for the Rule 144A GDRs is US29760G2021, the Common Code for the Rule 144A GDRs is 061455477, and the CUSIP number for the Rule 144A GDRs is 26970G 202.

The ISIN for the Regulation S GDRs is US29760G1031, the Common Code for the Regulation S GDRs is 053579302, and the CUSIP number for the Regulation S GDRs is 26970G 103.

The London Stock Exchange trading symbol is ETLN and the currency of the GDRs is U.S. \$.

Each GDR carries the right to vote one Ordinary Share, subject to the provisions of the Terms and Conditions of the GDRs and applicable law. Each Ordinary Share carries one vote. The GDRs will be subject to certain transfer restrictions under the relevant laws in certain jurisdictions applicable to the transferor or transferee, including the United States, the United Kingdom, the EEA and other jurisdictions.

On 15 November 2013, the Board of Directors of the Company approved the Company’s dividend policy (the “**Dividend Policy**”) which sets forth recommendations on the size of dividends. The Dividend Policy has most recently been updated on 24 January 2020 with a minimum guaranteed dividend payment of RUB 12 per share or GDR, provided the Company’s EBITDA to interest expense ratio remains above 1.5. The amount of dividend payments, if any, for any particular period will depend, among other things, on our financial position, results of operations, cash flows, future prospects and any statutory restrictions.

WHERE WILL THE SECURITIES BE TRADED?

Application will be made for the Additional GDRs to be admitted to the Official List and to the LSE to admit the Additional GDRs to trading on the Regulated Market through its IOB.

WHAT ARE THE KEY RISKS THAT ARE SPECIFIC TO THE SECURITIES?

An investment in the GDRs involves a high degree of risk, including risks arising from the nature of the GDRs and the markets upon which they are expected to be traded, including risks associated with the following matters:

- voting rights with respect to the Ordinary Shares represented by the GDRs are limited by the terms of the Deposit Agreement for the GDRs and subject to relevant requirements of Cypriot law and the Company’s articles of association; and
- we may decide not to pay dividends in the future and our ability to pay dividends will depend upon the level of dividends and distributions, if any, received from our operating subsidiaries and other factors.

The foregoing is not a comprehensive list of the risks and uncertainties to which the GDRs are subject. Investors should carefully consider all of the information in the Prospectus, including the information included under “*Risk Factors*”.

KEY INFORMATION ON THE ADMISSION TO TRADING ON A REGULATED MARKET

WHY IS THIS PROSPECTUS BEING PRODUCED?

This Prospectus is being produced solely for the purpose of the Application to Increase the Block Listing.

8(c)

RISK FACTORS

An investment in the GDRs involves a high degree of risk. You should carefully consider the risks described below and the other information contained in this Prospectus before making a decision to invest in the GDRs. Any of the following risks, individually or together, could adversely affect our business, financial condition and results of operations, in which case the trading price of the GDRs could decline and you could lose all or part of your investment.

We have described the risks and uncertainties that we believe are material, but these risks and uncertainties may not be the only ones we face. Additional risks and uncertainties of which we are currently not aware or which we currently deem immaterial may also have an adverse effect on our business, financial condition and results of operations.

Prospective investors should be aware that the value of the GDRs and any income from them may go down as well as up and that investors may not be able to realise their initial investment.

RISKS RELATING TO OUR BUSINESS

The Russian real estate market is cyclical in nature and could be adversely affected by economic downturns.

The Russian real estate market is cyclical in nature and is generally dependent on the state of the Russian economy, which also tends to be cyclical. Demand for real estate depends primarily on income levels and the general economic and financial situation in the Russian Federation. In the past, economic downturns led to reductions in the disposable income of the general population, rises in the unemployment rate and, consequently, reductions in demand for, and corresponding substantial declines in the values of, commercial and residential real estate. In addition, the economic downturns also affected the availability of mortgage financing for prospective purchasers of real estate, which led to further declines in the general demand for real estate products and associated further erosion of their selling prices. As a consequence, the economic decline had a material adverse effect on the real estate development and construction sectors of the Russian economy. For a more detailed discussion on the developments in the industry, see “*Industry—Russian Residential Real Estate Market Overview*”. These factors had a pronounced negative effect on various aspects of our business, financial condition and results of our operations, largely affecting our earnings.

In 2018 and 2019, the Russian economy showed some signs of recovery from abrupt downturns it had been subject to in the past, recording real GDP growth of 2.8% and 2.0%, respectively. However, in December 2019, WHO reported a new coronavirus (COVID-19) first noticed in Wuhan, China, which, starting from the early 2020, has rapidly spread across the world. In March 2020, WHO issued an announcement recognising it as a global pandemic. Responses put in place by many countries to contain the spread of COVID-19 resulted in significant operational disruption for many companies and had a significant impact on businesses across a wide range of sectors, including, but not limited to interruptions of production, closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. The quarantine measures introduced in the Russian Federation included, among others, the temporary closure of our sales offices. In addition to that, the Government of Moscow imposed a temporary ban on construction works that lasted from 13 April 2020 until 12 May 2020. Although we believe that the we had put in place a set of measures which allowed us to adequately mitigate the effects of the COVID-19 pandemic such as introduction of an online retail sales system which permitted our sales to continue uninterrupted; expeditious resumption of construction works shortly after the lifting of the ban and successful ensuring of health and safety protection on our sites, the Group’s operational results were nonetheless affected by the pandemic due to the overall negative impact sustained by the Russian economy in general (real GDP declined by 3.0% in 2020) resulting in a rise in unemployment (5.8% in 2020 against 4.6% in 2019) and deterioration of the population spending power (the real disposable income declined by 3.5% in 2020 year-on-year), and thus, decrease in demand for our properties. See “*Management’s Discussion and Analysis of Financial Condition—Key Factors Affecting Our Results of Operations—Macroeconomic Factors*.” No assurance can be given that the Group will not experience increasingly broad effects of COVID-19 or its “new waves”, which could include, *inter alia*, further suspension of construction works, greater costs of compliance with legislation adopted to tackle the pandemic spread, delays in deliveries of sold properties, liquidity constraints and reduced cash flows. The significance of the impact of COVID-19 pandemic on our business will largely depend on the duration and the incidence of the pandemic effects on the world and the Russian economy, and the Group may be unable to predict the scope of such impact.

In the event of a reoccurrence or continuation of the recent economic downturn and the resulting deterioration of the Russian economy, the demand for properties, and particularly residential properties, could be directly and

materially adversely affected. A decrease in demand for properties could result in a decline in construction activity and a related decrease in demand for construction materials. Consequently, in the event of a reoccurrence or continuation of the recent economic downturn and the related deterioration of the Russian economy, our business, financial condition, results of operations and the value of our properties could be materially adversely affected.

Our revenues depend on a number of factors, any or all of which could materially adversely affect our business, financial condition, results of operations and the value of our properties.

We derive a substantial portion of our revenues from the sale of real estate properties in St. Petersburg and Moscow Metropolitan Area. Our returns on these sales depend on overall levels of supply and demand in the marketplace, the selling prices that we are able to achieve and expenses incurred in the development and management of our properties. These factors and, consequently, our returns may fluctuate in response to a number of considerations, including, inter alia, national, regional and local social and economic conditions, changes in customer preferences and perceptions as to the attractiveness, quality, comfort, safety and location of our projects and properties, unanticipated development and other costs, price for construction services and related expenses, the availability and cost of rental housing to our customers, the availability of mortgage and other financing for potential purchasers of our properties and the long time period between planning and completion of our projects.

Any or all of these factors could materially adversely affect our business, financial condition and results of operations. Should demand start to fall, we may have to sell or let our projects at a loss or may not be able to sell our projects at all, which would have a material adverse effect on our business, results of operations and the financial condition.

We are subject to numerous development, construction and investment risks inherent to real estate development.

The development of real estate properties involves general investment risks, including the risks that the assumptions, estimates and valuations related to the land we acquire and projects we intend to develop may prove inaccurate (including the assumptions and estimates relating to the possible uses of properties or the viability of certain projects). Construction and development activities are time consuming, require significant financial investments, and involve establishing and maintaining important business relationships with various parties, including suppliers, subcontractors, utility service providers and potential purchasers.

Moreover, although, as part of our normal course of business, we research, conduct valuations and market studies and verify legal and technical requirements of the properties we intend to acquire for our development projects, we can give no assurance that properties we have acquired will not be subject to material risks that were not apparent at the time of acquisition, including, without limitation, environmental risks and legal restrictions. Further, we cannot give any assurance that the assumptions on which the valuations are based were accurate at the time they were made or will continue to be accurate. These risks could cause the value of our properties to decline, lead to claims for damages, require us to incur significant additional costs or, in some circumstances, require us to delay or cease development on such properties, any of which could have a material adverse effect on our business, financial condition and results of operations. For example, entry into force of the new amendments to the Shared Construction Law (“**2019 Shared Construction Law Amendments**”) providing for the mandatory use of escrow accounts for keeping the funds received from pre-sales of our properties has caused our management to make a significant re-evaluation of the economic efficiency of the projects which are scheduled for commissioning after 2021 due to increase in costs associated with financing of our projects. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Results of Operations—Liquidity and Capital Resources*”.

Our projects may be subject to delay, non-completion and financial loss.

Our projects are at various stages of development. According to the Valuation Report, as of 31 December 2020, approximately 52.5% of the portfolio’s total unsold net sellable area comprised residential projects in the design stage, 34.9% comprised residential projects under construction, 12.3% comprised completed residential projects with unsold units and 0.3% comprised standing commercial property. Property developments typically require substantial capital outlays during construction periods and these are generally funded with project financing. The financing amounts are as a rule repaid out of funds pre-paid by individuals to escrow accounts upon commissioning of the relevant residential project. Therefore, the Group only generates positive cash flows from a construction project once it is commissioned, and if pre-paid amounts exceed the outstanding project financing for that project. Real estate development, construction and acquisition activities are subject to significant risks of delay, non-completion and financial loss due to, among other factors:

- changing market conditions, which may result in diminished demand for developed properties and lower than expected sale prices;
- impossibility due to legal regulation or our failure to generate sufficient level of pre-sales to finance construction;
- our failure to ensure receipt of sufficient cash flows to the escrow accounts, which could prevent us from enjoying decreased interest rates on our loans or result in acceleration of our debt;
- potential inability to obtain or renew land lease rights from governmental authorities;
- budget overruns and completion delays with respect to real estate development projects;
- potential inability to obtain financing on favourable terms or at all;
- potential delays or refusals in obtaining all necessary land use, building, occupancy and other required governmental permits and authorisations, including investment contracts with local and regional authorities;
- potential title or other defects in acquired land plots, including latent defects that may not reveal themselves until many years after we develop a property;
- potential liabilities relating to acquired land, properties or entities owning properties for which we may have limited or no recourse;
- compulsory sale of developed properties to the Russian federal government or a regional government triggered by government infrastructure development plans;
- obligations relating to the preservation and protection of the environment and the historic and cultural heritage of Russia, as well as social obligations;
- restrictions and encumbrances in land leases, as well as provisions governing the assignment or disposal of land lease rights or other provisions affecting property value;
- inability to fulfil the terms of investment contracts;
- potential liabilities relating to warranties and guarantees given by us for the quality of construction work performed subsequent to the date on which the project was transferred to the customer, generally for a period after the transfer of up to 5 years for construction works and 3 years for process and utility equipment;
- limited availability of energy and other utilities and adequate transportation infrastructure, or failure by government authorities and public utilities to create it on an adequate and timely basis;
- changes in laws and governmental regulations and tax laws or the interpretation or application thereof;
- changes in town planning and zoning regulations or the interpretation or application thereof; and
- possible industrial accidents, deterioration of ground conditions (e.g., presence of underground water), and potential liability under environmental laws (e.g., for soil and site contamination, air contamination and contamination of adjacent areas and the use of hazardous substances, etc.) and other laws.

The occurrence of one or more of these factors could materially adversely affect our business, financial condition and results of operations.

One of our main focus areas is the development of large-scale residential complexes. The complexity and scale of these projects may increase the risk of failure to complete such projects within our projected timetables or projected budget compared to projects that are less complex.

In addition, if our construction processes are delayed or disrupted, our reputation may be negatively affected. We may face interruptions, shutdowns or periods of reduced production due to human error in the operation of machines, power outages, equipment failure, labour disputes, accidents, weather and natural disasters or other occurrences that have an impact on the productive availability of machines, material or manpower. Difficulties encountered in the construction process can reduce production yields or interrupt production and may make it

difficult for us to complete projects on time or in a cost-effective or competitive manner. Any inability to complete our projects, deliver our products or perform our services on time or at a competitive cost could result in us incurring contractual penalties and other associated monetary losses, as well as in legal claims against the Group in connection with any of the foregoing and could negatively affect our reputation in the market, which could deter customers from purchasing our products and services and in turn have a material adverse effect on our business, financial condition and results of operations.

Our ability to finance construction projects may be materially adversely affected by the Shared Construction Law.

Since 1 July 2019, under the Russian Federal Law No. 214-FZ “On Participation in Shared Construction of Apartment Buildings and Other Real Estate,” which came into effect in April 2005 (the “**Shared Construction Law**”) developers that sell properties using shared construction agreements, as a general rule and subject to certain temporary provisions, are required to keep funds received from their customers in escrow accounts. The developer has no access to these funds until the relevant construction project is commissioned. Until such commissioning, the developer is expected to fund construction from other sources, such as own or borrowed funds (project financing) from the bank where customers’ escrow accounts are opened. Having a solid credit history, the Group does not generally experience difficulties with raising project financing, however, the shift to the escrow structure has created additional strain on the Group due to the necessity to provide substantial security to its lenders and to involve them into the assessment of the feasibility of its projects, which significantly limits the Group’s flexibility. The Group is also subject to ongoing monitoring of its operational performance by its lenders, and in the event of insufficiency of cash flows in the escrow accounts kept with the relevant lender, the interest rates on the Group’s indebtedness could be increased or its indebtedness could be accelerated, which could have a material adverse effect on the Group’s financial position and results of operations.

As an exception, a developer may in certain cases avoid using the escrow account model, provided that the developer makes contributions to the special compensation fund for the protection of private investors, which is used for paying compensation to private investors in the event of the developer’s bankruptcy and for financing the completion of unfinished construction. See “*Regulation of Real Estate in Russia— Residential Construction—Financing and Sale.*” The Group is only able to implement a limited number of ongoing projects under this exception while the majority of the Group’s projects are implemented through the escrow structure.

We cannot assure you that the Government will not adopt more stringent laws and regulations in the future, or more stringent interpretation of existing laws and regulations with respect to the real property industry, including the financing of the developers’ activity. If we fail to adapt our operations to new laws and regulations that may come into effect from time to time, or to more stringent interpretation of existing laws and regulations with respect to the real property industry, such changes may disrupt our business or cause us to incur additional costs, our business, financial condition and results of operations may be materially and adversely affected.

Our business is capital intensive; if we are unable to obtain adequate capital, our ability to fund our working capital requirements may be constrained and we may have to limit our operations substantially, which could have a material adverse effect on our business, financial condition and results of operations.

Real estate development is a capital-intensive business. We have significant ongoing liquidity and working capital requirements in order to fund and maintain our current level of operation.

We have historically financed our capital requirements from a range of sources, but principally from operational cash flows, including the pre-sale of properties, as well as from bank loans and certain unsecured bond issuances. Our sales and operational cash flows, to a large extent, depend on a number of economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Moreover, as a result of recent legislative changes, we are no longer able to receive the funds from the pre-sale of properties that we are building using the newly introduced escrow accounts structure, such funds instead going into escrow accounts where they remain until the completion of the construction, which requires that we seek other sources of funding for our working capital needs, primarily project financing. See “— *Our ability to finance construction projects may be materially adversely affected by the Shared Construction Law.*” We cannot assure you that the cash flow available for land acquisitions or property development will not be constrained or that it will not be challenging to attract sufficient project financing in a timely manner.

We have in the past needed to raise equity or debt financing in Russian and international capital markets to fund the working capital and capital expenditure requirements of our business, including the acquisition of land or properties for development. Debt financing in Russia, particularly long-term debt financing on commercially

acceptable terms, has been and may continue to be generally difficult to obtain. The debt portfolio of the Group includes medium and long term debt arrangements with several Russian banks which are among a very limited number of creditworthy credit institutions we are able to engage in financing transactions with. *See “—Risks Related To The Political And Social Environment In Russia—We are only able to conduct banking transactions with a limited number of Russian banks based on their ratings and ability to meet the legislation requirements, as the Russian banking system remains underdeveloped”.* We also may not be able to borrow on the Russian or international capital markets on acceptable terms or at all in the future.

Our ability to obtain equity financing in the amounts sufficient to meet our financial needs could be adversely affected by many factors, which may be beyond our control, including, but not limited to, global and domestic economic conditions, the health of the Russian securities market and regulatory developments. For example, the recent economic downturn has adversely affected international equity markets and prices of equity securities. Equity markets of developing economies, such as the Russian economy, are more volatile than equity markets of developed market economies. Such volatility may have a material adverse effect on our ability to obtain equity financing on acceptable terms or at all.

Issue of additional Ordinary Shares by us may require consent of our shareholders, including major shareholders, who may experience significant dilution as a result of an offering of additional Ordinary Shares to investors. We may not be able to procure the required consents of our shareholders and may not be able to obtain equity financing as a result. *See also “—Our majority shareholder has the ability to exert significant influence over us, and its interests could conflict with those of the holders of the Ordinary Shares and GDRs.”*

Any of the foregoing factors may reduce our access to capital resources and compel us to utilise less efficient financing options for the construction of new housing before apartments are sold to customers. If we cannot obtain adequate funds, it could have a material adverse effect on our business, financial condition and results of operations. Notwithstanding this, the Group continues to have sufficient working capital for its present requirements, that is for a period of at least the next 12 months following the date of this Prospectus.

The success of our property development business strategy and profitability depends heavily upon our ability to locate and acquire land suitable for development at attractive prices and upon favourable terms and conditions.

Our historical growth and profitability have been attributable, in part, to our ability to locate and acquire land at attractive prices and on favourable terms and conditions. Along with maintaining sufficient land bank for sustainable active development over the short to medium term, as a strategic approach we also seek to acquire unzoned land plots, which will allow us to extend our development plans over a longer term and also increase the gross profit margin of our future projects. In the past, we have been able to acquire sufficient land suitable for our developments. There can be no assurance, however, that we will continue to be able to identify and acquire sufficient sites in the future at attractive prices or on favourable terms and conditions. In addition, we also face the risk that competitors may anticipate certain potential investment opportunities and exploit them ahead of us. Any inability to identify and acquire sufficient sites for our land reserves at commercially acceptable prices, terms and conditions could have a material adversely affect our business, financial condition and results of operations.

Acquisition of Russian real estate land plots or development rights from third parties may be costly or unsuccessful.

We may acquire land plots or development rights from third parties. Such acquisitions involve a number of risks inherent in assessing the values, strengths, weaknesses and profitability of properties, as well as the potential improvements needed to increase financial returns. In particular, there can be no assurance that unanticipated problems (such as changes in laws, or the interpretation or application thereof, relating to the ownership or use of real estate, defects in title to such real estate acquired by us, as well as limited ability to insure against such events in Russia) and undisclosed liabilities or contingencies (such as the existence of hazardous substances or other environmental liabilities) will not arise with respect to the acquired properties or that the acquired properties will achieve, upon completion of the relevant development project, the anticipated sales, rental rates or occupancy levels factored into the pricing of such acquisitions.

When making acquisitions, we seek to obtain appropriate contractual protection. However, we cannot guarantee that we will be able to obtain comprehensive protection, nor can we guarantee the adequacy and enforceability of such protection (to the extent obtained). If our contractual protection is not sufficient to protect us from any liabilities of acquired entities or encumbrances of acquired properties, levels of profitability of any relevant

investment may be substantially lower than our forecasts, negatively affecting our business, financial condition and results of operations.

In addition, we may acquire land plots for development where there may be existing tenants under short-term lease agreements or under long-term lease agreements that had not yet been registered by the date when we applied to the Register. In so doing, we may acquire lease liabilities and obligations that pass to a new owner of a property with such encumbrances. As a consequence, our earnings may be adversely affected to the extent that we are obliged to give continued occupation to tenants with lease payments below the then market rate for such development. In addition, we may incur costs in obtaining vacant possession of a site where there are existing tenants who have occupation rights that are protected by state regulations. In such cases, we are required to pay compensation to such tenants. Alternatively, we may be obliged to relocate such tenants, which could delay the development of the site and add to the cost of development.

The process of acquiring legal title to our assets is time-consuming and cumbersome, and it can be difficult or impossible to establish that title is not susceptible to challenge.

Legal title to real estate assets exists only to the extent it is recorded in the Unified State Register of Real Estate (the “**Register**”). Despite the fact that entries in the Register are considered to be the only conclusive evidence of the existence of the relevant ownership right or transaction, any interested party may challenge rights registered with the Register in court. Furthermore, ownership or other rights acquired prior to 31 January 1998 are recognised without a record in the Register, and the Register does not provide an exhaustive record of ownership or other rights acquired prior to 31 January 1998. Although the Register is expected to give clear guarantees relating to the accuracy and completeness of the information contained in this database, there are occasions on which this has not been the case. Information in the Register may sometimes contain inaccurate, incomplete or imprecise information, for example, with respect to exact land plot borders or dimensions, or rights-of-way, which, if challenged or applied, could lead to future litigation, or require us to make changes to planned, ongoing or completed construction, possibly at significant cost to us. Although we may be forced to rely upon the information contained in this database when acquiring real property, we may not have effective redress against the authorities responsible for the maintenance of this database if the information upon which we relied was inaccurate, misleading or incomplete.

The information in the Register may also be subject to court challenges by any interested party. We did not review the most recent information recorded in the Register nor did we get the most recent extracts from the Register in relation to some of our properties described in this Prospectus. Accordingly, there is a risk that the information in this Prospectus describing our rights to such real estate projects and encumbrances thereof may differ from the information contained in the Register.

In general, we may only acquire title to assets that is as good as the title held by the seller of such assets. It can be difficult, or impossible in certain cases, to establish beyond doubt that such title would not be susceptible to a challenge. Any successful challenge to the validity of a seller’s title to an asset may have adverse consequences for our title to such asset, which, in turn, could have a material adverse effect on our business, financial condition and results of operations. Under Russian law, transactions involving real estate may be challenged on many grounds, including sellers or assignors of rights to real estate not having the rights to dispose of such real estate, breaches of internal corporate approval requirements by a counterparty, breaches of the right of first refusal of local authorities in relation to a purchase of agricultural land, failures to receive appropriate permissions from local authorities to amend provisions relating to allowed use of property in a land lease, and failures to register the transfer of title in the Register. Some of our properties were acquired from individuals and there is no independent way for us to verify the capacity of such individuals to sell us such properties or their compliance with spousal consent requirements. As a result, defects in any of our previous real estate transactions may lead to the invalidation of such transactions, which may affect our title or lease rights to such real estate. Further, under Russian law, certain encumbrances of real estate (including leases of less than one year and free of charge use agreements) do not need to be registered in the Register in order to validly encumber the property. Likewise, there may be valid encumbrances that existed but were not yet registered at the time when we examined the Register.

Obtaining the requisite permits and approvals for the operation of our business is time-consuming, and any failure to comply with the terms and conditions of our licenses and permits or other governmental regulations and requirements could materially adversely affect our business, financial condition and results of operations.

Our operations and properties are subject to regulation by various governmental entities and agencies in connection with obtaining and renewing various licenses, permits, approvals and authorisations, as well as with ongoing compliance with existing laws, regulations and standards. The planning and approval process in most

parts of the Russian Federation is bureaucratic and involves uncertainty. For any project being developed in Russia, the architectural and detailed project design (including building area development plan) must be approved by several administrative bodies within the appropriate local or regional government. In addition, each project must receive administrative approvals from various governmental agencies, including the fire, health and safety, environmental protection and sanitary departments, as well as technical approvals from various utility providers, including electricity, gas and sewage services.

Some of our developments are located on state-owned land. The construction of a new building on a state-owned land plot requires execution of a lease agreement. Obtaining necessary approvals and permissions for execution of the lease agreement is a complicated and time-consuming process. Certain permissions and authorisations may only be obtained if we have entered into a land lease agreement that is in effect when we apply for the relevant permission or authorisation. See “—*Challenges to our ownership interests or lease rights in land, our failure to enter into land lease agreements or renew land lease rights as they expire could have a material adverse effect on our business, financial condition and results of operations.*” These requirements may hinder, delay or significantly increase the costs of our development activities. Moreover, a change in our development plans relating to the type of building to be constructed or its major parameters would require us to prepare a new set of detailed project design documentation and re-obtain a large number of permissions and authorisations, which would significantly delay the development process.

A number of approvals of preliminary planning design, architectural and detailed project design, as well as land lease rights and approval of the permitted use of the land, are necessary in order to receive permission to commence construction on a land plot. The construction or renovation of buildings is carried out pursuant to detailed project design documentation, and, ultimately, upon the issuance of a construction permit issued by the regional or local authorities. In some cases, we may need to have the construction permit amended to reflect changes to the scope and nature of the project. See “*Regulation of Real Estate in Russia—Construction and Development—Construction Permit*”. Our site preparation activities frequently include, but are not limited to, site clearing of brush and minor debris, grading general excavation and excavation for utility trenches and pile foundation works. Although some of these activities are expressly permitted by applicable regulations, we cannot assure you that the relevant authorities will not find these activities to constitute construction requiring a construction permit and take action against us for technical non-compliance with applicable laws, regulations and requirements in the future. Moreover, we may be subject to fines or other penalties for commencement of construction without a construction permit.

Construction without a valid construction permit is a violation of Russian law and, currently, federal and regional governments are taking steps to enhance monitoring in this field. Effective implementation of these measures might delay the completion of certain current development projects and extend overall timing required to implement development projects in the future, which may have a material adverse effect on our business, financial condition and results of operations.

Should we fail to conform any of the projects we are developing to the project documentation or the provisions of the relevant land lease, commence construction without a construction permit or otherwise fail to comply, or be found to have previously failed to comply, with regulatory requirements, we may be subject to fines and penalties, and any incomplete construction may be considered an unauthorised construction. An unauthorised construction must be either (i) declared a property of the owner of the land plot underlying such construction by a court ruling, with us only being entitled to recover a portion of the development costs we have incurred, or (ii) demolished at the developer’s expense with the subsequent cancellation of the project. Even if the construction has been approved by the relevant governmental authorities in principle, any failure to obtain any document necessary for construction or a state commissioning act upon completion of the construction will prevent us from recording our ownership title to the completed building. We will not be able to transfer any residences or other real estate units in such building or to receive the statutory protection afforded to a real property owner.

Delays in commencement or completion of construction or other defaults by us may affect our rights under land leases or investment contracts entered into with local and regional authorities or result in our incurring additional expenses.

A significant proportion of the land obtained by us from governmental authorities for development is leasehold. Each lease or investment contract requires that we develop the relevant land by a particular date. Upon expiration of the initial lease agreement, the lessee is entitled to seek entry into the new lease with the state or municipal authorities provided there is an unfinished building on the land plot for the completion of which the entry into new agreement is sought. Otherwise, extension of the existing lease or entry into a new lease agreement is at the discretion of the relevant governmental authority. If we do not complete the development by the relevant date, we

face the risk that the governmental authority may impose fines, reject our request to extend the term of the lease or the investment contract and seek to terminate the investment contract in court. In this case the development may be sold to another developer at a public auction based on a court ruling permitting to do so. Governmental authorities may also require the removal of the incomplete construction (unless this right is specifically excluded in the relevant lease), or, alternatively, may argue that partially incomplete construction is an “unauthorised construction” and seek a court ruling declaring it to be state property or ordering its demolition. See “—*Obtaining the requisite permits and approvals for the operation of our business is time-consuming, and any failure to comply with the terms and conditions of our licenses and permits or other governmental regulations and requirements could materially adversely affect our business, financial condition and results of operations*”. While we may not agree with such interpretation of applicable legal rules, we are not able to predict what decision would be made by a court, should such a claim be brought against us.

In addition, there may be certain unfulfilled obligations or other defaults by us under some of our land lease agreements with state authorities, which could lead to the termination of the relevant land lease and the sale of projects constructed thereon via public auctions or entail penalties or other expenses.

Some state authorisations and permits that are required for construction are issued for a certain term specified in such authorisations and permits. If we are unable to commence or complete any of our developments by the set dates, we will be required to apply for a renewal or extension of the respective authorisations and permits, which may be a complicated and time-consuming process. We can give no assurance that we will be successful in renewal or extension of such authorisations and permits. Our failure to ensure timely completion of the construction works may result in fines, cancellation of leases, forced auctions or other involuntary transfers of title, which could adversely affect our business, financial condition and results of operations.

Russian federal, regional and local government authorities have broad discretion over the issuance of development rights, and any deterioration of our relationships with governmental authorities may have a material adverse effect on our business.

Historically, the Russian government retained all title to land in the Russian Federation, and in most regions, including St. Petersburg and Moscow Metropolitan Area, local governments still maintain significant influence over the privatisation and leasing of land. Decisions on the allocation of land plots for development and on the issuance of permits and approvals necessary for construction remain subject to the broad discretion of governmental authorities; therefore, our business depends on maintaining positive working relationships with such authorities.

Although we believe that we have constructive working relationships with Russian federal, regional and local governmental authorities, including the Moscow Government and St. Petersburg Government, there can be no assurance that we will be able to establish and maintain the relationships necessary to ensure the success of our existing and future projects. Failure to establish and maintain such relationships or substantial deterioration thereof may prevent acquisitions of new land plots for our developments, or may lead to significant delays in completion of our projects, either of which could materially increase our costs, harm our business reputation or otherwise materially affect our business, financial condition and results of operations.

A number of our projects are in early stages of development, and we may not be able to complete these projects successfully or obtain construction permits for their implementation. In addition, certain projects require execution of formal agreements, such as land lease agreements, which have not yet been entered into or registered with appropriate authorities. Any failure to enter into and/or register (as applicable) such agreements, obtain required permits or to complete our projects could have a material adverse effect on our business, financial condition and results of operations.

Many of our projects are in early stages of development. According to the Valuation Report, as of 31 December 2020, approximately 52.6% of the project portfolio’s total unsold net sellable area was in the design stage with respect to which we had not commenced construction yet.

In addition, we have not entered into or registered with appropriate authorities all the land lease agreements for our projects and received all required permits and approvals necessary to commence or complete the construction of our projects. There can be no assurance that we will be able to enter into or register such agreements or receive such permits or approvals in a timely manner or at all. If our development rights are successfully challenged, we will not be able to complete the development. See also “—*Obtaining the requisite permits and approvals for the operation of our business is time-consuming, and any failure to comply with the terms and conditions of our licenses and permits or other governmental regulations and requirements could materially adversely affect our*

business, financial condition and results of operations.” Furthermore, we may not be able to complete such projects in accordance with the initially planned timetable and other parameters, including the terms and conditions of the permits and approvals we received, the contracts we entered into and the total and net areas of buildings set out in those contracts. Any failure to comply with certain material encumbrances and restrictions with respect to, or properly document our title to, our projects and fulfil investment terms thereunder may result in our inability to complete such projects.

Our developments and properties may be frequently inspected by Russian regulatory authorities, and any determination made by such authorities that we are in violation of applicable laws, regulations, standards or licenses may result in sanctions that materially adversely affect our business.

Regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards; the issuance and renewal of licenses, permits, approvals and authorisations; and in monitoring licensees’ compliance with the terms thereof. Russian authorities have the right to, and frequently do, conduct inspections of our operations and properties. Any such future inspections may determine that we have violated laws, decrees or regulations, and we may be unable to refute such determination or remedy the violations. Any failure to comply with existing laws and regulations, the terms and conditions of our licenses and permits, or the findings of governmental inspections may result in the imposition of fines or penalties or more severe sanctions including the suspension, amendment or termination of our licenses, permits, approvals and authorisations, or in requirements that we cease certain of our business activities, or in criminal and administrative penalties applicable to our officers. Any such decisions, requirements or sanctions, or any increase in governmental regulation of our operations, could increase our costs and materially adversely affect our business, financial condition and results of operations.

We may be subject to interest rate risks.

We are subject to market risk deriving from changes in interest rates, which may affect our cost of financing in the future. Interest rates fluctuations may be caused by a number of factors, many of which are beyond the Group’s control. Despite the Group taking steps to mitigate the risk of incurring losses due to changing interest rates, including by fixing the maximum value of the CBR key rate used in calculation of the interest rates on some of the Group’s indebtedness, no assurance can be given that the Group will be able to manage the risk in an efficient manner, and a significant increase in rates could have a material adverse effect on the Group’s business, financial condition and results of operations.

In addition, the Group’s sales are dependent on the affordability of mortgage financing to individuals. For example, the share of mortgage-financed sales in the Group’s total sales was 42.9% in 2020. The rates prevailing in the market and, thus, the affordability of mortgage financing, are chiefly tied to the CBR key rate, which has been steadily decreasing from 17.0% at the end of 2014 to 4.25% in June 2020. However the trend for decrease of the interest rate by the CBR has reversed and on 19 March 2021 the CBR increased the key rate to 4.50% indicating potential further hikes in 2021. The key rate for the Russian rouble set by the CBR as at the date of this Prospectus is 6.50%. No assurance can be given that the key interest rate will not be raised further, or that it will be reduced or maintained at the same level by the CBR. Any further increase in the key rate in the future could lead to an increase in mortgage rates, which could negatively affect availability and affordability of mortgage lending to individuals. This could adversely affect the Group’s customers’ purchasing capacity, which, in turn, could have a material adverse effect on the Group’s business, results of operations and the financial condition.

Our project portfolio is geographically concentrated in St. Petersburg and Moscow Metropolitan Area, which poses geographic concentration risks.

The majority of our real estate properties are located in St. Petersburg and Moscow Metropolitan Area. As a result of this geographic concentration, we are dependent on the political and economic development of only two regions of Russia. Any change in the local political or regulatory environment, including at the level of the city government of St. Petersburg or Moscow, decline in economic activity or weakness in the local real estate market could materially adversely affect our business, financial condition or results of operations.

The real estate industry in Russia is highly competitive, and we may not be able to compete successfully.

The real estate industry in Russia is highly competitive. We face competition from a number of large national and regional property developers with operations in St. Petersburg and Moscow Metropolitan Area. Some of them may have greater financial, technical, marketing and other resources than us and greater economies of scale, broader name recognition and more established relationships in the market. We believe that the main competitive

factors in the real estate development business in Russia include availability and location of land, terms and availability of financial resources, characteristics of projects, quality of the developed flats and reputation of the developer. Competition among property developers may cause increases in raw material costs, shortages in quality construction contractors, surpluses in property supply leading to decreased property prices and delays in the issuance of government approvals and permits, and higher costs. Competition may also lead to a significant increase in prices for land available for development or real estate available for sale or an increase in prices to enter into investment contracts as a co-investor, impeding the acquisition of new assets for our property portfolio. Our inability to compete successfully could result in reduced operating margins and an inability to increase our market share, which, in turn, may have a material adverse effect on our business, financial condition and results of operations.

Existing and potential competitors may establish in the future, cooperative relationships among themselves or with third parties to enhance their ability to address the needs of prospective customers with a view to reducing our market share. Accordingly, new competitors or alliances among competitors may emerge and rapidly acquire significant market share. As a result, our competitors may be able to adapt more quickly than us to changes in customer requirements, and may be able to devote greater resources to the promotion and sale of their projects. If we fail to respond to such pressures effectively could result in a material adverse effect on our business, financial condition and results of operations.

We may not be able to achieve our production plan or our sales targets.

We have made certain forward-looking statements in this Prospectus relating to our planned completion of development projects. Our forecasts were also used by Colliers in the preparation of the Valuation Report. We may not achieve this production plan as a result of a number of factors, including the risks described in this Prospectus. As a result of the economic downturn caused by the new COVID-19 pandemic, the Russian economy in general and the real estate market in particular have been extremely volatile, making any plans or forecasts even more uncertain than is usually the case. Moreover, our sales are influenced by the changes in the cost of lending for individuals tied to fluctuations in the CBR key rate and the extent of the federal government's support for the residential mortgage market in Russia, which are beyond our control. In addition, some of our developments include a large number of residential buildings that are concentrated in certain neighbourhoods in St. Petersburg and Moscow Metropolitan Area. There can be no guarantee that we will be able to sell all of the residences in a particular development or neighbourhood, particularly if market conditions deteriorate.

Our profitability and results of operations depend on success of our nationwide sales network.

Approximately 32.5% of our pre-sales and sales contracts concluded in 2020 were generated through our nationwide sales network in the other regions of Russia, where customers buy our properties in St. Petersburg and Moscow Metropolitan Area to relocate or as a secondary housing. Should this trend discontinue, we may face significant decrease in our revenue from pre-sales and sales of flats, which could have a material adverse effect on our business, financial condition or results of operations.

Our results of operations may be highly variable, which may adversely affect our ability to plan our budget or business activities.

We have in the past experienced and may continue to experience significant variations in revenues and profits from period to period. These variations can generally be attributed to the fact that in many instances our revenues and profits are earned only upon the completion of a project. We may have periods in which we complete and sell a large number of projects and, therefore, generate high levels of revenues during those period, but have fewer projects in development, which could negatively affect revenues in future periods. In contrast, we may have periods in which we complete and sell only a small number of projects, resulting in lower revenues, but have a large number of projects in development, which could generate higher revenues in future periods. Accordingly, the types and volumes of properties that we sell in any particular period will have a significant effect on our results of operations and the sources and amount of our cash flow from operations. Financial results for a given period may also be adjusted for changes in operational plans and, in general, may not be indicative of the relative medium-term contribution of each of our business segments to our overall business or of our overall financial condition or prospects. Our earnings also can be adversely affected if any particular project is not completed or is significantly delayed.

The effect of the timing of project delivery on our operational results is accentuated by the fact that during any particular period of time, we can only undertake a limited number of projects due to substantial capital requirements for land acquisition and construction costs.

As a result, it may be difficult for us to report steady earnings growth and plan our budget and business activities on a period-to-period basis. Failure to achieve expected revenue in any fiscal period or unanticipated variations in the timing of recognition of specific revenues can cause significant variations in our results of operations from period-to-period and may in some future period result in losses.

Deterioration in our brand image could adversely affect our business.

We rely to a significant extent on our brand name and image to attract potential customers. Any negative incident or negative publicity concerning us or our properties could adversely affect our reputation and business prospects. Brand value is based largely on consumer perceptions with a variety of subjective qualities and can be damaged even by isolated business incidents that reduce consumer trust. Consumer demand for our products and our brand value could be significantly diminished if we fail to preserve the quality of our products or to deliver a consistently positive consumer experience in our residential complexes, or if we are perceived to act in an unethical or socially irresponsible manner. We are particularly reliant on our brand recognition and image to generate sales through our nationwide sales network in certain regions of Russia where we do not have property projects. Any negative publicity and resulting decrease in brand value, and/or failure to establish our brand in these regions could have a material adverse effect on our business, results of operations and financial position.

The development and sale of residential properties may result in legal proceedings being brought against us.

The development and sale of residential properties may result in legal proceedings being brought against us in connection with construction delays or delays in obtaining the appropriate title registrations from local and regional authorities. Our failure to prepare the required documentation promptly upon completion of construction may result in complaints of our customers or court claims brought against us. Such claims or complaints may result in the imposition of administrative fines, necessity to refund substantial funds to our customers, liability for damages and incurrence of defence costs.

Legal proceedings may also be brought against us in connection with materials used or defects in the properties sold by us, or by third parties engaged by us, which could result in additional investigation and defence costs, as well as liability for damages, including the costs of remediation, loss of property and costs of health-related bodily injury. The costs of insuring against construction defects and building material products claims and health-related bodily injury are high, and the amount of coverage offered by insurance companies is also currently limited. As a consequence, some or all of the financial risk associated with building material products and construction defects is borne by us, and we may be liable in amounts that exceed available limits on our comprehensive general liability policies or that are excluded from coverage. This could have a material adverse effect on our financial position and results of operations.

Zoning restrictions and local opposition can delay or preclude construction.

In order to develop a property on each particular site, the zoning of such site must permit the relevant construction. Zoning classification of a land plot specifies the type of building or complex that may be constructed on such land plot (residential, office and/or other types) and the major parameters of the building (or the complex of buildings), including its height. In instances where the existing zoning is not suitable or in which the zoning has yet to be determined, we will be required to apply for the required zoning classifications. This procedure may be protracted, and we cannot be certain that the process of obtaining proper zoning will be completed with sufficient speed to enable us to complete a residential or commercial development on schedule, or at all. A change in our development plans relating to the type of building to be constructed or its major parameters would require us to re-apply for zoning classifications, which would significantly delay the development process. In addition, changes to applicable zoning by the relevant authorities, which may at times be arbitrary, may jeopardise projects that have already been commenced.

Legislation requires that public opinion be taken into account by the authorities when considering a change of the zoning classification. Once initial public hearings have been conducted and all state approvals have been obtained, the authorities are not obligated to consider changes in public opinion. However, there have been a number of cases in St. Petersburg where the authorities have changed their decisions or halted proposed developments in response to adverse public opinion. Were this to happen to any of our developments, it could have a material adverse effect on our business, financial condition and results of operations. Opposition by local residents to zoning and/or building permit applications may also cause considerable delays. Also, following the strengthening of tensions around town planning in several major Russian cities in 2020, authorities are now considering introduction of additional instrumentalities for involving the public opinion into construction process. Should such

mechanisms be introduced this may place additional strain on the Group's projects and have a material adverse effect on our business, financial condition and results of operations.

To manage our exposure to the risks associated with zoning restrictions, we seek to purchase land for development or acquire development rights in relation to a land plot for which proper zoning and, in some cases, initial permitting are already in place. However, permitted use of several land plots used for construction of current projects requires to be changed. Accordingly, in the course of development, we will need to agree upon the change of the permitted use with the relevant authorities in order to bring it into compliance with the recently adopted town-planning and zoning regulations. These requirements may hinder, delay or increase the costs of our development activities. In the event that we fail to obtain zoning approvals, or the existing zoning approvals are arbitrarily revoked or if the procedures for the receipt of such zoning approvals are delayed, our costs will increase or we may be forced to change our development strategy with respect to one or several properties, which could have a material adverse effect on our business, financial condition and results of operations.

Some of our developments may be subject to historical preservation laws and other planning restrictions.

From time to time, we develop real estate projects in the nearest proximity to the sites that have been designated as cultural heritage sites. Our activities within these areas are subject to both federal and local regulations relating to the preservation of cultural heritage sites, which often conflict. See *“Regulation of Real Estate in Russia—Construction and Development—Restrictions in the St. Petersburg preservation zone”*. If we are found to be in violation of these local or federal regulations, we may be subject to legal proceedings and fines or the termination of our construction permit in relation to that development. Regulatory authorities may also base their approvals upon the opinion of preservation experts, which may not be consistent with applicable legislation. In addition, some of our project land plots are covered by protection zones around natural (e.g., rivers) or industrial (e.g., utilities infrastructure or metro) objects, and our activities within these zones are limited or entirely prohibited. We have to observe the legal regime of these special zones during the design and construction phase of our development, and failure to do so may lead to suspension of our activities, administrative fines or, in the worst case scenario, demolition of the infringing project. Any of these regulations may restrict our current and future ability to develop and/or construct our projects on favourable terms, or at all, which could have a material adverse effect on our business, financial condition and results of operations.

Challenges to our ownership interests or lease rights in land, our failure to enter into land lease agreements or renew land lease rights as they expire could have a material adverse effect on our business, financial condition and results of operations.

Our business includes the acquisition of ownership or lease interests in land plots and buildings in St. Petersburg and Moscow Metropolitan Area that we intend to develop or redevelop further. Russian legislation related to real estate is complicated and often ambiguous and may be contradictory at the federal and regional levels. In particular, it is not always clear which state bodies are authorised to enter into land leases and sale and purchase agreements with respect to particular land plots or what exact procedure should be followed, construction approval procedures are complicated and prone to challenge or reversal, and construction and environmental rules often contain requirements that are impossible to comply with in practice. As a result, our ownership of and/or lease rights to land and buildings may be challenged by governmental authorities or third parties, and our construction projects may be delayed or cancelled. Our failure to make timely rental payments under lease agreements may lead to termination of lease agreements that could materially adversely affect our operations.

Where the original term of some of our lease agreements in respect of state-owned land has expired, we need to enter into new lease agreements with the relevant governmental authorities (or, if applicable, extend the existing lease agreements) in order to receive a construction permit, to obtain its renewal, or to proceed with construction. Our business may be harmed if our land leases are terminated or if we are unable to renew our land leases designating development rights on commercially acceptable terms or at all for any reason. In the event of termination of a land lease (whether during the term, generally for breach, or at the expiry of the term) under the Civil Code of the Russian Federation, there is a risk that the landowner will acquire the right to buy the building in question on that land at a price to be determined by a court. Due to a lack of court practice or precedent on how these provisions will actually operate, our position, and the ongoing status of our investment, will be unclear upon termination of any land lease rights. If we are unable to renew our land leases as they expire, or if our existing leases are terminated for any reason or if their terms are revised to our detriment our business, financial condition and results of operations could be materially adversely affected.

We may be subject to unexpected fluctuations in the rents we pay in respect of land leases.

We have entered into, and expect to enter into in the future, lease agreements with regional and state authorities in respect of properties being developed, or to be developed, by us. One of the standard terms of such lease agreements is the provision entitling the landlord to change the amount of the rent payable without our consent, including, *inter alia*, when legislation establishing the rates of lease rental for the use of publicly owned land is changed. Any such action may increase the rent payable by all tenants of the applicable governmental entity within that category of tenants to which the increase applies. Rental rates are revised from time to time by the respective local and regional authorities. As such, relevant lease agreements must comply with such resolutions of these authorities. The substantial increase in rental payments due from us could have a material adverse effect on our business, financial position and results of operations.

We are not able to control the level of rent payments for the land that we use for our development projects, which makes it difficult to predict our future expenses and calculate the amount of working capital required for our developments. Unpredicted and significant increases of the amount of rent that we pay for land plots where our developments are located may materially adversely affect our prospects, business, financial condition and results of operations.

Shortages of components and materials may delay our projects or reduce our sales and increase our costs, and our financial results are in part dependent on volatile prices for these components and materials.

Our construction projects require supplies of components and raw materials, including cement and metal, and any inability to obtain sufficient quantities of raw materials necessary for our projects at acceptable prices or at all could result in delayed completion times and/or increased costs due to the need to identify additional suppliers. Any supply interruption or shortages may delay the construction of our projects, which, in turn, could harm our reputation with our customers and may result in lost sales opportunities.

In addition, the prices of the raw materials we use in our construction process, such as cement and metal, are difficult to forecast over the long term. We do not control a number of factors affecting prices, which include, but are not limited to, regional supply and demand and expectations of future supply and demand. Despite the Group taking steps to minimise the risk of price increases, including through centralised acquisition of raw materials, our financial results may be adversely affected by significant, sustained increases in the prices of raw materials, and in particular cement and metal.

We depend on external subcontractors to perform certain types of construction and development activities.

We rely on external subcontractors to perform certain types of construction and development activities. In particular, we engage subcontractors to supply services in, *inter alia*, interior finishing, lift installation, plumbing and electrical works, construction of pile foundations, excavation, roofing installation, landscaping and pouring monolithic reinforced concrete frames. If we cannot enter into subcontracting arrangements on acceptable terms or at all, we will incur additional costs, which may have an adverse effect on our business. The competition among developers for the services of quality subcontractors may cause delays in construction, exposing us to a loss of competitive advantage. Because of such competition, subcontracting arrangements may be on less favourable terms than otherwise available, which may result in increased development and construction costs. By relying on subcontractors, we become subject to a number of risks relating to these entities, such as quality of performance, varied work ethics, performance delays, construction defects and the financial stability of the subcontractors. A shortage of workers would also have a detrimental effect on our subcontractors and us and, as a result, on our ability to conclude the construction phase of our projects on time and within budget. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

Absent developed local infrastructure, our construction projects may be delayed, or we may be unable to realise the full expected value of our completed projects.

The construction of our projects and their viability, once completed, depend on the availability and sufficiency of local infrastructure, including electricity and other utilities, such as gas, heating, telecommunications and sewage services. Since the availability and maintenance of local infrastructure outside the perimeter of our developments is dependent upon the continued and timely co-operation of third parties, any delay, interruption or inability to ensure the supply of these and other utilities may cause a delay in completing any or all of our developments and affect the value or marketability of properties. Any such delay or inability to realise the full expected value of our completed projects may adversely affect our business, financial condition and results of operations. See “—Risks

related to the Economic Situation in Russia —We could experience disruptions in our normal business activities as a result of problems associated with Russia's physical infrastructure.”

The construction of buildings is subject to a wide range of technical standards and regulations, the amendment and modification of which may significantly increase our expenses.

The regulation of the construction market in the Russian Federation includes a wide range of technical standards approved by the relevant authorities. These standards are subject to review and amendment from time to time. If significant modifications to these standards are introduced, we may be forced to change our construction processes, which could require additional expense, adversely affecting our business, financial condition and results of operations.

Real estate appraisals with respect to the properties and projects included in this Prospectus may not reflect their actual market values because determining such values is an inherently subjective process. In addition, an appraisal may not be directly comparable to those given in respect of similar portfolios held by other real estate development businesses in the Russian market as a result of differing assumptions and methodologies.

Colliers, an independent real estate appraiser, has prepared the Valuation Report on the basis of certain valuation methodologies and assumptions regarding the Russian real estate market and the projects in our portfolio. See the Valuation Report and “*Business—Real Estate Development—Valuation of our Properties*”. The valuation of real estate and real estate related assets is inherently subjective. As a result, valuations are subject to uncertainty. A number of factors could result in the values that Colliers has ascribed to these properties and projects differing materially from the actual market value of such projects.

The valuations contained in the Valuation Report are stated as of 31 December 2020, and although we believe there has been no material change to the aggregate market value of our properties, there can be no assurance that these figures accurately reflect the market value of our properties as of any other date. The market value of our properties may decline significantly over time due to various factors. In addition, the values ascribed by Colliers should not be taken as an indication of the amounts that could be obtained by us upon disposal of such properties, whether in the context of the sale of individual properties or the portfolio as a whole.

All real estate valuations, including those contained in the Valuation Report, are made on the basis of assumptions, which may not prove to reflect the accurate fair market value of the project portfolio. For example, Colliers has made certain assumptions as to our projects based in part on information provided by us on, among other things, the sold areas, the total sellable areas, parking spaces, the construction budget, the estimated outstanding construction costs, the construction terms, the outstanding payments related to the purchase of rights for the properties, the outstanding payments related to the change of land use, and some or all of these assumptions may prove to be inaccurate.

Moreover, using different assumptions or valuation methodologies may produce different valuation results. In particular, all of the properties in the course of development were valued in the Valuation Report under the residual appraisal approach using the discounted cash flow methodology, which involves the calculation of the present value of all future costs and income to be incurred and generated by the development of the property. This cash flow is discounted at an appropriate rate and this in turn generates a present value of the cash flow, which is the sum available for the purchase of the site/project at the date of valuation.

In Russia, a lack of transparency and a general shortage of detailed comparable evidence make it difficult to assess market values using the more common sales comparable approach. This situation can hinder the ability to accurately compare the sale of development sites, meaning that the approach is generally not capable of being adopted at present for those development assets which are relatively advanced in the development process. As a result of the above, Colliers has not adopted this approach in arriving at its opinion of the market value of the development properties, taking into account that the majority of development projects are reasonably advanced in terms of the overall development process which has to be undertaken by a developer. However, where Colliers was aware of the details of comparable transactions, it has had regard to them in arriving at its opinions and these are reflected within the market value adopted.

Colliers valued the properties on the basis of an arm's length transaction, taking no account of taxation (other than general effects of taxation on value), and assumed values it deemed appropriate for assessing capital value but which may not be appropriate in other circumstances. On this basis, there is a risk that the valuations contained in the Valuation Report may not represent the actual value of our completed projects.

Prospective investors are urged to read the Valuation Report in its entirety. For the reasons stated above and in the Valuation Report, the Market Values stated in the Valuation Report should not be taken as indication of the proceeds that we could realise from the sale of any of our portfolio properties.

The net sellable area for projects in development may differ materially from the sellable area set out in the Valuation Report.

For projects that are in the development stage, the net sellable area is not fixed until the authorities have granted final construction permits, which specify the area that we are entitled to construct. Net sellable areas for the properties in the Valuation Report were based on information provided by us. In some cases, such net sellable areas differed from those indicated in certain governmental permits and preliminary design documentation that Colliers reviewed. However, in the majority of these cases, the differences in area were within the range that we believe is common practice in the local market and often occurs at early development stages.

Our assumptions and forecasts with respect to the net sellable areas of our developments may be subject to significant changes in the future. We have not started construction at some of the developments in the Valuation Report. Some of such properties are at the early stages of development, and detailed project design documentation, which specifies major parameters of the future construction work, may have not been agreed yet. We commonly prepare detailed project design documentation for our developments one or two years before we obtain the construction permit and commence construction. Our calculation of net sellable areas for the properties at the earlier stages of development is based on the estimates of our management, which have not been independently verified and reflect our then current understanding of our strategy and development plans.

The net sellable areas in the Valuation Report for certain development projects, therefore, are only an estimate of the area that we are able to construct, and we can give no assurance that we will construct all such amounts of sellable area. The final net selling area for a development project as set out in the relevant permit may differ materially from the net sellable areas used in the Valuation Report. In the event that the final net sellable areas, or the measurements calculated by the Bureau of Technical Inventory, are lower than information we have provided to Colliers, the Market Value may be higher than the value we may ultimately realise from the sale of the completed properties. In addition, the value we are able to realise from the sale of our properties may be below the Market Value in the event of the adverse impact the novel COVID-19 may have on the Russian real estate market.

The limited availability, quality and reliability of market data create uncertainty as to property values and market conditions.

The real estate market in Russia is characterised by a limited amount of publicly available data and independent research compared to certain other industrialised countries. A small number of private organisations publish statistical and other research data with respect to the Russian real estate market. Primarily due to the relatively short period of time for which such data has been collected and published, the scope of such data is significantly narrower and tends to be less consistent than the data relating to certain other industrialised countries, and it may be difficult to analyse market trends and conditions over time or at all. The relative lack of such data makes it more difficult to assess the market values of real estate in Russia than in, for example, Western Europe.

This restricts our ability to forecast market prices, property-related costs and property values. In connection with our acquisition of land for our development business, we base our purchase price in part on estimates of the anticipated returns on our investment. Any failure to forecast accurately such values and prices could result in lower profits and have a material adverse effect on our business, financial condition and results of operations.

We estimate construction time and costs in order to determine the tender price for construction services to third parties. However, the actual implementation of a project may not accord with such estimation due to cost overruns and other related construction risks.

In 2020, we derived 3.8% of our revenue from provision of construction services to third parties. We normally secure project works through a competitive tender process. To determine the tender price, we estimate construction time and costs. However, the actual implementation of a project may not accord with such estimation due to cost overruns and other related construction risks. Construction contracts are normally awarded through competitive tendering process. We need to estimate the construction time and costs in order to determine the tender price. There is no assurance that the actual construction time and costs would not exceed our estimation during the actual implementation of the project, which often takes months or years to complete.

The time taken and the cost actually involved in completing construction projects undertaken by us may be adversely affected by many factors, including shortage and cost escalation of materials and labour, adverse weather conditions, additional variations to the construction plans requested by the customers or because of technical construction needs, disputes with subcontractors, accidents, changes in the Government's priorities and unforeseen problems and circumstances. Any of these can give rise to delays in completion of construction works or cost overruns or even unilateral termination of projects by customers.

Delays in the process of obtaining any specific licences, permits or approvals from Government agencies or authorities required for a particular construction project can also increase the cost or delay the progress of a project. Failures to complete construction according to specifications and quality standards on a timely basis may result in disputes, contract termination, liabilities and/or lower returns than anticipated on the construction project concerned. Such delays or failures to complete and/or unilateral termination of a project by customers may cause our turnover or profitability to be lower than what we have expected.

The Group-wide fully integrated automated information system for the preparation of IFRS financial statements is still under development, which may adversely impact our ability to prepare accurate IFRS financial information.

We have identified that certain of our internal controls in the area of the financial statement preparatory process are materially weak. A material weakness is a weakness in the design or operation of one or more internal control components that does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the consolidated financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. In particular, we do not yet have a fully effective integrated automated accounting system for financial statement preparation, transformation and consolidation or an established system for checking entries or for the conversion of management or statutory accounts into IFRS.

Most processes underlying information transformation for the purposes of preparing IFRS financial statements within the Group have been automated. In particular, we have completed the automation of the stand-alone financial statements preparation for each of our significant subsidiaries based on underlying statutory and management accounts and have almost completed the automation of consolidated financial statements preparation. However, the process of preparation of consolidated IFRS financial statements remains complicated and time-consuming, includes manual elements and requires significant attention from our senior accounting personnel which may increase the likelihood of errors in our financial statements. Moreover, the complexity of the process of IFRS financial statements preparation makes it challenging for us to comply with changing IFRS reporting requirements. Elements and processes require further development and automation, manual element should be subject to further reduction, integration with other information systems is to be improved.

To help address the above weaknesses, we persist in further developing a single Group-wide information system featuring automated consolidation of various types of accounts for preparation of consolidated statements on an IFRS basis. Although we anticipate that this measure will address the risks described herein, there can be no assurance that it will in the manner expected or that it will be implemented on the timetable currently anticipated by the Company.

If we would not be able to adequately develop our financial reporting functions and internal control systems, our business, revenue, financial condition, results of operations, prospects or the trading price of the GDRs may be materially adversely affected.

Notwithstanding these risks, we believe that our financial reporting functions and internal control systems are sufficient to ensure our compliance with the requirements of the FCA's Disclosure and Transparency Rules as a listed company, and with the requirement of Cyprus Companies Law, Cap. 113. We believe that, in particular, despite the difficulties identified by us, we will be able to prepare and produce accurate financial information in a timely manner.

Our success depends on our senior management team and other key personnel, as well as on highly skilled employees that may be difficult to recruit and retain.

Our ability to maintain our competitive position and to implement our business strategy is dependent on the services of our senior management team and other key personnel. Competition in Russia for personnel with relevant expertise is intense due to the small number of qualified individuals. As a result, we may not be able to retain and attract qualified personnel to fill key positions. A loss or decline in the services of members of our

senior management team or an inability to attract, retain and motivate qualified key personnel could have a material adverse effect on our business, financial condition and results of operations.

Our success also depends in large part on our ability to attract, motivate and retain highly skilled real estate experts. Competition for skilled labour is intense in the Russian construction and development industry. The demand for skilled engineers, technicians, sales personnel, construction workers and operators of specialised equipment continues to increase, reflecting the significant demand from other industries and public infrastructure projects. Further increases in demand for skilled labour are likely to lead to increases in labour costs, and the resources required to attract and retain such personnel, which in turn may adversely affect our operating margins. As such, we may be unable to continue to attract and retain the skilled employees we require, and any inability to do so could adversely impact our ability to manage and complete our existing projects. The failure to attract and retain qualified personnel may have a material adverse effect on our business, financial condition and results of operations.

Disruptions in domestic and international migration could have a material adverse effect on the Group's ability to engage or retain a sufficient labour force and could result in an increase in employment costs.

The Group is sufficiently staffed to enable due and timely implementation of its ongoing projects. However, a major disruption in domestic and international migration due to, inter alia, border closures, travel restrictions within the Russian Federation, introduction of more stringent regulations governing entry and employment of foreign citizens could potentially result in a reduction of workforce or inability to engage or retain a sufficient workforce for development of our projects. Any such events could also result in increased competition for workforce and cause the Group to incur additional costs in connection with the necessity to offer competitive terms of employment. Even though the Group has not experienced significant negative effects of the recent travel shut downs related to the spread of COVID-19, no assurance can be given that the Group will not sustain any losses or be in a position to ensure sufficient staffing of its sites in case of the reintroduction of travel restrictions of any nature.

Our largest shareholder has the ability to exert significant influence over us, and its interests could conflict with those of the holders of the Ordinary Shares and GDRs.

Our largest shareholder, Sistema PJSFC, indirectly controlled approximately 29.8% of our outstanding Ordinary Shares as of the date of this Prospectus. Accordingly, Sistema PJSFC will, through its indirect holdings, be able to exercise significant influence over matters relating to us, including, but not limited to, decisions on amendment of our memorandum and articles of association through its ability to withhold its approval. Its continued significant shareholding in the Company may have the effect of making certain transactions more difficult without its support and may have the effect of delaying or preventing an acquisition of or other change in control in us. The interests of Sistema may also differ from the interests of other holders of Ordinary Shares and holders of GDRs and may materially adversely affect the value of any investment made by such other holders of the Ordinary Shares and holders of GDRs. Although the Company and Sistema have entered into a Relationship Agreement with a view to upholding high standards of corporate governance and ensuring that the parties continue to act in the interests of all shareholders of the Company, no assurance can be given that measures in place to ensure the influence exercised by Sistema is not abused will be efficient.

Corporate governance regimes in the UK and Cyprus do not apply to us, and corporate governance standards adopted by the Company may not be of the same standard as those in Western Europe and the United States.

As the Company is not listed on the Cyprus Stock Exchange, the "Corporate Governance Code" issued by the Council of the Cyprus Stock Exchange in January 2019 does not apply to us, and we are not required to comply with the UK Corporate Governance Code and the UK Takeover Code. Accordingly, there are fewer protections for investors than would otherwise be the case were we to comply with the UK Corporate Governance Code principles on corporate governance, the UK Takeover Code or similar standards of other European Union member states or the United States. Although we endeavour to ensure the application of high standards of the corporate governance, no assurance can be given that the applicable corporate governance regime will sufficiently protect the interest of the shareholders and GDR holders.

Russian law may expose us to liability for actions taken by our Russian subsidiaries.

We conduct our real estate development operations through our Russian subsidiaries. Under Russian law, we may be jointly and severally liable for any obligations of a subsidiary under a transaction if we are able to give compulsory instructions to that subsidiary and the liability arises pursuant to actions taken in accordance with our

mandatory instructions. We may also have secondary liability for any obligations of a subsidiary, which becomes insolvent or bankrupt due to our faulty actions or failure to act.

We have engaged and may continue to engage in transactions with related parties.

In the past, we engaged in transactions with related parties (such as loan arrangements with companies controlled by our shareholders) and may continue to engage in such transactions in the future. Conflicts of interest may have arisen between our affiliates and us, potentially resulting in less favourable terms of such transactions than the terms that could have been determined by market forces. Such agreements entered into, or that may be entered into in the future by us with our shareholders or with companies affiliated with our shareholders may also result in tensions among our shareholders. The occurrence of any of the above could adversely affect our business, financial condition and results of operations.

See “*Related Party Transactions*” for a comprehensive description of our material related party transactions.

The transactions the Group engages in could be challenged on the basis of non-compliance with applicable legal requirements, and any successful challenge could result in the invalidation of such transactions, loss of property, the imposition of other liabilities, fines, penalties or other sanctions or liquidation of members of our group that engaged in such transactions.

Some of our subsidiaries, or their predecessors in interest, have taken a variety of actions relating to, among other things, valuation or acquisition of property and construction permits, share issuances, share disposals and acquisitions, interested-party transactions, major transactions and other corporate matters. Under Russian law, transactions may be invalidated on many grounds, including for example a sale of shares by a person without the right to dispose of such shares, breach of interested party transaction and/or major transaction rules or failure to register the share transfer in the securities register. Defects in earlier transactions may cause our interest arising from such transactions to be subject to challenge. If any transactions were successfully challenged on the basis of non-compliance with applicable legal requirements by competent state authorities, counterparties to such transactions, shareholders of the relevant group members or their predecessors in interest or any other interested party, it could result in the invalidation of such transactions, loss of property (including shares in our subsidiaries) or the imposition of other liabilities, which would materially adversely affect our business, financial condition and results of operations. Although no actions seeking to invalidate our subsidiaries’ corporate status, alleging non-compliance with applicable laws and regulations relating to the formation of our subsidiaries or challenging subsequent share transfers in our subsidiaries have been brought, there can be no assurance that such actions may not be brought in the future.

We do not carry the types of insurance coverage customary in more economically developed countries for a business of our size and nature, and a significant event could result in substantial property loss and an inability to rebuild in a timely manner or at all.

The insurance industry is not yet well developed in Russia, and many forms of insurance protection common in more economically developed countries are not yet available in Russia on comparable terms, including coverage for business interruption. We maintain insurance against some, but not all, potential risks and losses affecting our operations, and we cannot assure you that our insurance will be adequate to cover all of our losses or liabilities. We also cannot assure you that insurance will continue to be available to us on commercially reasonable terms.

At present, we have no coverage for business interruption, third party liability in respect of property or environmental damage arising from accidents on our property or relating to our operations (except for liability insurance relating to the use of dangerous industrial sites, as required under Russian law), or for loss of key management personnel. If a major event were to affect one of our main production facilities, we could experience substantial property loss and significant disruptions in our production capacity or development activities, for which we may not be compensated. Additionally, depending on the severity of the property damage, we may not be able to rebuild damaged property in a timely manner or at all. We do not maintain separate funds or otherwise set aside reserves for these types of events. Any such loss or third party claim for damages may have a material adverse effect on our business, financial condition and results of operations.

More stringent environmental laws and regulations or more stringent enforcement of existing environmental laws and regulations in the Russian regions where we operate may have a material adverse effect on our results of operations, and we may be subject to environmental liabilities in connection with certain properties owned and/or leased by us.

Construction and development companies in Russia, including us, are subject to various federal, regional and local environmental laws, ordinances and regulations which establish (i) requirements for obtaining specific permits and administrative approvals, (ii) certain restrictions and encumbrances on the properties held and/or developed, and (ii) liabilities for violations of environmental legislation, as well as for damage caused to the environment, including site contamination.

In connection with our development projects, we are required to obtain numerous permits and approvals from various environmental protection authorities, including an assessment of the environmental impact of the project by the government's environmental experts. These requirements may hinder, delay or increase the costs of our projects.

Furthermore, environmental laws and regulations impose certain restrictions and encumbrances on the properties that we hold and/or develop. For example, some of our land plots under development are located in areas that have special environmental protection, such as prohibitions against cutting down trees, rules regulating the storage of construction waste and, in certain circumstances, the outright prohibition of any construction activities on certain parts of the land plot (e.g., territories bordering a waterline). In addition, the development of a project may be subject to certain obligations, including, among other things, planting of greenery and clean-up measures. These requirements may be costly and time consuming and may result in delays in the commencement or continuation of development of our projects. See also “—We are subject to numerous development, construction and investment risks inherent to real estate development” and “—Our projects may be subject to delay, non-completion and financial loss.”

We believe that our current legal and regulatory compliance programmes adequately address these concerns and that we are in substantial compliance with applicable laws and regulations. However, if our compliance with current and future environmental laws and regulations is challenged or we are deemed to have violated these requirements, remedying these violations could require material expenditures by us, which could materially adversely affect our business, financial condition and results of operations.

In addition, we may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances located on or in a property owned or leased by us. In addition to these costs, which may be substantial, our ability to sell or lease the contaminated property or to borrow using such property as security may be substantially hindered. According to Russian law, we may be obligated to pay a government entity or third party for property damage and for the investigation and clean-up costs incurred by such parties in connection with the contamination. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from environmental contamination emanating from that site.

Any of these requirements, restrictions or liabilities could materially adversely affect our business, financial condition and results of operations.

RISKS RELATED TO THE POLITICAL AND SOCIAL ENVIRONMENT IN RUSSIA

Political instability or changes in government or in economic policy could adversely affect our business and the value of investments in the GDRs.

In the past, the Russian economy has experienced volatility due to internal political shocks as well as actions of other states and political actors such as imposition of international sanctions on the Russian Federation by the United States, the European Union and some other states starting in 2014. Such upheavals, including the latest recession, may render the political system vulnerable to a dissatisfaction of the population with the recent decrease in living standards resulting from an economic downturn, and trigger social and political tension which will adversely affect the stability of the Russian political system and, consequently, the Group's operations.

While the current government generally seeks to ensure economic and political stability, significant changes in the economic and political environment could still occur. For example, in July 2020, following a public vote, the changes to the Russian Constitution purporting to reallocate powers and responsibilities among the Russian governmental authorities, including those of the Russian Parliament and the Government, have been adopted, provoking social tension. Political instability or shifts in governmental policy and regulation in Russia could

negatively affect the Russian economic and political environment in the near term, and accordingly have a material adverse effect on our business and the value of investments in the GDRs.

Unlawful, selective or arbitrary government action may have an adverse effect on our business and financial condition.

Russian regulatory authorities have a high degree of discretion and at times appear to exercise their discretion selectively, without hearing or prior notice. Selective governmental actions have reportedly included denial or withdrawal of licenses, sudden and unexpected tax audits, criminal prosecutions and civil actions. Federal and local government entities have also used common defects in matters surrounding share issuances and registration as pretexts for court claims and other demands to invalidate such issuances and registrations or to void transactions, often for political purposes. Finally, the possibility of unlawful, selective or arbitrary government action also enhances opportunities for official corruption, which is widely reported to be very high in Russia.

The use of governmental power against particular companies or persons, for example through tax, environmental or prosecutorial authorities, could adversely affect Russia's economic climate and, if directed against us, our executive officers or shareholders, could have a material adverse effect on our business, results of operations and financial condition. Russian authorities have recently challenged some Russian companies and prosecuted their executive officers and shareholders on tax evasion and related charges. In some cases, the results of such prosecutions and challenges have been significant claims against companies for unpaid taxes and the imposition of prison sentences on individuals. Some observers have speculated that in certain cases these challenges and prosecutions were intended to punish, and deter, opposition to the government or the pursuit of disfavoured political or economic agendas. Such selective or arbitrary government action against us or our shareholders could have a material adverse effect on our business and the value of investments in the GDRs.

Deterioration of Russia's relations with other countries could negatively affect the Russian economy and those of the nearby regions.

Over the past several years, Russia has been involved in conflicts, both economic and military, some of which involve neighbouring states. On several occasions, this has resulted in the deterioration of Russia's relations with other members of the international community, including the United States and various countries in Europe. Many of these jurisdictions are home to financial institutions and corporations that are significant investors in Russia and whose investment strategies and decisions may be affected by such conflicts and by worsening relations between Russia and its immediate neighbours. For example, political instability and deteriorating economic conditions led to a wide-scale crisis in Ukraine in late 2013 and the beginning of 2014. As a result of these events, in March 2014, following a public referendum, the Crimean peninsula and the city of Sevastopol became new separate constituents of the Russian Federation. The events relating to Ukraine and Crimea have prompted condemnation by members of the international community and have been strongly opposed by the EU and the United States, with a resulting material negative impact on their relationships with Russia.

The emergence of new or escalated tensions between Russia and neighbouring states or other states could negatively affect the Russian economy. This, in turn, may result in a general lack of confidence among international investors in the region's economic and political stability and in Russian investments generally. Such lack of confidence may result in reduced liquidity, trading volatility and significant declines in the price of listed securities, including the GDRs.

Sanctions in relation to Russia may have a material adverse effect on the Russian economy and the Group's business.

The United States and the European Union (among others) have imposed a series of sanctions on certain Russian and Ukrainian persons and entities, as well as on the territory of Crimea and Sevastopol. These sanctions generally target and either prohibit or impose restrictions on dealings or activities with or involving specific persons and companies (such as Russian Government officials and businessmen), certain entities linked to the Government of the Russian Federation, designated sectors of the Russian economy, and, in some instances, entities owned or controlled by sanctioned persons, as well as allow for seizure of designated persons' property in U.S. and EU and imposition of travel bans. Moreover, exports of certain goods and technology to Russia are also restricted. These prohibitions and restrictions generally apply to nationals of the countries imposing such sanctions and to nationals of other countries to the extent they act within the jurisdiction of the country imposing the sanctions and may, particularly in the case of U.S. sanctions, have extraterritorial effect. Most of the Group's entities are neither U.S. persons nor EU persons, and therefore are subject to these sanctions prohibitions and restrictions only to the extent their dealings are subject to U.S. or EU jurisdiction. However, the Group does include some entities incorporated

within the European Union, and the United States takes a broad view of its jurisdiction. Accordingly, there can be no assurance that compliance issues under U.S. and/or EU sanctions laws and regulations will not arise with respect to the Group's subsidiaries or their personnel.

The United States also maintains so-called "secondary" sanctions threatening the imposition of a range of sanctions against non-U.S. entities engaging in, among other activities, targeted activities involving Russia, certain sectors of the Russian economy, or sanctioned persons outside of U.S. jurisdiction. While the actual imposition of U.S. secondary sanctions requires affirmative action by the U.S. administration and is thus in practice discretionary, potential sanctions can be as severe as designation for blocking sanctions, which involves the complete blocking of all transactions and property of the blocked person or entity within U.S. jurisdiction, including U.S. dollar and securities clearing transactions.

No individual or entity within the Group is currently designated under U.S. or EU sanctions. However, U.S. sanctions authorise the designation of or, in some cases, the imposition of secondary sanctions on, any person that engages in sanctionable conduct or materially assists, sponsors or provides financial, material or technological support for, or goods or services to or in support of, sanctioned persons as well as persons engaged in targeted activities. The Group can give no assurance that it, any of its subsidiaries, individuals holding positions in the Group and its direct and indirect shareholders and controlling persons will not be affected by future sanctions designations or secondary sanctions.

If persons or entities collectively owning 50% or more of any Group entity or any Group entity is designated on U.S. sanctions lists, such sanctions would also automatically apply to any entity 50% or more owned by the designated persons or entities, whether or not such subsidiaries were separately designated. In January 2018, pursuant to the Countering America's Adversaries through Sanctions Act of 2017, the U.S. administration presented the U.S. Congress with a report on senior Russian political figures, "oligarchs" and "parastatal" entities. The list included, among others, Mr. Vladimir Evtushenkov, who beneficially owns more than 59% in Sistema, one of the Group's principal indirect shareholders. Although the Group is not aware of any intention on the part of the U.S. government to impose sanctions on Mr. Evtushenkov, if he were to become a target of sanctions, it could have a material adverse effect on the Group's business, access to international financial markets, results of operations, financial condition and prospects. Moreover, if the Group becomes subject to U.S. or EU sanctions, investors subject to the jurisdiction of an applicable sanctions regime may become restricted in their ability to hold, deal in, or receive dividends with respect to, the GDRs, which could make such GDRs partially or completely illiquid and have a material adverse effect on the GDR's market value.

The future scope and application of U.S. sanctions in relation to the Russian Federation is impossible to predict and may be materially affected by political developments, including adoption of U.S. legislative proposals for imposition of additional sanctions related to Russia. The U.S. Congress is currently considering several bills to expand sanctions against Russia, Russian companies and individuals, including, inter alia, new sanctions on Russian wealth individuals. Similarly, EU sanctions on the Russian Federation may continue to be extended and could also change in scope or application as a result of political developments.

In addition, starting from 1 January 2021, EU sanctions targeting Russia ceased to apply within the United Kingdom, but were replaced by a new sanctions regime, with substantially the same, but not identical, effect, under The Russia (Sanctions) (EU Exit) Regulations 2019 that came fully into force on 31 December 2020.

The sanctions discussed above have had, and may in the future have, a material adverse effect on the Russian financial markets and investment climate and the Russian economy generally and, as a result, may materially adversely affect the Group's business, results of operations, financial condition and prospects.

Conflicts between Russian federal and regional authorities could create an uncertain operating environment for us.

Russia is a federation comprising republics, territories, regions, autonomous districts, cities of federal importance and an autonomous region. The delineation of authority among Russia's constituent entities as well as among the branches of government is often uncertain and at times contested. The Russian political system is therefore vulnerable to tension and conflict between federal, regional and local authorities over various issues, including tax revenues, authority for regulatory matters and regional autonomy. In addition, lack of consensus often results in the enactment of conflicting regulations at various levels, and may result in political instability. This lack of consensus creates uncertainties in the operating environment in Russia, which may prevent us from carrying out our business strategy effectively and efficiently.

Crime and corruption could disrupt the Group's ability to conduct business and could adversely affect our financial condition, results of operations and value of investments in the GDRs.

Levels of organised criminal activity remain significant in Russia. The Russian and international press have reported high levels of organised criminal activity and official corruption in Russia, including the bribery of officials. Press reports have also described instances in which state officials have engaged in selective investigations and prosecutions to further commercial interests of select constituencies. Apart from that, there have been allegation that certain Russian media sources engage in publication of biased or disparaging information in exchange for payment. Our ability to conduct our business, as well as our financial condition and results of operations, could be adversely affected by illegal activities, and corruption or by claims alleging involvement in illegal activities which could create negative publicity for the Group.

RISKS RELATED TO THE ECONOMIC SITUATION IN RUSSIA

Emerging markets such as Russia are generally subject to greater risks than more developed markets, and global financial or economic crisis or financial turmoil in other emerging markets could have an adverse effect on our business or cause the value of investments in the GDRs to suffer.

Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved. Emerging markets such as Russia are subject to rapid change, and information may become outdated relatively quickly. Moreover, global financial or economic crisis or financial turmoil in any large emerging market country tends to adversely affect prices in stock markets and prices for debt securities of most or all emerging market countries, as investors move their money to more stable, developed markets. As a consequence, during such times, emerging market companies can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if the fundamentals of the Russian economy remain relatively sound, financial turmoil in any emerging market country could seriously disrupt it, adversely affecting our business and the value of investments in the GDRs.

As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Russia, increase the cost of borrowing for the Russian Government and companies and adversely affect the Russian economy. The markets in Russia have been highly volatile during the recent economic downturn. These developments could severely limit our access to capital and could adversely affect our business, financial condition and results of operations.

Additionally, there are generally lower levels of investor confidence and allegedly higher levels of corruption in emerging markets. As with any investment, there exists a risk of unpredictable adverse political or regulatory developments, including, but not limited to, nationalisation, appropriation without fair compensation, adoption of foreign exchange restrictions and other administrative constraints which could have a material adverse effect on the Group's business, financial position, results of operations, future prospects or the value of the GDRs.

Economic instability in Russia could have an adverse effect on our business.

The Russian economy has been subject to abrupt downturns in the past. For example, the Russian economy has been adversely affected by the introduction of sanctions against Russia and the decline of oil prices, which resulted in decline in GDP of 2.0% in 2015. The impact of the economic downturn on the Russian economy led to, among other things, a reduction in the disposable income of the general population, a crisis of bank liquidity, a significant depreciation of the Rouble against the U.S. dollar and Euro and the rise of unemployment. According to Rosstat, in 2017, 2018 and 2019, Russia's GDP grew by 1.8%, 2.8% and 2.0% in real terms (*Rosstat, 1 April 2021*). However, in 2020, Russia's real GDP declined by 3.0%, mostly due to the impact of the COVID-19 pandemic on the Russian economy, with a gradual recovery possible in 2021. Nonetheless, there is a risk that Russia's expected growth in the future will not be achieved due to unfavorable economic conditions or geopolitical factors, and this consequently may materially and adversely affect the Group's business, prospects, financial condition and results of operations. There can be no assurance that the measures adopted by the Russian government to ameliorate the effect of the economic downturn will result in a sustained recovery of the Russian economy. Moreover, any future deterioration of the international economic situation may lead to a worsening of the economic situation in Russia, and, as a result, is likely to adversely affect the profitability of our business.

In addition, since Russia produces and exports large quantities of crude oil, natural gas and other commodities, its economy is particularly vulnerable to fluctuations in world commodity prices. For example, in March 2020, oil prices dropped by more than 40%, which resulted in the immediate weakening of Rouble against major currencies, following Russia's refusal to support emergency supply cuts proposed by OPEC. While oil prices have largely

recovered since then, another sustained decline in the price of crude oil, natural gas and other commodities could further disrupt the Russian economy.

Any deterioration in the general economic conditions in Russia could adversely influence the level of consumer demand for the various products rendered by us, and therefore could have a material adverse effect on our business, results of operations and financial condition.

We are only able to conduct banking transactions with a limited number of Russian banks based on their ratings and ability to meet the legislation requirements, as the Russian banking system remains underdeveloped.

Russia's banking and other financial systems are in a period of ongoing development. Many Russian banks do not meet international banking standards, and the transparency of the Russian banking sector lags behind internationally accepted norms in certain respects. Some Russian banks also do not follow existing CBR regulations with respect to lending criteria, credit quality, loan loss reserves, diversification of exposure or other requirements. Although the CBR has the mandate and authority to suspend banking licenses of insolvent banks, there may be a time lag between such banks becoming insolvent and their licenses being revoked, during which time they may continue to operate. In late 2017, the CBR announced its decision to implement measures aimed at improving the financial stability of several Russian banks. Liquidity difficulties on the market arose among the private and state owned banks in Russia, which undermined investors' confidence and led to instability of the Russian banking system.

We have endeavoured to reduce our risk by constantly monitoring the situation in the banking sector of Russia and carefully selecting banks to receive and hold funds in. The bankruptcy or insolvency of one or more of the banks in which we receive or hold our funds could hinder our ability to access our funds or affect our ability to complete banking transactions in Russia, or may result in the loss of our deposits altogether, which could have a material adverse effect on our business, results of operations, financial condition, prospects and the value of investments in the GDRs. Russian companies face significant liquidity problems due to the limited supply of domestic savings, the scarcity of foreign sources of funds, high taxes, limited lending by the banking sector to the industrial sector and other factors. An intensification of liquidity problems or a further deterioration in the Russian banking system could have a material adverse effect on our business, results of operations, financial condition, prospects and the value of investments in the GDRs.

Inflation could increase our costs.

The activities of the Group are located in Russia, and the majority of its costs are incurred in Russia and in Roubles. According to Rosstat, the annual inflation rate in Russia was approximately 4.3% in 2018, 3.0% in 2019 and 4.9% in 2020, as measured by the consumer price index (*Rosstat, 2021*). In March 2021, at announcement of rate hike by CBR, the latter mentioned the current inflationary pressure. Many of our costs, including for example, salaries, are sensitive to rises in the general price level in Russia. As a result, high rates of inflation could increase our costs, and there can be no assurance that we will be able to maintain or increase our margins commensurately in order to offset such increases.

There is a lack of reliable official data in Russia.

Official statistics and other data published by the CBR, Rosstat, federal, regional and local governments, and federal agencies are substantially less complete or transparent than those of Western countries, and there can be no assurance that the official sources from which certain of the information set forth herein has been drawn are reliable or complete. Official statistics may also be produced on the basis of methodologies different from those used in Western countries. Any discussion of matters relating to Russia herein may therefore be subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

We could experience disruptions in our normal business activities as a result of problems associated with Russia's physical infrastructure.

Much of Russia's physical infrastructure dates back to Soviet times and has not been adequately funded or maintained over the past decades. Particularly affected are the power generation and transmission, communication systems, building stock and rail, road and pipeline networks. Breakdowns and failures of any part of Russia's physical infrastructure may disrupt normal business activity. Road conditions throughout Russia are poor, with many roads not meeting minimum quality requirements.

The Russian Government is actively pursuing plans to reorganise the nation's rail, electricity and telephone systems. These reorganisations may result in increased charges and tariffs while failing to generate the anticipated capital investment needed to repair, maintain and improve these systems.

The poor condition or further deterioration of Russia's physical infrastructure may harm the national economy, disrupt the transportation of goods and supplies, add costs to doing business in Russia and interrupt business operations, all of which could have a material adverse effect on our business, results of operations, financial condition, prospects and the value of investments in the GDRs.

RISKS RELATED TO THE LEGAL AND REGULATORY ENVIRONMENT IN RUSSIA

Weaknesses in Russia's legal system, legislation and regulations create an uncertain environment for business and investment activity in Russia.

Weaknesses relating to the Russian legal system and Russian laws create an uncertain environment for investment and business activity in Russia and thus could have an adverse effect on our business.

Risks associated with the Russian legal system include, to varying degrees, the following:

- inconsistencies among: (i) federal laws; (ii) decrees, orders and regulations issued by the President, the government and federal ministers; and (iii) regional and local laws, rules and regulations;
- a lack of judicial and administrative guidance on interpreting the laws as well as a lack of sufficient commentaries on judicial rulings and legislation;
- the relative unavailability of Russian legislation and court decisions in an organised manner that facilitates understanding of such legislation and court decisions;
- the relative inexperience of lawyers, judges and courts in interpreting newly-adopted legislation and complex commercial arrangements;
- substantial gaps in the legal framework due to the delay or absence of implementing regulations for certain legislation;
- a lack of judicial independence from political, social and commercial forces;
- alleged corruption within the judiciary and the governmental authorities;
- problematic, time-consuming and unpredictable enforcement of both Russian and non-Russian judicial orders and international arbitration awards;
- a high degree of discretion on the part of governmental authorities, leaving significant opportunities for arbitrary government action; and
- bankruptcy procedures that are not well-developed and are subject to abuse.

These weaknesses could adversely affect our ability to carry out our business activities, enforce our rights under contracts or defend ourselves against claims by others. Furthermore, there can be no assurance that regulators, judicial authorities or third parties will not challenge our compliance with applicable laws, decrees or regulations.

The limited independence and experience of the judiciary, the difficulty of enforcing court decisions and governmental discretion in instigating, joining and enforcing claims could prevent the Group from obtaining effective redress from a court or tribunal, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The independence of the judicial system remains largely untested. The court system in the Russian Federation is understaffed and under-funded and not immune to external influences. Judges and the courts in the Russian Federation are often inexperienced in interpreting and applying many aspects of business and corporate law. Judicial precedents generally have no binding effect on subsequent decisions. Not all court decisions are readily available to the public. Enforcement of court judgements can in practice be very difficult in the Russian Federation. All of these factors make judicial decisions in the Russian Federation difficult to predict and effective

redress uncertain. Additionally, court claims and prosecutions are sometimes influenced by, or used in furtherance of, private interests. We may be subject to such claims and may not be able to receive a fair trial.

These uncertainties also extend to property rights. While legislation has been enacted to protect private property against expropriation and nationalisation, due to the lack of experience of the courts in the Russian Federation in enforcing these provisions and due to political factors, these protections may not be enforced in the event of an attempted expropriation or nationalisation. Expropriation or nationalisation of any of our entities, their assets or portions thereof, potentially without adequate compensation, could have a material adverse effect on the Group's business, results of operations, financial condition, and prospects.

Russia's unpredictable acknowledgement and enforcement of foreign court judgements or arbitral awards give rise to significant uncertainties.

Final judgments rendered by a court in any jurisdiction outside the Russian Federation will be generally recognised and enforced by courts in the Russian Federation if an international treaty providing for the recognition and enforcement of judgments in civil cases exists between the Russian Federation and the country where the judgment is rendered and/or a federal law is adopted in the Russian Federation that provides for the recognition and enforcement of foreign court judgments. Russia is not a party to any multilateral or bilateral treaties with certain jurisdictions (including the United States and the United Kingdom) for the mutual enforcement of court judgments, and federal law does not generally provide for the recognition and enforcement of foreign court judgments, although foreign court judgments are sometimes recognised and enforced by Russian courts on the basis of reciprocity, if courts of the country where the foreign judgement was rendered have previously enforced judgments issued by Russian courts. The existence of reciprocity must be established in each case at the time the recognition and enforcement of a foreign judgement is sought, and it is not possible to predict whether in the future a Russian court will recognise and enforce a judgement issued by a foreign court on the basis of reciprocity. Consequently, should a judgement be obtained from a foreign court, it may not be given direct effect in Russian courts. See "*Limitation on Enforcement of Civil Liabilities*".

However, Russia is a party to the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards of 10 June 1958. A foreign arbitral award obtained in a jurisdiction that is a party to the New York Convention should be recognised and enforced by a Russian court, subject to the qualifications provided for in the New York Convention and compliance with Russian rules of civil procedure and applicable Russian law. There is also a risk that Russian rules of civil procedure will be amended to introduce further grounds preventing foreign court judgments and arbitral awards from being recognised and enforced in Russia. In practice, reliance upon international treaties may meet with resistance or a lack of understanding on the part of Russian courts or other officials, thereby introducing delays and unpredictability into the process of enforcing any foreign judgement or any foreign arbitral award in Russia.

Shareholder rights provisions under Russian law may impose additional costs on us.

Russian law provides that shareholders that vote against or abstain from voting on certain matters have the right to sell their shares to the respective Group's company at market value in accordance with Russian law. The decisions that trigger this right to sell shares include:

- a reorganisation;
- the approval of a "major transaction" that involves property worth more than 50% of the book value of assets of the respective Group's company, calculated in accordance with Russian accounting standards;
- the amendment of a company's charter or adoption of a new version thereof in a manner limiting shareholder rights; and
- the submission of an application for delisting of the respective Group company's shares or other securities convertible into shares.

Our obligation to purchase shares in these circumstances, which is limited to 10% of net assets of the respective Group's company, calculated according to the Russian accounting standards at the time the matter at issue is voted upon, could have an adverse effect on our cash flow and ability to service our indebtedness.

The Russian taxation system is continually evolving and is subject to frequent changes, which could have an adverse effect on the Group and the value of the GDRs.

A significant part of the Group's assets and operations is located in Russia. Therefore, weaknesses in the Russian tax system could adversely affect the Group. The Russian subsidiaries of the Group are subject to a broad range of Russian taxes and charges imposed at the federal, regional and local levels, including, but not limited to, profits tax, value added tax ("VAT"), property tax and other taxes as well as payroll related social security contributions.

Russian laws and regulations related to these taxes, such as the Russian Tax Code, have been in force for a relatively short period of time in comparison with tax legislation in more developed economies, and the Government's implementation of such legislation is often unclear or inconsistent. Historically, the system of tax collection has been relatively ineffective, resulting in continuous changes being introduced into existing laws.

Although the quality of the Russian tax legislation has generally improved with the introduction of the Russian Tax Code, the possibility exists that Russia may impose arbitrary and/or onerous taxes and penalties in the future, which could adversely affect the Group's business. Russia's inefficient tax collection system increases the likelihood of such events. A large number of changes have been introduced to various chapters of the Russian Tax Code since its adoption.

Since Russian federal, regional and local tax laws and regulations are subject to frequent changes and, in addition, some of the sections of the Russian Tax Code relating to the aforementioned taxes are comparatively new, interpretation and application of these laws and regulations is often unclear, unstable or non-existent. Differing interpretations of tax regulations exist both among and within government bodies at the federal, regional and local levels, increasing the number of existing uncertainties and leading to the inconsistent enforcement of these laws and regulations in practice. In some instances, the Russian tax authorities applied new interpretations of tax laws and regulations retroactively.

Private clarifications to specific taxpayers' queries with respect to particular situations issued by the Ministry of Finance of the Russian Federation are not binding on the Russian tax authorities and there can be no assurance that the Russian tax authorities will not take positions contrary to those set out in the private clarification letters issued by the Ministry of Finance of the Russian Federation. Moreover, there can be no assurance that Russian legislation and regulations will not be altered, in whole or in part, or that the Russian tax authorities and/or Russian courts or other regulatory authorities will not interpret these rules and regulations in such a way that the arrangements described in this Prospectus would be subject to different tax treatment than the treatment described herein, whether retroactively or otherwise, or would be adversely affected in some other way. During the past several years the Russian tax authorities have shown a tendency to take more assertive positions in their interpretation of tax legislation, which has led to an increased number of material tax assessments issued by them as a result of tax audits of companies operating in various industries.

As taxpayers and the Russian tax authorities often interpret tax laws differently, taxpayers often have to resort to court proceedings to defend their position against the tax authorities. In the absence of binding precedent or consistent court practice, rulings on tax or other related matters by different courts relating to the same and similar circumstances may also be inconsistent or contradictory.

The Russian tax system is, therefore, impeded by the fact that, at times, it continues to be characterized by inconsistent judgment of local tax authorities and the failure by tax authorities to address many of the existing problems. It is, therefore, possible that transactions and activities of the Group that have not been challenged in the past may be challenged in the future, which may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Tax returns, together with related documents, are subject to tax audit by the Russian tax authorities, for the period of three calendar years (with certain exceptions) immediately preceding the year in which the decision to conduct a tax audit is taken. A repeat tax audit of periods which have been already audited or a tax audit of periods beyond the three-year statute of limitations may be conducted under certain conditions. Since there are precedents in which the Russian tax authorities tend to apply new interpretations of tax laws retroactively, there is a risk that tax audits may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

These changing conditions create tax risks in Russia that are more significant than those typically found in jurisdictions with more developed economies and tax systems and complicate tax planning and related business decisions of the Group. The Group's tax burden may become greater than the estimated amount that it has paid or

accrued on its balance sheet. The Group cannot provide investors with any assurance that additional Russian tax exposures will not arise. Such additional tax exposures could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In addition, there can be no assurance that the Russian Tax Code will not be changed in the future in a manner adverse to the stability and predictability of the tax system, that the current tax rates will not be increased, that new taxes will not be introduced or that additional sources of revenue or income, or other activities, will not be subject to new taxes, charges or similar fees in the future which may affect Group's overall tax efficiency and may result in significant additional tax liabilities.

Russian tax anti-avoidance initiatives may have an adverse impact on the Group's business, results of operations, financial condition and prospects.

The Russian Federation is actively involved in introducing measures against tax avoidance by way of using low tax jurisdictions and other aggressive international and local tax planning structures.

The Group operates in various jurisdictions and includes companies incorporated outside of Russia. Russian tax laws currently in effect are not well developed as far as taxation of foreign companies in Russia or operations of Russian companies abroad are concerned. The Russian Tax Code contains a concept of permanent establishment in Russia as a means for taxing foreign legal entities which carry out regular entrepreneurial activities in Russia beyond preparatory and auxiliary activities. However, the practical application of the concept of a permanent establishment under Russian law is not well developed and foreign companies having even limited operations in Russia, which would not normally satisfy the conditions for creating a permanent establishment under international rules, may be at a risk of being treated as having a permanent establishment in Russia. It is possible that with the evolution of these rules or changes in the approach of the Russian tax authorities and/or courts to their interpretation and application, the Group might become subject to additional taxation in Russia in respect of its operations outside Russia.

The Russian Tax Code envisages the following anti-avoidance rules (concepts) against the aggressive international tax structures: (1) "controlled foreign companies" (CFC) rules, pursuant to which undistributed profits of certain foreign organisations as well as foreign structures (not being legal entities) owned and/or controlled by Russian tax residents should be subject to taxation in Russia; (2) the concept of tax residency for legal entities whereby foreign legal entities would be deemed Russian tax residents if their place of management is located in Russia; and (3) the beneficial ownership concept which provides that double tax treaty relief should only be available to foreign income recipients which qualify as beneficial owners of income. These rules (concepts) are being regularly updated where some of the amendments have retrospective effect.

In 2017 anti-avoidance rules were introduced by Article 54.1 of the Russian Tax Code (previously a similar "unjustified tax benefit" concept which was introduced by the Plenum of the Supreme Arbitration Court of the Russian Federation in its Resolution No. 53 has been in force for more than 10 years in Russian tax practice). Article 54.1 of the Russian Tax Code (a) establishes the framework within which taxpayers enjoy tax benefits and (b) prohibits any wilful misconduct resulting in a non-payment or underpayment of taxes by misrepresenting information on commercial events and objects of taxation. In March 2021 the Federal Tax Service published a clarification letter summarizing the practice on the application of Article 54.1 of the Russian Tax Code. While the letter aims to systemize the approach to the Russian general anti-avoidance rules, the exact impact of the letter on the practice and consistency of the application of the abovementioned rules remains to be seen.

Due to the fact that the court practice related to application of these anti-avoidance rules (concepts) is still inconsistent, no assurance could currently be given as to the exact effect such rules may have on taxpayers, including the Group.

The Group includes companies incorporated and operating outside of the Russian Federation. Implementation and further evolution of the abovementioned rules (concepts) and some other tax anti-avoidance initiatives are likely to impose additional administrative and tax burdens on the Group. Therefore, there is a risk that the Group might be subject to additional tax liabilities as a result of the application of these anti-avoidance rules to transactions carried out by the Group, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The double tax treaty relief may not be available for the Group.

Russia signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the "MLI"). The MLI sets forth additional requirements for the application of the double tax

treaty benefits, including the reduced tax rates. It is expected that changes to specific bilateral treaties would come into effect after the parties to the treaties deposit their instruments of ratification, acceptance or approval of the MLI, subject to an additional phase-in period. The Russian Federation has sent through OECD diplomatic channels the notification on the completion of the internal procedures required for the MLI enforcement in respect of the double tax treaties concluded with a number of jurisdictions starting from 1 January 2021. There is a risk that the MLI might affect the ability of the Group to avail itself of certain double taxation treaty benefits with respect to income, including dividends, paid by the Russian companies of the Group.

In 2020 the Russian President has announced significant changes to be made into the double tax treaties concluded by the Russian Federation. As such the Russian Government was directed to revise double tax treaties concluded by the Russian Federation in order to increase withholding tax rates up to 15% for Russian-sourced dividend and interest income or, if negotiations regarding such amendments are going to be unsuccessful, to terminate the relevant double tax treaties. Consequently, the Russian Ministry of Finance initiated negotiations with a number of foreign jurisdictions, including Cyprus.

As a result, the Protocol to the double tax treaty between Cyprus and Russia was signed which sets new tax rates of 15% with respect to outbound dividends and interest income sourced from Russia. Based on the Protocol to the double tax treaty between Cyprus and Russia, a reduced tax rate of 5% will be available to the beneficial owner which is, inter alia, a company which shares are quoted on a registered stock exchange provided no less than 15% of voting shares of that company are in free float and which holds directly at least 15% of the capital of the company paying the dividends throughout a 365 day period that includes the day of payment of the dividends.

There have already been some conflicting interpretations of the provisions of the Protocol. At this stage it is difficult to predict how the practice of its application will develop.

The amendments to the Russia-Cyprus double tax treaty could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Russian thin capitalisation rules allow different interpretations which could have an adverse effect on the Group and the value of the GDRs.

Russian subsidiaries of the Company may be affected by the application of the Russian thin capitalisation rules. Under these rules tax deductibility of interest arising in connection with "controlled debt", if "controlled debt" - to - equity ratio exceeds 3:1, may be disallowed fully or in part. Controlled debt includes any borrowings from the foreign parent entity and/or its affiliates or, subject to certain conditions, even from independent parties if any of the above persons (foreign parent entity and/or its affiliates) guarantee or otherwise secure the obligations of the borrower, subject to certain exceptions.

Therefore our Russian intragroup operations may be affected by requalification of interest on debt into dividends upon application of the Russian thin capitalisation rules and as a result the deductibility of interest may be restricted, and such interest may be treated as dividends for Russian tax purposes that could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Capital gains from the sale of the GDRs may be subject to Russian income tax.

The Russian Tax Code does not contain a clear guidance as to when the sales or disposal proceeds should be deemed to be received from Russian sources by an individual not qualifying as a tax resident for Russian personal income tax purposes. As such there is a risk that the proceeds (capital gain) from the sale (or other disposal) of the GDRs would be treated as received from a source within the Russian Federation by a Non-Resident Holder - Individuals and as such Russian personal income tax at the rate of 30% (or such other tax rate as is effective at the time of such sale or other disposal) will apply to the gross amount of these proceeds less any available deduction of expenses incurred by a Non-Resident Holder – Individuals relating to the GDRs which were sold (otherwise disposed) (please refer to "Taxation – Russian tax considerations").

The imposition or possibility of imposition of the above tax liabilities in the Russian Federation, as applicable, could adversely affect the value of the GDRs. In addition, while some holders of the GDRs might be eligible for an exemption from or a reduction in Russian withholding tax under an applicable double tax treaty, there is no assurance that such exemption or reduction will be available in practice.

Russian transfer pricing rules may adversely affect the Group's business, results of operations, financial condition and prospects.

The Russian transfer pricing legislation allows the Russian tax authorities to make transfer pricing adjustments and impose additional tax liabilities with respect to “controlled” transactions. The list of “controlled” transactions under the transfer pricing legislation includes certain transactions between related parties and certain types of cross-border transactions. This legislation shifts the burden of proving market prices from the Russian tax authorities to the taxpayer. Although this legislation has been modelled on the basis of the transfer pricing principles developed by the OECD, there are some peculiarities as to how the Russian rules apply in practice.

Accordingly, due to uncertainties in the interpretation of Russian transfer pricing legislation and underdeveloped court practice, no assurance can be given that the Russian tax authorities will not challenge the Group's prices and make adjustments which could adversely affect the Group's tax position. The imposition of additional tax liabilities under the Russian transfer pricing legislation may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Cypriot Tax Risks

Expected Special Contribution to the Defence Fund of the Republic on dividend income of entities that are tax resident or incorporated in a jurisdiction included in the EU non-cooperative jurisdictions list.

An amendment to the Cypriot Special Contribution to the Defence Fund of the Republic Law (“**Defence Tax Law**”) is being discussed that may introduce Defence Tax on dividend distributions made to entities that are tax resident or incorporated in a jurisdiction included in the EU non-cooperative jurisdictions list.

If such amendment to the Cypriot Defence Tax Law is introduced, then to the extent that any of the holders of the GDRs is an entity which is tax resident or incorporated in a jurisdiction included in the EU non-cooperative jurisdictions list (which is amended from time to time), the dividend income of such holder of the GDRs may be subject to Cypriot Defence Tax.

Consequently, each corporate holder of the GDRs should assess its respective potential Cypriot Defence Tax obligation with regard to the dividend income to be received from the GDRs.

RISKS RELATING TO THE GDRS

The trading price of the GDRs may be highly volatile and an active and liquid market for the GDRs may not be sustained.

The global stock markets have experienced strong price and volume fluctuations. No assurance can be given that an active, liquid trading market may be sustained. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. Consequently, the trading prices of the GDRs may be subject to wide fluctuations in response to a number of factors, including:

- variations in our operating results and those of other Russian businesses;
- variations in national and industry growth rates;
- changes in governmental legislation or regulation;
- general economic conditions within our business sector or in Russia; or
- extreme price and volume fluctuations on the Russian or other emerging market stock exchanges.

The Ordinary Shares underlying the GDRs are not listed and may be illiquid.

Unlike many other global depositary receipts traded on the London Stock Exchange, the Ordinary Shares are neither listed nor traded on any stock exchange and we do not intend to apply for the listing or admission to trading of the Ordinary Shares on any stock exchange. As a result, a withdrawal of Ordinary Shares by a holder of GDRs will result in that holder obtaining securities that may be significantly less liquid than the GDRs and any price obtained for those Ordinary Shares may be discounted as a result of such election or withdrawal.

Voting rights with respect to the Ordinary Shares represented by the GDRs are limited by the terms of the Deposit Agreement for the GDRs and subject to relevant requirements of Cypriot law and the Company's articles of association.

GDR holders will have no direct voting rights with respect to the Ordinary Shares represented by the GDRs. They will be able to exercise voting rights with respect to the Ordinary Shares represented by GDRs only in accordance with the terms and conditions of the GDRs and relevant requirements of Cypriot law. Therefore, there are practical limitations upon the ability of GDR holders to exercise their voting rights due to the additional procedural steps involved in communicating with them. For example, under Cypriot law and the Company's articles of association, the Company must notify holders of the Ordinary Shares not less than 14 days for the passing of an ordinary resolution and not less than 21 days for the passing of a special resolution, prior to the date of any general meeting. Holders of the Ordinary Shares, therefore, will receive notice directly from the Company and will be able to exercise their voting rights by either attending the meeting in person, voting by proxy or, in the event the Company opts to seek approval by written resolution instead of by vote of general meeting, by executing a written resolution. GDR holders, by comparison, will not receive notice directly from the Company. Rather, in accordance with the Deposit Agreement, the Company will provide to the Depositary copies of notices of meetings of the shareholders of the Company and the agenda therefor as well as any proposed written resolutions of the Company. The Depositary has undertaken, in turn, as soon as practicable after receipt, to distribute to GDR holders notice of such meeting, copies of voting materials (if and as received by the Depositary from the Company) and a statement as to the manner in which instructions may be given by GDR holders. To exercise their voting rights, GDR holders must then instruct the Depositary how to vote the Ordinary Shares represented by the GDRs they hold. Because of this additional procedural step involving the Depositary, the process for exercising voting rights may take longer for GDR holders than for holders of the Ordinary Shares, and there can be no assurance that GDR holders will receive voting materials in time to enable them to return voting instructions to the Depositary in a timely manner. Ordinary Shares for which the Depositary does not receive voting instructions from GDR holders in time will not be voted or, subject to certain conditions, such GDR holders will be deemed to have instructed the Depositary to give a discretionary proxy to a person designated by the Company with respect to such Ordinary Shares, and the Depositary will give a discretionary proxy to a person designated by the Company to vote such Ordinary Shares. See *"Terms and Conditions of The Global Depositary Receipts—Voting Rights"* for a description of the voting rights of holders of GDRs.

The Depositary is only required to execute the voting instructions of the holders of GDRs insofar as practicable and as permitted under applicable law. In practice, holders of GDRs may not be able to instruct the Depositary to (1) vote the Ordinary Shares represented by their GDRs on a cumulative basis, (2) introduce proposals for the agenda of general meetings or request that a general meeting be called or (3) nominate candidates for the Company's Board of Directors. If GDR holders wish to take such actions, they should timely request that their GDRs be cancelled and take delivery of the Ordinary Shares and thus become the owners of the Ordinary Shares on the Company's share register.

We may decide not to pay dividends in the future and our ability to pay dividends will depend upon the level of dividends and distributions, if any, received from our operating subsidiaries and other factors.

The Company may be unable or elect not to declare dividends in the future. As under Cypriot law dividend payments can be made solely out of profits, the payment of dividends, if any, by the Company will depend on, among other things, our future profits, financial position and capital requirements, the sufficiency of our distributable reserves, the ability of subsidiaries to pay dividends or distributions to the Company, credit terms, general economic conditions and other factors that our directors deem to be important from time to time. Should the Company decide against declaring dividends in the future, the trading price of the GDRs may be adversely affected.

Investors may have limited recourse against the Company or the Company's directors and executive officers because they generally conduct their operations outside the United States and the United Kingdom and most of the Company's current directors and executive officers reside outside the United States and the United Kingdom.

The presence of the Company outside the United States and the United Kingdom may limit the legal recourse of investors against them. The Company is organized under the laws of Cyprus and all of its subsidiaries are incorporated outside the United States and the United Kingdom. Most of the Company's current directors and executive officers reside outside the United States and the United Kingdom, principally in the Russian Federation. All or a substantial portion of the Company's assets and the assets of the Company's current directors and executive officers are located outside the United States and the United Kingdom, principally in the Russian

Federation. As a result, you may not be able to effect service of process within the United States or the United Kingdom upon the Company or its directors and executive officers or to enforce U.S. or U.K. court judgements obtained against the Company or its directors and executive officers in jurisdictions outside the United States and the United Kingdom, including actions under the civil liability provisions of U.S. securities laws. In addition, it may be difficult for you to enforce, in original actions brought in courts in jurisdictions outside the United States and the United Kingdom, liabilities predicated upon U.S. or U.K. securities laws.

There is no treaty between the United States and the Russian Federation or the United Kingdom and the Russian Federation providing for reciprocal recognition and enforcement of foreign court judgements in civil and commercial matters. These limitations may deprive you of effective legal recourse for claims related to your investment in the GDRs. See “—*Russia’s unpredictable acknowledgement and enforcement of foreign court judgements or arbitral awards give rise to significant uncertainties*”.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

FINANCIAL STATEMENTS

This Prospectus includes audited financial statements of the Group as of and for the year ended 31 December 2020 (the “**2020 Consolidated Financial Statements**”), as of and for the year ended 31 December 2019 (the “**2019 Consolidated Financial Statements**”) and as of and for the year ended 31 December 2018 (the “**2018 Consolidated Financial Statements**” and, together with the 2020 Consolidated Financial Statements and the 2019 Consolidated Financial Statements, the “**Consolidated Financial Statements**”). The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”), as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time, in effect at the time of their respective preparation. Except as otherwise indicated, financial data for the year ended and as of 31 December 2018 included in this Prospectus represent figures extracted from the 2018 Consolidated Financial Statements and where indicated as restated represents the Group’s change in accounting policy effective from 1 January 2019 with respect to capitalisation of borrowing costs and significant financing component, which has been extracted from the 2019 Consolidated Financial Statements.

Segment Reporting

We have three reportable segments in our Consolidated Financial Statements, which are our strategic business units. The strategic business units offer different products and services, and are managed discretely because they require different technologies and marketing strategies. These strategic business units are: (1) residential development (including construction of flats, built-in premises and parking places) categorised under the residential development segment; (2) construction services provided intra-group and to third parties, categorised under the construction services segment; and (3) sale of construction materials, the development and sale of stand-alone premises for commercial use, and various services related to the sale and servicing of premises, all of which are categorised under the other operations segment.

Effective from 1 January 2019, we changed our accounting policy with respect to capitalisation of borrowing costs and significant financing component. The management accounting policies have been changed accordingly. Therefore, comparative periods for the Residential Development reportable segment in 2018 have also been restated.

Explanation of Key Statement of Comprehensive Income Items

Revenue

We break down our revenue into the following categories:

- Sale of flats;
- Construction services;
- Sale of built-in commercial premises;
- Sale of stand-alone commercial premises;
- Sale of parking places;
- Sale of construction materials;
- Rental revenue; and
- Other revenue.

Sale of flats

A large majority of our revenue is derived from sales of residential development. All of our revenue from sale of flats is recorded in the residential development segment. The price of our flats is denominated in Roubles. Sale contracts for flats and shared construction agreements for built-in commercial premises usually provide for

advance payments and payments in installments until the date of completion of construction. Certain types of our agreements also provide for payments in arrears after the date of completion of construction.

Construction services

Revenue from construction services is recorded in the construction services segment.

Sale of built-in commercial premises and parking places

Revenue from sale of built-in commercial premises is recorded in the residential development segment.

Sale of stand-alone commercial premises

Revenue from sale of stand-alone commercial premises is recorded in the other operations segment.

Sale of parking places

Revenue from sale of parking places is recorded in the residential development segment.

Sale of construction materials

Revenue from sale of construction materials is recorded in the other operations segment.

Rental revenue

Rental revenue consists primarily of revenue derived from letting out built-in commercial premises which we have not yet sold but which have been commissioned with the State Commission. Rental revenue is recorded in the rental segment.

Other revenue

Other revenue consists primarily of revenue derived from services related to sale and servicing of premises. Other revenue is recorded in the other operations segment.

General and administrative expenses

Our administrative expenses in the periods under review consisted primarily of expenses related to payroll and related taxes.

Selling expenses

Our selling expenses in the periods under review consisted primarily of expenses related to:

- Marketing and advertising;
- Agents' commissions;
- Insurance payments for shared construction agreements; and
- Salaries and wages paid to our marketing staff.

Finance income

Finance income in the periods under review consisted primarily of:

- interest income on cash and cash equivalents (except bank deposits);
- interest income - unwinding of discount on trade receivables; and
- interest income on bank deposits.

Finance costs

Finance expenses in the periods under review consisted primarily of:

- interest expenses - financing component under IFRS 15; and
- interest expenses - borrowing costs.

All borrowing costs, which are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in the statement of comprehensive income and expensed as incurred.

Profit before income tax

For the years ended 31 December 2020, 2019 and 2018, profit before tax is equal to the sum of gross profit and financial income less the sum of selling expenses, general and administrative expenses, financial costs, impairment loss on trade and other receivables and other expenses, net.

Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

Profit for the Year

Profit for the year is profit before tax reduced by income tax expense.

See “*Management’s Discussion And Analysis Of Financial Condition and Results of Operations*”.

NON-IFRS INFORMATION

We have included certain measures in this Prospectus, as defined below, that are not measures defined by IFRS. We have included them for the reasons described below; however, these measures should not be used instead of, or considered as alternatives to, our historical financial results based on IFRS.

The Company has defined:

- Adjusted EBITDA as profit/(loss) for the year before net finance costs, income tax expense, depreciation and amortisation and effect of purchase price allocation, impairment loss on trade and other receivables, gain from bargain purchase from acquisition of subsidiary and net other expenses.
- Adjusted EBITDA margin as Adjusted EBITDA divided by revenue.

We believe that the inclusion of Adjusted EBITDA and Adjusted EBITDA margin metrics is necessary because they (i) enhance an investor's understanding of our financial performance, (ii) are used by our management as important supplemental measures to assess our operating performance, including our ability to fund discretionary spending such as capital expenditures and other investments and our ability to incur and service debt, and (iii) Adjusted EBITDA is a measure incorporated into certain of our financial ratios in our loan instruments.

Adjusted EBITDA and Adjusted EBITDA margin are not presentations made in accordance with IFRS and our use of the terms Adjusted EBITDA and Adjusted EBITDA margin may vary from others in our industry due to differences in accounting policies or differences in the calculation methodology of Adjusted EBITDA and Adjusted EBITDA margin by others in our industry. Adjusted EBITDA and Adjusted EBITDA margin have limitations as analytical tools, and should not be considered in isolation, or as substitutes for financial information as reported under IFRS. For example, Adjusted EBITDA does not reflect the effect of financial income/(expenses), income tax expense, depreciation and amortisation. Adjusted EBITDA and Adjusted EBITDA margin should not be considered as alternatives to net profit or any other performance measures derived in accordance with IFRS or as alternatives to cash flow from operating activities or as measures of our liquidity. In particular, Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business.

- Net corporate debt as loans and borrowings less cash and cash equivalents, bank deposits over 3 months and secured project financing.
- Adjusted net debt as loans and borrowings less cash and cash equivalents and bank deposits over 3 months plus contract liabilities in the Residential development segment less balance of inventories under construction.
- Net corporate debt to Adjusted EBITDA as a ratio calculated by dividing Net corporate debt by Adjusted EBITDA.
- Adjusted net debt to Adjusted EBITDA as a ratio calculated by dividing Adjusted net debt by Adjusted EBITDA (each as defined above). We use these measures as the principal statistics for evaluating the impact of the total size of our net borrowings on our operations, and our ability to service our debt and to maintain liquidity and solvency of our business.

Net corporate debt and Adjusted net debt are not balance sheet measures under IFRS and they should not be considered as an alternative to other measures of financial position. Our calculation of Net corporate debt and Adjusted net debt may be different from the calculation used by other companies and therefore comparability may be limited. Although Net corporate debt and Adjusted net debt are non-IFRS measures, they are widely used to assess liquidity and the adequacy of a company's financial structure. We believe that Net corporate debt and Adjusted net debt provide an accurate indicator of our ability to meet our financial obligations, represented by gross debt, from our available cash and future proceeds from sales. Net corporate debt and Adjusted net debt allow us to show investors the trend in our net financial condition over the periods presented. However, the use of Net corporate debt and Adjusted net debt effectively assumes that gross debt can be reduced by cash. In fact, it is unlikely that we would, or could, use all of our cash to reduce our gross debt all at once, as cash must also be available to pay employees, suppliers and taxes, and to meet other operating needs and capital expenditure requirements. Also, under current industry regulation, once we enter into a shared construction agreement with a customer, cash received from the customer is blocked in an escrow account and may not be used for any purpose until construction is completed and the building is accepted by the State Commission. However, we still have a number of shared construction agreements that do not have escrow accounts because they were initiated before the reform. Such shared construction agreements provide for the usage of a developer's special account, and cash received to the developer's special account could be applied to finance project construction, our commercial and management costs and payment of taxes. See *"Regulation of Real Estate in Russia— Residential Construction— Financing and Sale"*.

For further discussion and reconciliations of the Non-IFRS measures to the nearest IFRS measure, see “*Selected Consolidated Financial Information—Other Financial Data*”.

SEGMENT REVENUE PERCENTAGES

Throughout this Prospectus, we present information on our segments and business units as a percentage of revenues to show the percentage that each segment’s or business’s revenues contribute to our total revenues. We calculate this percentage by using the relevant revenue before inter-segment eliminations and without taking into account unallocated expenses or income.

CURRENCIES

Our functional currency is the rouble, as it reflects the economic substance of our operations. Our presentation currency is also the rouble. Solely for the convenience of the reader, certain amounts included in this Prospectus have been translated from roubles into U.S. dollars, as set forth under “*Currencies and Exchange Rates*”. Investors in the GDRs should not construe those translations as a representation that those amounts could be converted from one currency to another at any particular rate or at all.

ROUNDING

Certain amounts that appear in this Prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

DEFINITIONS AND CONVENTIONS

In this Prospectus, we use the following defined terms:

- “\$”, “USD”, “Dollars” and “U.S. dollars” shall mean the lawful currency of the United States of America;
- “€”, “EUR” and “euro” shall mean the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the treaty establishing the European Community (“EC”), as amended by the Treaty on European Union;
- “£”, “GBP” and “pounds sterling” shall mean the lawful currency of the United Kingdom of Great Britain and Northern Ireland;
- “2018 Consolidated Financial Statements” shall have the meaning given on page 39 of this Prospectus;
- “2019 Consolidated Financial Statements” shall have the meaning given on page 39 of this Prospectus;
- “2019 Shared Construction Law Amendments” shall have the meaning given on page 9 of this Prospectus;
- “2020 Consolidated Financial Statements” shall have the meaning given on page 39 of this Prospectus;
- “Additional GDRs” shall have the meaning given on the cover page of this Prospectus;
- “Additional GDR Rights” shall have the meaning given on page 199 of this Prospectus;
- “Additional GDR Rights Request” shall have the meaning given on page 199 of this Prospectus;
- “Agents” shall have the meaning given on page 208 of this Prospectus;
- “Application” shall have the meaning given on the cover page of this Prospectus;
- “Application to Increase the Block Listing” shall have the meaning given on the cover page of this Prospectus;
- “Articles” shall have the meaning given on page 185 of this Prospectus;
- “CBR” refers to the Central Bank of the Russian Federation;
- “Charges” shall have the meaning given on page 204 of this Prospectus;

- **“City of Moscow”** is a non-legal term broadly used in the Russian Federation which means Moscow state authorities, including, in particular, the Moscow Government;
- **“City of St. Petersburg”** is a non-legal term broadly used in the Russian Federation which means St. Petersburg state authorities, including, in particular, the St. Petersburg Government;
- **“Code”** shall have the meaning given on page 218 of this Prospectus;
- **“Colliers”** shall have the meaning given on page 48 of this Prospectus;
- **“Companies Law”** shall have the meaning given on page 185 of this Prospectus;
- **“Company”** refers to Etalon Group plc;
- **“Conditions”** shall have the meaning given on page 193 of this Prospectus;
- **“Consolidated Financial Statements”** shall have the meaning given on page 39 of this Prospectus;
- **“COVID-19”** shall have the meaning given on page 52 of this Prospectus;
- **“CTA”** shall have the meaning given on page 223 of this Prospectus;
- **“Custodian”** shall have the meaning given on page 193 of this Prospectus;
- **“Defence Tax Law”** shall have the meaning given on page 36 of this Prospectus;
- **“Deposit Agreement”** shall have the meaning given on page iii of this Prospectus;
- **“Depositary”** shall have the meaning given on the cover page of this Prospectus;
- **“Deposited Property”** shall have the meaning given on page 193 of this Prospectus;
- **“Deposited Shares”** shall have the meaning given on page 193 of this Prospectus;
- **“Dispute”** shall have the meaning given on page 51 of this Prospectus;
- **“Dividend Policy”** shall have the meaning given on page 7 of this Prospectus;
- **“Estimated Cost of Construction”** shall have the meaning given on page 171 of this Prospectus;
- **“Etalon Galaktika”** shall have the meaning given on page 81 of this Prospectus;
- **“Etalon Galaktika Facilities”** shall have the meaning given on page 81 of this Prospectus;
- **“Exchange Act”** shall have the meaning given on page 54 of this Prospectus;
- **“Existing Dispute”** shall have the meaning given on page 214 of this Prospectus;
- **“Existing GDRs”** shall have the meaning given on the cover page of this Prospectus;
- **“FATCA”** shall have the meaning given on page 196 of this Prospectus;
- **“FCA”** shall have the meaning given on the cover page of this Prospectus;
- **“FSMA”** shall have the meaning given on the cover page of this Prospectus;
- **“FX Counterparty”** shall have the meaning given on page 201 of this Prospectus;
- **“GDP”** shall have the meaning given on page 52 of this Prospectus;
- **“GDRs”** shall have the meaning given on the cover page of this Prospectus;

- **“GHS”** shall have the meaning given on page 224 of this Prospectus;
- **“Government”** refers to the Russian federal government;
- **“Group”**, **“we”**, **“our”**, **“us”** and similar expressions, unless the context otherwise requires, refer collectively to the Company and its consolidated subsidiaries;
- **“HMRC”** shall have the meaning given on page 220 of this Prospectus;
- **“IDT”** shall have the meaning given on page 118 of this Prospectus;
- **“IFRS”** shall have the meaning given on page 39 of this Prospectus;
- **“Insolvency Event”** shall have the meaning given on page 210 of this Prospectus;
- **“Instruction Cutoff Date”** shall have the meaning given on page 202 of this Prospectus;
- **“Instruction Date”** shall have the meaning given on page 199 of this Prospectus;
- **“ITL”** shall have the meaning given on page 223 of this Prospectus;
- **“London Stock Exchange”** shall have the meaning given on the cover page of this Prospectus;
- **“Market Value”** shall have the meaning given on page 48 of this Prospectus;
- **“Maximum Additional Subscription”** shall have the meaning given on page 199 of this Prospectus;
- **“Member State”** shall have the meaning given on page iv of this Prospectus;
- **“MIFID II”** shall have the meaning given on the cover page of this Prospectus;
- **“MLI”** shall have the meaning given on page 34 of this Prospectus;
- **“Mortgage Law”** shall have the meaning given on page 163 of this Prospectus;
- **“Moscow Exchange”** shall have the meaning given on the cover page of this Prospectus;
- **“Moscow Government”** refers to the superior collegial executive state body of the City of Moscow headed by the Mayor of Moscow;
- **“New York Convention”** shall have the meaning given on page 51 of this Prospectus;
- **“Non-Resident Holder”** shall have the meaning given on page 225 of this Prospectus;
- **“Non-Resident Holder - Individual”** shall have the meaning given on page 226 of this Prospectus;
- **“Non-Resident Holder – Legal Entity”** shall have the meaning given on page 226 of this Prospectus;
- **“NSA”** refers to net saleable/leasable area;
- **“Official List”** shall have the meaning given on the cover page of this Prospectus;
- **“Order”** refers to the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended;
- **“Ordinary Shares”** shall have the meaning given on the cover page of this Prospectus;
- **“PFIC”** shall have the meaning given on page 220 of this Prospectus;
- **“Preference Shares”** shall have the meaning given on page 183 of this Prospectus;
- **“Primary GDR Rights Offering”** shall have the meaning given on page 199 of this Prospectus;

- **“Proceedings”** shall have the meaning given on page 212 of this Prospectus;
- **“Prospectus”** shall have the meaning given on the cover page of this Prospectus;
- **“Prospectus Regulation”** shall have the meaning given on page iv of this Prospectus;
- **“QIB”** shall have the meaning given on page 195 of this Prospectus;
- **“Red Book”** shall have the meaning given on page 155 of this Prospectus;
- **“Register”** shall have the meaning given on page 13 of this Prospectus;
- **“Regulated Market”** shall have the meaning given on the cover page of this Prospectus;
- **“Related Dispute”** shall have the meaning given on page 214 of this Prospectus;
- **“Relationship Agreement”** shall have the meaning given on page 184 of this Prospectus;
- **“Resident Holder”** shall have the meaning given on page 225 of this Prospectus;
- **“Resident Holder- Individual”** shall have the meaning given on page 225 of this Prospectus;
- **“Resident Holder- Legal Entity”** shall have the meaning given on page 225 of this Prospectus;
- **“Restricted Securities”** shall have the meaning given on page 233 of this Prospectus;
- **“Rosreestr”** shall have the meaning given on page 48 of this Prospectus;
- **“Rosstat”** shall have the meaning given on page 48 of this Prospectus;
- **“RUB”** and **“Rouble”** shall mean the lawful currency of Russia;
- **“Rule 144A”** shall have the meaning given on page 233 of this Prospectus;
- **“Rules”** shall have the meaning given on page 213 of this Prospectus;
- **“SDRT”** shall have the meaning given on page 222 of this Prospectus;
- **“Securities”** shall have the meaning given on the cover page of this Prospectus;
- **“Securities Act”** shall have the meaning given on page 197 of this Prospectus;
- **“Senior Managers”** shall have the meaning given on page 175 of this Prospectus;
- **“Shared Construction Law”** shall have the meaning given on page 11 of this Prospectus;
- **“Shares”** shall have the meaning given on page 193 of this Prospectus;
- **“sqm”** refers to square metre(s);
- **“St. Petersburg Government”** refers to the superior collegial executive state body of the City of St. Petersburg headed by the Governor of St. Petersburg;
- **“Strategy 2024”** shall have the meaning given on page 112 of this Prospectus;
- **“Supplemental Agreement”** shall have the meaning given on page 193 of this Prospectus;
- **“Termination Date”** shall have the meaning given on page 209 of this Prospectus;
- **“Town Planning Code”** shall have the meaning given on page 163 of this Prospectus;
- **“UK Holders”** shall have the meaning given on page 221 of this Prospectus;

- **“UK Prospectus Regulation”** shall have the meaning given on the cover page of this Prospectus;
- **“UK Takeover Code”** refers to the City Code on Takeovers and Mergers, as amended and restated;
- **“UKLA”** shall have the meaning given on the cover page of this Prospectus;
- **“UNECE”** shall have the meaning given on page 48 of this Prospectus;
- **“United Nations Sustainable Development Goals”** refers to the United Nations’ 17 Sustainable Development Goals;
- **“Unsubscribed Rights”** shall have the meaning given on page 199 of this Prospectus;
- **“Valuation Report”** shall have the meaning given on page 48 of this Prospectus;
- **“VAT”** shall have the meaning given on page 33 of this Prospectus; and
- **“ZOS”** shall have the meaning given on page 169 of this Prospectus.

CERTAIN JURISDICTIONS

In this Prospectus, references to, unless otherwise specified:

- **“CIS”** are to the Commonwealth of Independent States and its member states as of the date of this Prospectus: Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan and Uzbekistan;
- **“Moscow Metropolitan Area”** and **“MMA”** are to Moscow and the Moscow region;
- **“North-West region”** are to the economic region of Russia, comprising the city of St. Petersburg, the Leningrad region, the Novgorod region and the Pskov region;
- **“Russia”** are to the Russian Federation;
- **“U.K.”** and **“United Kingdom”** are to the United Kingdom of Great Britain and Northern Ireland; and
- **“U.S.”** and **“United States”** are to the United States of America.

LEGAL ENTITIES

In this Prospectus, all references to:

- **“Absolut Bank”** are to Absolut Bank (PAO);
- **“Alfa-Bank”** are to AO “ALFA-BANK”;
- **“Capgrowth”** are to Capgrowth Investments Limited;
- **“Dom.RF”** are to JSC “DOM.RF”;
- **“FAS”** are to the Federal Antimonopoly Service;
- **“Gazprombank”** are to Gazprombank (Joint Stock Company);
- **“Otkritie Bank”** are to “Bank Otkritie Financial Corporation” (Public Joint Stock Corporation);
- **“Promsvyazbank”** are to “Promsvyazbank” PJSC;
- **“Sberbank”** are to Sberbank of Russia;
- **“Sistema”** are to Sistema PJSC;

- “Uralsib” are to PJSC Uralsib Bank;
- “VTB” are to VTB Bank (PJSC);

MARKET DATA

In certain instances in this Prospectus, we have included our own estimates, assessments, adjustments and judgements in preparing market information, which has not been verified by an independent third party. Market information included herein is, therefore, unless otherwise attributed to a third party source, to a certain degree subjective. While we believe that our own estimates, assessments, adjustments and judgements are reasonable and that the market information prepared by us approximately reflects the industry and the markets in which we operate, there is no assurance that our own estimates, assessments, adjustments and judgements are the most appropriate for making determinations relating to market information or that market information prepared by other sources will not differ materially from the market information included herein.

Otherwise, market data used in this Prospectus, including statistics in respect of our competitors’ sales volumes and market share, has been extracted from official and industry sources and other sources we believe to be reliable including, without limitation, in the sections headed “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, “*Industry*” and “*Business*”. Such information, data and statistics may be approximations or estimates or use rounded numbers. We have relied on the accuracy of this information without independent verification.

In particular, we have cited: the Russian Ministry of Finance, the Russian Ministry of Construction, Housing and Utility Infrastructure, the CBR, the Federal State Statistics Service (“**Rosstat**”), the United Nations Economic Commission of Europe (“**UNECE**”), British Petroleum, the Russian Federal Service for State Registration, Cadastre and Cartography (“**Rosreestr**”), the National Rating Agency, DOM.RF, Three Bits Database, Dataflat Database, real estate agencies “Metrium” and “Azbuka Zhilya” as sources in this Prospectus under the caption “*Industry*”; Rosstat, the CBR, the UNECE, DOM.RF under the caption “*Business*”, and Rosstat, under the caption “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, which, in each case, are independent sources.

In addition, some of the information contained in this document has been derived from the official data of Russian government agencies. The official data published by Russian federal, regional and local governments are substantially less complete or researched than those of Western countries. Official statistics may also be produced on different bases than those used in Western countries. Any discussion of matters relating to Russia in this Prospectus are, therefore, subject to uncertainty due to concerns about the completeness or reliability of available official and public information. The veracity of some official data released by the Russian government may be questionable.

We confirm that the third party information included herein has been accurately reproduced and that as far as we are aware, and are able to ascertain from information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. We note that these independent sources do not accept liability for the accuracy of any such information, and prospective investors are advised to consider such information with caution.

REAL ESTATE MARKET VALUES

All real estate market values presented herein are from the report of Colliers International (“**Colliers**”), an independent appraiser, dated 1 March 2021 (hereinafter referred to as the “**Market Value**” and the “**Valuation Report**”, respectively). The Market Value of a development as assessed by Colliers is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. Colliers appraised 60 projects at various stages of development and 3 properties comprising our production unit (together referred to herein as “properties”). The properties were valued as of 31 December 2020. Each property has been valued on the basis of Market Value in accordance with the appropriate sections of the Valuation Technical and Performance Standards contained within the “Red Book” prepared by Royal Institution of Chartered Surveyors, incorporating the IVSC International Valuation Standards. This is an internationally accepted basis of valuation. The valuations and a complete discussion of the valuation methodology and other assumptions, methodologies and qualifications are contained in the Valuation Report and elsewhere in this Prospectus. See the Valuation Report and “*Business—Residential Development-Valuation of our Properties*”.

Colliers, whose business address is at 10 Presnenskaya Embankment, Naberezhnaya Tower BC, Block C, 52nd floor, Moscow 123112, Russia, has given and has not withdrawn its written consent to the inclusion of the Valuation Report in this Prospectus and to the inclusion of the references to the Valuation Report and Colliers has authorised the contents of that part of the prospectus for the purposes of the prospectus.

CURRENCIES AND EXCHANGE RATES

All references in this Prospectus to:

“**RUB**” and “**Rouble**” are to the lawful currency of Russia;

“**\$**”, “**USD**”, “**Dollars**” and “**U.S. dollars**” are to the lawful currency of the United States of America;

“**€**”, “**EUR**” and “**euro**” are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the treaty establishing the European Community (“**EC**”), as amended by the Treaty on European Union; and

“**£**”, “**GBP**” and “**pounds sterling**” are to the lawful currency of the United Kingdom of Great Britain and Northern Ireland.

The table below sets forth, for the periods and dates indicated, certain information regarding the exchange rate between the Rouble and the U.S. dollar, based on the official exchange rate quoted by the CBR. Fluctuations in the exchange rates between the Rouble and the U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future. These rates differ from the actual rates used in the preparation of our financial statements and other financial information appearing in this Prospectus.

RUB per USD 1.00				
	High	Low	Period average⁽¹⁾	Period end
Month				
July (through 22 July 2021)	75.20	72.72	74.03	74.49
June 2021	73.50	71.68	72.51	72.37
May 2021	75.26	73.40	74.04	73.59
April 2021	77.77	74.38	76.10	74.38
March 2021	76.17	72.96	74.42	75.70
February 2021	76.05	73.29	74.40	74.44
January 2021	76.25	73.36	74.23	76.25
Year				
2020	80.88	60.95	72.12	73.88
2019	67.19	61.72	64.74	61.91
2018	69.97	55.67	62.71	69.47
2017	60.75	55.85	58.35	57.60
2016	83.59	60.27	67.03	60.66

Note:

(1) The average rates are calculated as the average of the daily exchange rates on each business day (which rate is announced by the CBR for each such business day) and on each non-business day (which rate is equal to the exchange rate on the previous business day).

Solely for the convenience of the reader, and except as otherwise specified, this Prospectus contains translations of certain Rouble amounts into U.S. dollars given as of 31 December 2020 at the conversion rate of RUB 73.88 to USD 1.00, which was the official exchange rate quoted by the CBR on 31 December 2020. No representation is made that the Rouble amounts referred to in this Prospectus could have been or could be converted into U.S. dollars at the above exchange rate or at any other rate. For a discussion of the effects of fluctuating exchange rates on our results of operations, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk—Foreign Exchange Risk*”.

LIMITATION ON ENFORCEMENT OF CIVIL LIABILITIES

Our presence outside the United States and the United Kingdom may limit your legal recourse against us. We are incorporated under the laws of Cyprus. Most of our directors and executive officers named in this Prospectus reside outside the United States and the United Kingdom, principally in the Russian Federation. (see “*Directors, Management and Corporate Governance*”). All of our assets and almost all of the assets of our directors and executive officers are located outside the United States and the United Kingdom, principally in the Russian Federation. As a result, you may not be able to effect service of process within the United States or the United Kingdom upon us, or our directors and executive officers or to enforce U.S. or U.K. court judgements obtained against us or our directors and executive officers in jurisdictions outside the United States and the United Kingdom, including actions under the civil liability provisions of U.S. securities laws. In addition, it may be difficult for you to enforce, in original actions brought in courts in jurisdictions outside the United States and the United Kingdom, liabilities predicated upon U.S. or U.K. securities laws. See “*Risk factors—Risks relating to the GDRs—Investors may have limited recourse against the Company or the Company’s directors and executive officers because they generally conduct their operations outside the United States and the United Kingdom and most of the Company’s current directors and executive officers reside outside the United States and the United Kingdom*”.

Judgements rendered by a court in any jurisdiction outside the Russian Federation are likely to be recognised by courts in the Russian Federation if an international treaty providing for the recognition and enforcement of judgements in civil cases exists between the Russian Federation and the country in which the judgement is rendered, and/or a federal law of the Russian Federation provides for the recognition and enforcement of foreign court judgements.

Although on 2 July 2019, the Russian Federation signed the final act on the adoption of the 2019 Convention on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters (the “**Hague Judgments Convention**”), the Hague Judgments Convention has not yet entered into force. There is also no treaty between the United States and the Russian Federation or the United Kingdom and the Russian Federation providing for reciprocal recognition and enforcement of foreign court judgements in civil and commercial matters. However, we are aware of a number of cases where Russian courts have recognised and enforced a foreign court judgement (including, English court judgements), on the basis of a combination of the principle of reciprocity and the existence of a number of bilateral and multilateral treaties to which both the United Kingdom and the Russian Federation are parties. The courts determined that such treaties constituted grounds for the recognition and enforcement of the relevant foreign court judgement in Russia. Given the scarcity of established court practice, however, it is difficult to predict whether a Russian court will be inclined in any particular instance to recognise and enforce a foreign court judgement on these grounds. In addition, Russian courts have limited experience in the enforcement of foreign court judgements. These limitations may deprive you of effective legal recourse for claims related to your investment in the GDRs.

Under the Terms and Conditions of the GDRs, holders of GDRs agree that the courts of England shall have jurisdiction to settle any disputes which may arise out of or in connection with the GDRs (including any dispute relating to the existence, validity or termination of the GDRs, or any non-contractual obligation arising out of or in connection with the GDRs, or the consequences of the nullity of the GDRs) (each a “**Dispute**”), and that each Holder may elect, by notice in writing to the Depositary that the Dispute be resolved by arbitration in accordance with the Rules of the London Court of International Arbitration in proceedings in London, England, as more fully described in the Deposit Agreement. The Russian Federation is a party to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards, (the “**New York Convention**”). Consequently, Russian courts should generally recognise and enforce in the Russian Federation an arbitral award from an arbitral tribunal, on the basis of the rules of the New York Convention (subject to qualifications provided for in the New York Convention and compliance with Russian procedural regulations and other procedures and requirements established by Russian legislation). However, it may be difficult to enforce arbitral awards in the Russian Federation due to a number of factors, including limited experience of Russian courts in international commercial transactions, official and unofficial political resistance to enforcement of awards against Russian companies in favour of foreign investors, Russian courts’ inability to enforce such orders and corruption. The possible need to re-litigate in the Russian Federation a judgement obtained in a foreign court on the merits may also significantly delay the enforcement of such judgement. Under Russian law, certain amounts may be payable by the claimant upon the initiation of any action or proceeding in any Russian court. These amounts in many instances depend on the amount of the relevant claim.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus are not historical facts and are forward-looking statements, which include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words “believe”, “expect,” “anticipate,” “intend,” “estimate,” “forecast,” “project,” “will,” “may,” “should” and similar expressions identify forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements appear in a number of places in this Prospectus including, without limitation, “*Risk Factors*,” “*Business*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, and include statements regarding:

- strategies, outlook and growth prospects;
- future plans, expectations, projections and potential for future growth;
- plans or intentions relating to acquisitions;
- future revenues and performance;
- integration of our businesses, including recently acquired businesses;
- liquidity, capital resources and capital expenditures;
- growth in demand for our properties;
- economic outlook and industry trends;
- developments of our markets;
- the impact of regulatory initiatives;
- our competitive strengths and weaknesses; and
- the strengths of our competitors.

The forward-looking statements in this Prospectus are based upon various assumptions, many of which are based, in turn, upon further assumptions, including, without limitation, management’s examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe 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 which are beyond our control, and we may not achieve or accomplish these expectations, beliefs or projections. In addition to these important factors and matters discussed elsewhere herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include:

- changes in political, social, legal or economic conditions in Russia, including significant declines in Russia’s gross domestic product (“**GDP**”);
- global or national health concerns, including the impact of contagious disease, such as the ongoing coronavirus (“**COVID-19**”) pandemic, and measures introduced to combat the pandemic.
- changes in the policies of the government of the Russian Federation, including the President and his administration, the Prime Minister, government ministers and their offices and the Prosecutor General and his office;
- changes in the policies or leadership of the city governments of St. Petersburg or Moscow;
- increased interest rates and operating costs, including the supply of, and the price for, building materials in Russia;
- our ability to service our existing indebtedness;

- our ability to fund our future operations and capital needs through various sources, but primarily through cash from operations (mainly, cash from pre-sales of residential properties) and borrowings
- our ability to implement successfully any of our business strategies;
- decreased sales prices for our properties;
- our ability to obtain necessary regulatory approvals;
- changes in customer preferences resulting in decrease of demand for our properties;
- our ability to identify suitable development sites to acquire and to successfully complete acquisitions and developments;
- changes in the regulation of real estate and the environment;
- competition in the marketplace;
- changes in real property or other tax rates;
- changes in accounting standards or practices;
- inflation, fluctuation in exchange rates and the availability of foreign currencies;
- the impact of general business and global economic conditions; and
- our success in identifying other risks relating to our business and managing the risks of the aforementioned factors.

The foregoing list is not exhaustive. When relying on forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as of the date on which they are made. Except to the extent required by law, neither we nor any of our 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 Prospectus.

AVAILABLE INFORMATION

For so long as any Rule 144A GDRs or the Ordinary Shares are “**restricted securities**” within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted Rule 144A GDRs or Ordinary Shares or to any prospective purchaser of such restricted Rule 144A GDRs or Ordinary Shares designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered to such persons pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto).

DIVIDEND POLICY

The Company paid dividends in the amount of RUB 3,539 million in 2020 for the year ended December 31, 2019; RUB 3,577 million in 2019 for the year ended December 31, 2018 and RUB 3,567 million in 2018 for the year ended December 31, 2017.

On 15 November 2013, the Board of Directors of the Company approved the Company's dividend policy (the "**Dividend Policy**") which sets forth recommendations on the size of dividends. On 20 May 2016, the Board of Directors of the Company amended the Dividend Policy by increasing the Company's target dividend payout range from the level of 15%-30% to 30%-50% of consolidated net income. On 16 May 2017, the Board of Directors reviewed the Dividend Policy to increase the Company's target dividend payout range from the level of 30%-50% to 40%-70% of consolidated net income. On 24 January 2020, the Dividend Policy was further supplemented with a minimum guaranteed dividend payment of RUB 12 per share or GDR, provided the Company's EBITDA to interest expense ratio remains above 1.5. Subject to these changes, the Board of Directors also decided to make annual dividend payments based on the Company's full year IFRS financial statements. The amount of dividend payments, if any, for any particular period will depend, among other things, on our financial position, results of operations, cash flows, future prospects and any statutory restrictions.

To the extent that dividends are declared and paid by us in the future, holders of GDRs on the relevant record date will be entitled to receive dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement. For a further description, see "*Description of Share Capital and Certain Requirements of Cypriot Law—Dividends*".

CAPITALISATION

The following sets forth our capitalisation as of 31 December 2020 on a historical basis, extracted without material adjustment from the Consolidated Financial Statements.

The following table should be read together with “Selected Consolidated Financial Information”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Consolidated Financial Statements and related notes.

	As at 31 December 2020
	mln RUB
Debt	
Current loans and borrowings⁽¹⁾	15,869
Non-current loans and borrowings⁽¹⁾	34,636
Lease liabilities⁽²⁾	1,862
Total Debt	52,367
Equity	
Share capital	2
Share premium	15,486
Reserve for own shares	(1)
Retained earnings	35,586
Total equity	51,073
Total capitalisation⁽³⁾	103,440

Notes:

- (1) Does not reflect an increase in total current and non-current loans and borrowings of RUB 10,510 million, or 20,8%, from RUB 50,505 million as of 31 December 2020 to RUB 61,015 million as of 20 July 2021 according to management accounts (information is not audited). The increase is mainly due to drawdowns under project financing agreements signed both in 2021 and previous years. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Overview—Recent Developments*”.
- (2) As at 31 December 2020, lease liabilities are included in trade and other payables.
- (3) Total capitalisation is the sum of total debt and total equity.

Except as discussed in the footnotes to the table above, there have not been any significant changes in capitalisation since 31 December 2020.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information set forth below has been extracted without material adjustment from our Consolidated Financial Statements included in this Prospectus beginning on page F-2.

The selected consolidated financial information should be read in conjunction with “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”.

Consolidated statement of profit or loss and other comprehensive income data

	For the year ended 31 December		
	2018 (restated)	2019	2020
	mln RUB		
Revenue	72,327	84,330	78,655
Cost of sales	(55,272)	(64,273)	(56,740)
Gross profit	17,055	20,057	21,915
General and administrative expenses	(6,922)	(7,280)	(5,235)
Selling expenses	(3,318)	(4,822)	(4,560)
Impairment loss on trade and other receivables	(800)	(476)	(329)
Gain from bargain purchase	-	729	-
Other expenses, net	(2,811)	(1,724)	(1,573)
Results from operating activities	3,204	6,484	10,218
Finance income (interest revenue and other)	2,284	2,991	2,016
Finance costs	(5,065)	(7,704)	(7,512)
Profit before income tax	423	1,771	4,722
Income tax expense	(1,123)	(1,585)	(2,686)
Profit/(loss) for the year	(700)	186	2,036

Consolidated statement of financial position data

	As of 31 December		
	2018 (restated)	2019	2020
	mln RUB		
Non-current assets	12,842	13,429	15,568
Current assets	111,695	157,915	170,951
Total assets	124,537	171,344	186,519
Total equity	55,291	52,576	51,073
Non-current liabilities	21,274	52,064	69,429
Current liabilities	47,972	66,704	66,017
Total equity and liabilities	124,537	171,344	186,519

Consolidated statement of cash flows data

	For the year ended 31 December		
	2018 (restated)	2019	2020
	mln RUB		
Net cash from/(used in) operating activities	15,157	8,512	(897)
Net cash (used in)/from investing activities	596	(7,037)	1,164
Net cash (used in)/from financing activities	(7,230)	6,762	(5,589)
Net increase/(decrease) in cash and cash equivalents	8,523	8,237	(5,322)

Other financial data

	As of, and for the year ended 31 December		
	2018	2019	2020
Adjusted EBITDA (<i>mln RUB</i>) ⁽¹⁾	7,180	11,175	16,482
Adjusted EBITDA margin (%) ⁽²⁾	10	13	21
Net corporate debt (<i>mln RUB</i>) ⁽³⁾	(2,154)	21,484	19,580
Net corporate debt/Adjusted EBITDA ratio ⁽⁴⁾	(0.30)	1.92	1.19
Adjusted net debt (<i>mln RUB</i>) ⁽⁵⁾	(25,491)	(30,988)	(52,074)
Adjusted net debt/Adjusted EBITDA ratio ⁽⁶⁾	(3.55)	(2.77)	(3.16)

- (1) Adjusted EBITDA for each period is defined as profit/(loss) for the year before net finance costs, income tax expense, depreciation and amortisation and effect of purchase price allocation, impairment loss on trade and other receivables, gain from bargain purchase from acquisition of subsidiary and net other expenses.

The following table presents a reconciliation of Adjusted EBITDA for the years indicated:

	For the year ended 31 December		
	2018	2019	2020
	mln RUB		
Profit/(loss) for the year	(700)	186	2,036
Income tax expense	1,123	1,585	2,686
Net finance costs	2,781	4,713	5,496
Impairment loss on trade and other receivables	800	476	329
Gain from bargain purchase from acquisition of subsidiary	-	(729)	-
Other expenses, net	2,811	1,724	1,573
Depreciation and amortisation	365	542	481
Purchase price allocation from acquisition of JSC "Leader-Invest" included in cost of sales	-	2,678	3,881
Adjusted EBITDA	7,180	11,175	16,482

- (2) Adjusted EBITDA margin represents Adjusted EBITDA divided by revenue.
- (3) Net corporate debt is calculated as loans and borrowings less cash and cash equivalents, bank deposits over 3 months and secured project financing.

	For the year ended 31 December		
	2018	2019	2020
	mln RUB		
Loans and borrowings	20,912	52,692	50,505
Less: Cash and cash equivalents	(23,066)	(31,128)	(25,830)
Less: Bank deposits over 3 months	-	(80)	(100)
Less: secured project financing	-	-	(4,995)
Net corporate debt	(2,154)	21,484	19,580

- (4) Net corporate debt to Adjusted EBITDA is a ratio calculated by dividing Net corporate debt by Adjusted EBITDA. We use this measure as well as Adjusted net debt to Adjusted EBITDA as the principal statistics for evaluating the impact of the total size of our net borrowings on our operations.
- (5) Adjusted net debt as loans and borrowings less cash and cash equivalents and bank deposits over 3 months plus contract liabilities in the Residential development segment less balance of inventories under construction. Adjusted net debt measures the Group's net indebtedness that provides an indicator of the overall balance sheet strength.

	For the year ended 31 December		
	2018	2019	2020
	mln RUB		
Loans and borrowings	20,912	52,692	50,505
Less: Cash and cash equivalents	(23,066)	(31,128)	(25,830)
Less: Bank deposits over 3 months	-	(80)	(100)
Add: Contract liabilities in the Residential development segment	26,716	32,798	25,530

	For the year ended 31 December		
	2018	2019	2020
		mln RUB	
Less: Inventories under construction.....	(50,053)	(85,270)	(102,179)
Adjusted net debt	(25,491)	(30,988)	(52,074)

(6) Adjusted net debt to Adjusted EBITDA is a ratio calculated by dividing Adjusted net debt by Adjusted EBITDA.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements, the notes thereto and the other information included elsewhere in this Prospectus. This section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including those described under "Risk Factors" and "Cautionary Note Regarding Forward-looking Statements".

OVERVIEW

We are one of Russia's largest and oldest residential real estate developers. In 2020, we were among the top nine developers in St. Petersburg and Moscow by sales on the primary real estate market, according to DOM.RF (*Primary Housing Market Data, 5 July 2021*), and the sixth largest developer in Russia, according to the Forbes Russia ranking (*Forbes Russia, 29 October 2020*).

Our strong portfolio is currently represented in the mid-market segment and partially in the upper segment. These segments include residential complexes in the comfort class, business class and premium price segments. With over 33 years of experience in real estate development and construction, we believe we have one of the longest track records in this sector in Russia, and we were ranked second among the top 20 most reliable developers by Forbes Russia in 2019 (*Forbes Russia, 2019*). Since our inception in 1987, we have successfully completed a total net sellable area of approximately 7.5 million square metres with approximately 0.5 million square metres, 0.6 million square metres and 0.5 million square metres delivered in 2018, 2019 and 2020, respectively.

For the years ended 31 December 2018, 2019 and 2020, our consolidated revenue was RUB 72.3 billion, RUB 84.3 billion and RUB 78.7 billion, respectively. For the year ended 31 December 2018, we had loss of RUB 0.7 billion, Adjusted EBITDA of RUB 7.2 billion, negative Net corporate debt of RUB 2.2 billion and negative Net corporate debt/Adjusted EBITDA ratio of 0.3x, while for the years ended 31 December 2019 and 2020, we had profit of RUB 0.2 billion and RUB 2.0 billion, Adjusted EBITDA of RUB 11.2 billion and RUB 16.5 billion, Net corporate debt of RUB 21.5 billion and RUB 19.6 billion and Net corporate debt/Adjusted EBITDA ratio of 1.9x and 1.2x, respectively. See "*Selected Consolidated Financial Information*".

The regions in which we operate are St. Petersburg and the Moscow Metropolitan Area, where we have achieved one of the leading positions, with 10% and 4% average annual market shares of total residential completions between 2010 and 2020 in St. Petersburg and between 2015 and 2020 in Moscow, respectively, based on Rosstat's data on total residential completions and the Company's calculations (*Rosstat, 2021*). Leveraging our extensive experience and capabilities, in 2008 we expanded our property development business into the Moscow Metropolitan Area by commencing development projects there. We further expanded our operations in Moscow by acquiring on 16 August 2019 a 100% stake in JSC "Leader-Invest", a Moscow-based residential developer which focuses on projects in the comfort, business and premium-class segments, and had total net sellable area of 1.3 million square metres as at 19 February 2019 (the date the Group acquired an initial 51% stake) and increasing on 14 June 2019 our stake to 100% in LLC Razvitie, which holds the development rights for the ZIL-Yug project.

As of 31 December 2020, our portfolio comprised 60 projects with approximately 2.8 million square metres of total unsold net sellable area, of which 26% and 74% were attributed to St. Petersburg and the Moscow Metropolitan Area, respectively. We expect that by 2024 our portfolio will include more than 6 million square metres of total unsold net sellable area, of which approximately 50% will be attributed to Moscow, approximately 40% to St. Petersburg (including 20%-30% of unzoned land for potential development) and approximately 10% to new regions.

We believe our project portfolio will generate a predictable cash flow stream for us, with approximately 52.4% of the portfolio's total unsold net sellable area comprising residential projects in the design stage, 34.9% comprising residential projects under construction, 12.3% comprising completed residential projects with unsold units and 0.3% comprising standing commercial property, as of 31 December 2020. With the view to secure a well-balanced schedule of completions and establish a basis for growth of new contract sales and revenue, we are considering new land acquisitions. Subject to the assumptions set out in the Valuation Report, our beneficial interest in the project portfolio amounted to USD 2.6 billion (RUB 191 billion) and the market value of the assets comprising our production unit amounted to USD 0.2 billion (RUB 13 billion) as of 31 December 2020.

Access to our potential customer base is substantially expanded through our nationwide marketing and sales network, one of the largest in the country. Focused on the regions in which people with the highest disposable income reside in Russia (including regions rich in natural resources), our network targets prospective buyers who are seeking to relocate or purchase housing in St. Petersburg and the Moscow Metropolitan Area. Our regional sales contracts accounted for approximately 32.5% of our total contracts concluded in 2020, and 30% in the first quarter of 2021.

With an average of 4,671 employees during 2020, we have ample execution capabilities and technical expertise to manage the most important stages of the development process; from assessment of development opportunities to master planning and permit management, construction, nationwide marketing and sales, and on-going maintenance of the completed developments. We also operate in selected business areas critical to our property development business, including tower crane operations. We believe our business model allows us to control quality in the development process, and to lower our dependence on subcontractors in key areas.

Segment Reporting

We have three reportable segments in our Consolidated Financial Statements, which are our strategic business units. The strategic business units offer different products and services, and are managed discretely because they require different technologies and marketing strategies. These strategic business units are: (1) residential development (including construction of flats, built-in premises and parking places) categorised under the residential development segment; (2) construction services provided intra-group and to third parties, categorised under the construction services segment; and (3) sale of construction materials, the development and sale of stand-alone premises for commercial use, and various services related to the sale and servicing of premises, all of which are categorised under the other operations segment.

Effective from 1 January 2019, we changed our accounting policy with respect to capitalisation of borrowing costs and significant financing component. The management accounting policies have been changed accordingly. Therefore, comparative periods for the Residential Development reportable segment in 2018 has also been restated.

Recent Developments

Subsequent to 31 December 2020, we have entered into the following material transactions:

In June the Group acquired a 20.7 hectare land plot in the Pushkinsky district of St Petersburg for the consideration of RUB 1.1 billion payable in 2021 – 2022.

As of 20 July 2021, the Group has repaid loans and borrowings (including unsecured bonds) outstanding as at 31 December 2020 in the total amount of RUB 7.6 billion according to management accounts (information is not audited).

As of 20 July 2021, the Group has obtained additional tranches of loans and borrowings in the total amount of RUB 18.9 billion with nominal interest rates of 0.01% - 10.5% and repayable by 2025 according to management accounts (information is not audited).

The coupon rate on the unsecured RUB 5 billion five-year bonds of JSC “Leader-Invest” was decreased from 11.7% to 7.95%. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Liquidity—Bonds*”.

On 25 March 2021, the Company made the first installment payment under a mediation agreement related to the acquisition of ZIL-South project in the amount of RUB 3.95 billion.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the following factors significantly affected our results of operations for the years ended 31 December 2018, 2019 and 2020 and will have a significant impact on our results of operations in the future.

Macroeconomic Factors

All our current properties and projects are located in Russia. As a result, macroeconomic trends and factors specific to Russia significantly influence our performance. The following table sets out key economic indicators for the Russian Federation as at and for the years ended 31 December 2018, 2019 and 2020.

	As at or for the year ended 31 December		
	2018	2019	2020
Real GDP growth/(decline), year-on-year (%)	2.8	2.0	(3.0)
Inflation, Dec/Dec (%) ⁽¹⁾	4.3	3.0	4.9
Unemployment rate (%)	4.8	4.6	5.9
Real disposable income growth, year-on-year (%)	0.1	1.0	3.5

Source: Rosstat, 2021.

(1) Inflation is measured as the percentage change in the CPI.

In 2018 and 2019, the Russian economy showed signs of recovery from a past downturn, recording real GDP growth of 2.8% and 2.0%, respectively, and real disposable income growth of 0.1% and 1.0%, respectively. However, in 2020, a decline of 3.0% of real GDP was recorded as a result of a sharp decrease of oil prices, which is Russia's principal exporting product, and the outbreak of a new coronavirus disease (COVID-19).

Starting from early 2020, the COVID-19 began rapidly spreading all over the world, which led to an announcement of a pandemic by the World Health Organisation in March 2020. Responses put in place by many countries (including Russia) to contain the spread of COVID-19 resulted in significant operational disruption for many companies and had a significant impact on businesses across a wide range of sectors. The quarantine measures introduced in Russia caused disruption of domestic and international migrant flows and led to a temporary closure of our sales offices. In addition to that, the Government of Moscow imposed a temporary ban on construction works that lasted from 13 April 2020 until 12 May 2020. The Group managed to provide the necessary conditions for the safe conduct of construction works for all of its construction sites. In the Moscow region, the Group resumed construction shortly after the temporary ban on construction was lifted due to the flexible construction technology and the availability of own general contractors and sub-contractors. In Saint-Petersburg, construction works continued uninterrupted. In addition, in the first weeks following the introduction of restrictive measures, the Group launched an online real estate sales service, formed operational teams of managers and strengthened its call center. The Group developed a new model of interaction with clients, including virtual showrooms, virtual and augmented reality projects that provide a complete picture of the future apartments. Thanks to that, the shifts in project implementation timelines did not result in delays in commissioning and transfers of properties to customers under terms set out in project declarations and/or shared construction agreements in 2020.

The quarantine measures, accompanied by the reduction of disposable income of households and the increase in unemployment rates, led to the overall decrease of the demand for real estate. At the same time, the Government implemented various measures to support both the construction industry and the Company's clients, including the introduction of a mortgage programme with a preferential 6.5% p.a interest rates and the increase of the price limits on apartments (for instance, from RUB 6 million to RUB 12 million for Moscow, the Moscow Region, St. Petersburg and the Leningradskaya Region), that had a significant positive impact on the demand for real estate. By the end of the first half of 2020, the majority of the restrictions imposed by the Russian authorities due to the outbreak of the COVID-19 pandemic were lifted, and the demand for real estate began to recover. In the second half of 2020, in light of a low interest rate environment, significant volatility of the Rouble and a decline in the supply for real estate, the demand for real estate recovered and stayed at a relatively high level, which allowed us to reach a record-setting level of sales in the fourth quarter of 2020 (compared to the previous periods), despite a sharp increase in average realised prices of flats. However, we may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets in future. The significance of the impact of COVID-19 pandemic on our business will largely depend on the duration and extent of the pandemic's effects on the world and Russian economy.

Costs

We do not present a breakdown of our cost of sales in our consolidated financial statements or in our internal management accounts. We believe that the largest components of our cost of sales, however, have typically been costs in respect of construction materials, third-party subcontractors, project, research and other services and salaries and wages of group employees. Depending on the price of the land plot — which can vary significantly, relating to a project whose revenue is being recognised, the cost of such land plot can also be a substantial component of cost of sales.

Materials

The cost of materials primarily consists of the costs of construction materials used in the construction of our projects, including cement, gravel, sand, bricks and metal. We assume that the total cost of materials increases as a result of an increase in construction volumes. We also notice a correlation between the price of construction materials and prices for residential real estate in the long term. Increases in prices in construction materials typically lag increases in residential real estate prices. However, developers are generally quicker to renegotiate prices for construction materials in response to significant downturns.

Third-party subcontractors

While we try to use our own contractors as much as we can, we also use third-party subcontractors. Costs of services provided by third-party subcontractors typically represent a significant portion of our costs of sales. These costs are typically lower during an economic downturn which leads to overcapacity of subcontractors. The prices for their services tend to rise as the economy continues to recover and demand for their services increases.

Project research and other services

Project research and other services primarily consists of costs associated with the design of our projects, management services for our projects, and costs associated with the installation of utilities at our residential complexes.

Salaries and wages

The Company records salaries and wages in the following line items: costs of sales, general and administrative expenses and selling expenses (which includes salaries and wages paid to our marketing staff). We assume that increases in wages, salaries and social charges in all these line items in the long term correspond with inflation. We also assume that wages, salaries and social charges will continue to have a significant effect on our results of operations. Furthermore, the Company aims to keep sales, general and administrative expenses at the level of 10% of its total revenue.

Purchase of land plots

The Company records cost of land plots in the cost of sales line item when revenue from the relevant flats is recognised. Historically, we aimed to apply a mixed payment method where we paid only a portion of the price in cash upfront, with the balance settled by transferring a portion of the completed residential complex to the seller. With new industry regulation in place, the possibilities to acquire investment rights for land plots where the acquisition price is partially paid by means of transfer of specified premises constructed on those land plots have significantly narrowed, however, we have established the necessary systems and banking relationships to ensure a smooth transition to the use of escrow accounts and project financing for future residential development projects. In order to maintain a balance between the profitability of acquired projects and the reduction of investments made using our own funds, we apply different instruments such as spreading payments for new land plots over time, as well as bridge loans and other types of debt financing which could be refinanced in future using project financing raised in the construction stage.

Acquisitions

Between 1 January 2018 and 31 December 2020, we did not make any significant business acquisitions, other than the acquisition of JSC “Leader-Invest”. In October 2020, the Group obtained ownership over remaining 88% share in LLC “Specialized Developer “ZIL-YUG”.

In February 2019, we acquired a 51% stake in JSC “Leader-Invest” from Sistema PJSFC and its affiliates for a cash consideration of RUB 15,185 million. In August 2019, we acquired the remaining 49% of the share capital of JSC “Leader-Invest” for a cash consideration of RUB 14,600 million. JSC “Leader-Invest” is a Moscow-based residential developer, focusing on projects in the comfort, business and premium-class segments. As at 19 February 2019, its portfolio included 31 projects under construction and development or at the design stage, unsold inventory at 12 completed residential complexes and commercial real estate, with a total net sellable area of 1.3 million square metres. We acquired JSC “Leader-Invest” to expand our operations in the Moscow residential real estate market and to replenish our land bank. From the date of acquisition to 31 December 2019, JSC “Leader-Invest” and its subsidiaries contributed revenues of RUB 11,198 million and a loss of RUB 3,145 million. Our results of operations reflect the impact of this acquisition.

In October 2020, we acquired 88% in LLC “Specialized Developer “ZIL-YUG”, as a result of which we consolidated 100% in LLC “Specialized Developer “ZIL-YUG”. The acquisition was treated as acquisition of assets (inventories) and related liabilities (accounts payable) under IFRS.

YEAR ENDED 31 DECEMBER 2020 COMPARED TO YEAR ENDED 31 DECEMBER 2019

The following table sets out selected financial information for the years ended 31 December 2019 and 2020 extracted without material adjustment from our statements of profit or loss and other comprehensive income and shows our results of operations as a percentage of revenue for the applicable period:

	For the year ended 31 December			
	2019		2020	
	mln RUB	%	mln RUB	%
Revenue	84,330	100.0	78,655	100.0
Cost of sales.....	(64,273)	(76.2)	(56,740)	(72.1)
Gross profit	20,057	23.8	21,915	27.9
General and administrative expenses.....	(7,280)	(8.6)	(5,235)	(6.7)
Selling expenses	(4,822)	(5.7)	(4,560)	(5.8)
Impairment loss on trade and other receivables....	(476)	(0.6)	(329)	(0.4)
Gain from bargain purchase.....	729	0.9	-	-
Other expenses, net.....	(1,724)	(2.0)	(1,573)	(2.0)
Results from operating activities	6,484	7.7	10,218	13.0
Finance income (interest revenue and other)	2,991	3.5	2,016	2.6
Finance costs	(7,704)	(9.1)	(7,512)	(9.6)
Profit before income tax	1,771	2.1	4,722	6.0
Income tax expense	(1,585)	(1.9)	(2,686)	(3.4)
Profit for the year	186	0.2	2,036	2.6

Revenue

Our total revenue decreased by RUB 5,675 million, or 6.7%, from RUB 84,330 million for the year ended 31 December 2019 to RUB 78,655 million for the year ended 31 December 2020. The decrease of revenue was mainly driven by the following factors:

- Slowdown in construction during first half of the year 2020 caused by construction restrictions in Moscow during the COVID-19 pandemic. It resulted in lower percentage of completion of projects under construction reached by the end of the year and partial shift of the revenue from sales to the next year; and
- Completion of a number of construction contracts with third parties and the absence of new material contracts in 2020 against the backup of overall economic turbulence.

The following table sets forth a breakdown of our total revenue by type for the years ended 31 December 2019 and 2020:

	For the year ended 31 December				
	2019		2020		Change
	Amount	Share	Amount	Share	
	mln RUB	%	mln RUB	%	%
Sale of flats	62,556	74.2	61,858	78.6	(1.1)
Sale of built-in commercial premises	5,866	7.0	4,788	6.1	(18.4)
Sale of parking places.....	5,062	6.0	3,830	4.9	(24.3)
Total revenue – segment residential development ..	73,484	87.1	70,476	89.6	(4.1)
Construction services.....	5,611	6.7	3,137	4.0	(44.1)
Total revenue – segment construction services	5,611	6.7	3,137	4.0	(44.1)
Sale of construction materials.....	2,675	3.2	2,429	3.1	(9.2)
Sale of stand-alone commercial premises.....	-	-	122	0.2	-
Other revenue	1,695	2.0	1,807	2.3	6.6
Total other revenue	4,370	5.2	4,358	5.5	(0.3)

Total revenues from contracts with customers	83,465	99.0	77,971	99.1	(6.6)
Rental revenue	865	1.0	684	0.9	(20.9)
Total revenue	84,330	100.0	78,655	100.0	(6.7)

Residential development segment

Our residential development segment is our largest business unit. External revenue of our residential development segment was 89.6% and 87.1% of our consolidated revenue for the years ended 31 December 2020 and 2019, respectively.

Revenue from our residential development segment was RUB 70,476 million for the year ended 31 December 2020, a decrease of RUB 3,008 million, or 4.1% from RUB 73,484 million for the year ended 31 December 2019. The decrease in residential development segment revenue resulted primarily from the changes in construction schedules caused by the change of contractors and construction budgets underperformance (i.e. a decrease in the level of completed projects as compared to a budgeted level), which, in turn, were driven by a temporary ban on construction introduced in Moscow in the second quarter of 2020.

Revenue from residential development consists of revenue from sale of flats, commercial premises and parking places.

Sale of flats

In the year ended 31 December 2020, 78.6% of our revenue was derived from the sale of flats. Revenue from the sale of flats slightly decreased by RUB 698 million, or 1.1%, from RUB 62,556 million in the year ended 31 December 2019 to RUB 61,858 million in the year ended 31 December 2020.

Sale of built-in commercial premises

Revenue from the sale of built-in commercial premises decreased by RUB 1,078 million, or 18.4%, from RUB 5,866 million for the year ended 31 December 2019 to RUB 4,788 million for the year ended 31 December 2020. This decrease was primarily attributable to a temporary decrease in demand for commercial space in the majority of industries, which, in turn, was attributable to the economic downturn caused by the COVID-19 pandemic outbreak.

Sale of parking places

Revenue from the sale of parking places decreased by RUB 1,232 million, or 24.3%, from RUB 5,062 million for the year ended 31 December 2019 to RUB 3,830 million for the year ended 31 December 2020. This decrease was primarily attributable to a temporary decrease in demand for parking places, which, in turn, was caused by the economic downturn due to the COVID-19 pandemic outbreak.

Construction services segment

External revenue from our construction services segment was RUB 3,137 million for the year ended 31 December 2020, a decrease of RUB 2,474 million, or 44.1% from RUB 5,611 million for the year ended 31 December 2019. The decrease was driven by the completion of a number of construction contracts with third parties.

Other revenue

Revenue from our other operations was RUB 4,358 million for the year ended 31 December 2020, a decrease of RUB 12 million, or 0.3%, from RUB 4,370 million for the year ended 31 December 2019. This decrease was primarily attributable to a decrease in sales of construction materials by RUB 246 million partially offset by an increase in sale of stand-alone commercial premises by RUB 122 million and an increase in other revenue related to servicing of premises by RUB 112 million.

Sale of construction materials

Revenue from the sale of construction materials decreased by RUB 246 million, or 9.2%, from RUB 2,675 million for the year ended 31 December 2019 to RUB 2,429 million for the year ended 31 December 2020 mainly as a result of a decrease in demand for construction materials in the first half of 2020 caused by the slowdown in the construction industry, which, in turn, was attributable to the COVID-19 pandemic outbreak.

Sale of stand-alone commercial premises

Revenue from the sale of stand-alone commercial premises increased by RUB 122 million from RUB nil for the year ended 31 December 2019 to RUB 122 million for the year ended 31 December 2020.

Rental revenue

Rental revenue decreased by RUB 181 million, or 20.9%, from RUB 865 million for the year ended 31 December 2019 to RUB 684 million for the year ended 31 December 2020. The decrease in revenue primarily resulted from a decrease in area that was rented out.

Revenue by geographical location

The following table presents our total revenue by geographical location of properties for the years ended 31 December 2019 and 2020:

	For the year ended 31 December	
	2019	2020
	mln RUB	
St Petersburg Metropolitan Area ...	40,640	37,679
Moscow Metropolitan Area	43,690	40,976
Total revenue	84,330	78,655

Total revenue for the St Petersburg Metropolitan Area was RUB 37,679 million for the year ended 31 December 2020, a decrease of RUB 2,961 million, or 7.3%, from RUB 40,640 million for the year ended 31 December 2019. The decrease was primarily driven by a decrease in volume of construction services and a decrease in new contract sales in St Petersburg due to the reduction of project portfolio size in the region.

Total revenue for the Moscow Metropolitan Area was RUB 40,976 million for the year ended 31 December 2020, a decrease of RUB 2,714 million, or 6.2%, from RUB 43,690 million for the year ended 31 December 2019. The decrease was primarily attributable to the change of contractors and construction budgets underperformance, which, in turn, were driven by a temporary ban on construction introduced in Moscow in the second quarter of 2020.

Cost of sales

Our cost of sales decreased by RUB 7,533 million, or 11.7%, from RUB 64,273 million for the year ended 31 December 2019 to RUB 56,740 million for the year ended 31 December 2020. The Company monitors and manages the cost of projects, but does not prepare analyses of the cost of sales reported in the Consolidated Financial Statements prepared in accordance with IFRS. The decrease in cost of sales primarily resulted from a decrease in total volume of contracted area accounted for in revenue recognition.

Gross Profit

Residential development segment gross profit was RUB 21,127 million for the year ended 31 December 2020, an increase of RUB 1,385 million, or 7.0%, from RUB 19,742 million for the year ended 31 December 2019. The increase was driven by a growth in residential development gross margin, which reached 30% in 2020, which, in turn, resulted from an increase in residential real estate prices.

Residential development segment gross profit, adjusted for the purchase price allocation from acquisition of JSC “Leader-Invest”, was RUB 24,987 million for the year ended 31 December 2020, an increase of RUB 2,567 million, or 11.4%, from RUB 22,420 million for the year ended 31 December 2019. Gross margin, adjusted for the purchase price allocation from acquisition of JSC “Leader-Invest”, reached 35%.

Construction services segment gross profit was RUB 251 million for the year ended 31 December 2020, an increase of RUB 141 million, or 128.2%, from RUB 110 million for the year ended 31 December 2019. Construction services segment gross margin percentage increased from 2% to 8%. The increase was primarily caused by the change in the mix of construction services provided to third parties.

Other operations segment gross profit adjusted for the purchase price allocation from acquisition of JSC “Leader-Invest” was RUB 558 million for the year ended 31 December 2020, an increase of RUB 353 million, or 162.0%,

from RUB 205 million for the year ended 31 December 2019. The increase was primarily driven by growth of margin on other revenue and margin from sale of stand-alone commercial premises.

As a result of the foregoing factors, gross profit for the year ended 31 December 2020 increased by RUB 1,858 million, or 9.3%, from RUB 20,057 million for the year ended 31 December 2019 to RUB 21,915 million for the year ended 31 December 2020. Gross profit margin was 23.8% and 27.9% in 2019 and 2020, respectively.

Selling Expenses

Our selling expenses decreased by RUB 262 million, or 5.4%, from RUB 4,822 million for the year ended 31 December 2019 to RUB 4,560 million for the year ended 31 December 2020. The decrease in selling expenses in the period under review was mainly driven by internal efficiency initiatives.

General and administrative expenses

The table below details our general and administrative expenses for the periods under review by major components:

	For the year ended 31 December				
	2019		2020		Change
	Amount	Share	Amount	Share	
	mln RUB	%	mln RUB	%	%
Payroll and related taxes.....	4,825	66.3	3,224	61.6	(33.2)
Services	460	6.3	655	12.5	42.4
Other taxes.....	521	7.2	244	4.7	(53.2)
Audit and consulting services.....	429	5.9	237	4.5	(44.8)
Depreciation	218	3.0	227	4.3	4.1
Bank fees and commissions.....	156	2.1	111	2.1	(28.8)
Repair and maintenance.....	102	1.4	75	1.4	(26.5)
Materials.....	73	1.0	50	1.0	(31.5)
Other.....	496	6.8	412	7.9	(16.9)
Total.....	7,280	100.0	5,235	100.0	(28.1)

Our general and administrative expenses decreased by RUB 2,045 million, or 28.1%, from RUB 7,280 million for the year ended 31 December 2019 to RUB 5,235 million for the year ended 31 December 2020. The decrease in general and administrative expenses for the period under review was mainly due to a decrease in payroll and related taxes and other taxes included in general and administrative costs, as well as completion of integration of JSC “Leader-Invest” in 2019.

Other expenses, net

Our other expenses, net, decreased by RUB 151 million, or 8.8%, from RUB 1,724 million for the year ended 31 December 2019 to RUB 1,573 million for the year ended 31 December 2020.

The table below details our other income and expenses by major component:

	For the year ended 31 December	
	2019	2020
	mln RUB	
Other income		
Gains on disposal of property, plant and equipment	274	51
Gains on disposal of investment property	13	103
Reversal of impairment of an investment in an associate.....	-	38
Gain on disposal of subsidiary	87	-
Other income	74	151
Fees and penalties received	153	220
	601	563
Other expenses		
Impairment loss on inventories	(1,287)	(676)

	For the year ended 31 December	
	2019	2020
	mln RUB	
Cost of social infrastructure for completed projects.....	(125)	(178)
Loss on disposal of inventories under construction and development	-	(200)
Other taxes	(493)	(265)
Fees and penalties incurred	(231)	(67)
Contingent consideration for acquisition of Leader-Invest	-	(143)
Charity.....	(29)	(38)
Other expenses	(160)	(569)
	(2,325)	(2,136)
Other expenses, net	(1,724)	(1,573)

The decrease in other expenses, net, was mainly due to a decrease in other expenses of RUB 189 million, or 8.1%, from RUB 2,325 million for the year ended 31 December 2019 to RUB 2,136 million for the year ended 31 December 2020. This was primarily attributable to a significant reduction of impairment losses.

At the same time other income decreased by RUB 38 million, or 6.3%, from RUB 601 million for the year ended 31 December 2019 to RUB 563 million for year ended 31 December 2020, primarily attributable to a decrease in a gain on disposal of property, plant and equipment.

Results from operating activities

As a result of the foregoing factors, the results from operating activities increased by RUB 3,734 million, or 57.6%, from RUB 6,484 million for the year ended 31 December 2019 to RUB 10,218 million for the year ended 31 December 2020.

Finance income and finance costs

Our net finance costs increased by RUB 783 million, or 16.6%, from RUB 4,713 million for the year ended 31 December 2019 to RUB 5,496 million for the year ended 31 December 2020. The table below details our finance income and finance costs by major component:

	For the year ended 31 December	
	2019	2020
	mln RUB	
Finance income		
Interest income under the effective interest method on:		
-Cash and cash equivalents (except bank deposits).....	1,358	518
-Unwinding of discount on trade receivables	705	634
-Bank deposits – at amortised cost	736	585
-Interest income – financing component under IFRS 15	73	150
Total interest income arising from financial assets measured at amortised cost	2,872	1,887
Gain on write-off of accounts payable	111	105
Impairment (loss) reversal on investments	8	(12)
Net foreign exchange gain.....	-	36
Finance income – other	119	129
Finance costs		
Financial liabilities measured at amortised cost:		
-Interest expenses – financing component under IFRS 15	(2,619)	(1,399)
-Interest expenses – borrowing costs.....	(4,387)	(4,924)
-Interest expense on leases	(233)	(167)
-Unwinding of discount on other payables.....	(171)	(915)
Impairment loss on advances paid to suppliers	(102)	(9)
Other finance costs	(20)	(98)
Net foreign exchange loss	(172)	-
Finance costs	(7,704)	(7,512)

Net finance costs recognised in profit or loss	(4,713)	(5,496)
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Finance income

Our finance income decreased by RUB 975 million, or 32.6%, from RUB 2,991 million for the year ended 31 December 2019 to RUB 2,016 million for the year ended 31 December 2020. The decrease in our finance income was primarily attributable to a decrease in interest income from bank deposits and other cash and cash equivalents, which, in turn, was caused by a decline in interest rates in line with the key rate of the CBR.

Finance costs

Our finance costs decreased by RUB 192 million, or 2.5%, from RUB 7,704 million for the year ended 31 December 2019 to RUB 7,512 million for the year ended 31 December 2020. The decrease in our finance costs was primarily attributable to a decrease in a part of significant financing component calculated under IFRS 15 and the absence of net foreign exchange loss which was RUB 172 million in the year ended 31 December 2019.

Profit before Income Tax

For the reasons set forth above, our profit before income tax increased to RUB 4,722 million for the year ended 31 December 2020 from a profit before income tax of RUB 1,771 million for the year ended 31 December 2019.

Income tax expense

The following table sets out our income tax expense for the years ended 31 December 2019 and 2020:

	For the year ended 31 December		Change
	2019	2020	
	mln RUB		%
Current tax expense	3,399	3,987	17.3
Deferred tax expense	(1,814)	(1,301)	(28.3)
Total income tax expense	1,585	2,686	69.5

Our current tax expense increased by RUB 588 million, or 17.3%, for the year ended 31 December 2020 compared with the year ended 31 December 2019 as a result of an increase in taxable profit.

Our deferred income tax expense decreased by RUB 513 million, or 28.3%, from the year ended 31 December 2019 compared with the year ended 31 December 2020. This was primarily attributable to a write-off of the part of previously recognised tax asset.

Our effective tax rates, defined as income tax expense as a percentage of profit before tax, were 89% and 57% for the years ended 31 December 2019 and 2020, respectively. This was due to the fact that profit before tax for the year ended 31 December 2020 was significantly higher than for the year ended 31 December 2019, while expenses not deductible for tax purposes remained flat in those periods. Thus the share of expenses not deductible for tax purposes to profit before tax (and effective tax rate) in 2019 was significantly higher than in 2020. The effective income tax rate as compared to the Russian statutory income tax rate of 20% for the years ended 31 December 2019 and 2020 was primarily the result of the impact of certain expenses that were recognised under IFRS, but were not deductible for tax purposes.

Profit for the Year

As a result of the foregoing factors, our profit for the year increased by RUB 1,850 million from a profit of RUB 186 million in the year ended 31 December 2019 to a profit of RUB 2,036 million in the year ended 31 December 2020.

YEAR ENDED 31 DECEMBER 2019 COMPARED TO YEAR ENDED 31 DECEMBER 2018

The following table sets out selected financial information as of and for the years ended 31 December 2018 and 2019 extracted without material adjustment from our statements of profit or loss and other comprehensive income and shows our results of operations as a percentage of revenue for the applicable period:

	For the year ended 31 December			
	2018 (restated)		2019	
	mln RUB	%	mln RUB	%
Revenue	72,327	100.0	84,330	100.0
Cost of sales	(55,272)	(76.4)	(64,273)	(76.2)
Gross profit	17,055	23.6	20,057	23.8
General and administrative expenses	(6,922)	(9.6)	(7,280)	(8.6)
Selling expenses	(3,318)	(4.6)	(4,822)	(5.7)
Impairment loss on trade and other receivables	(800)	(1.1)	(476)	(0.6)
Gain from bargain purchase	-	-	729	0.9
Other expenses, net	(2,811)	(3.9)	(1,724)	(2.0)
Results from operating activities	3,204	4.4	6,484	7.7
Finance income (interest revenue and other)	2,284	3.2	2,991	3.5
Finance costs	(5,065)	(7.0)	(7,704)	(9.1)
Profit before income tax	423	0.6	1,771	2.1
Income tax expense	(1,123)	(1.6)	(1,585)	(1.9)
Profit/(loss) for the year	(700)	(1.0)	186	0.2

Revenue

Our total revenue increased by 16.6%, from RUB 72,327 million for the year ended 31 December 2018 to RUB 84,330 million for the year ended 31 December 2019. This increase was primarily the result of an increase of RUB 9,042 million, or 16.9%, in recognised sales of flats.

The following table sets forth a breakdown of our total revenue by type for the years ended 31 December 2018 and 2019:

	For the year ended 31 December				
	2018		2019		Change
	Amount	Share	Amount	Share	
	mln RUB	%	mln RUB	%	%
Sale of flats	53,514	73.9	62,556	74.2	16.9
Sale of built-in commercial premises	3,169	4.4	5,866	7.0	85.1
Sale of parking places	1,389	1.9	5,062	6.0	264.4
Total revenue – segment	58,072	80.3	73,484	87.1	26.5
Residential development					
Construction services	8,312	11.5	5,611	6.7	(32.5)
Total revenue – segment	8,312	11.5	5,611	6.7	(32.5)
Construction services					
Sale of construction materials	3,601	4.9	2,675	3.2	(25.7)
Sale of stand-alone commercial premises	42	0.1	-	-	(100)
Other revenue	1,677	2.3	1,695	2.0	1.1
Total other revenue	5,320	7.3	4,370	5.2	(17.9)
Total revenues from contracts with customers	71,704	99.0	83,465	99.0	16.4
Rental revenue	623	0.8	865	1.0	38.8
Total revenue	72,327	100.0	84,330	100.0	16.6

Residential development segment

Our residential development segment is our largest business unit. External revenue of our residential development segment was 87.1% and 80.3% of our consolidated revenue for the years ended 31 December 2019 and 2018, respectively.

Revenue from our residential development segment was RUB 73,484 million for the year ended 31 December 2019, an increase of RUB 15,412 million, or 26.6%, from RUB 58,072 million for the year ended 31 December 2018. The increase in residential development segment revenue resulted primarily from an increase in revenues recognised from the sales of flats by RUB 9,042 million, or 16.9%, an increase in revenues recognised from the

sales of parking places by RUB 3,673 million, or 264.4%, and an increase in revenues recognised from the sale of built-in commercial premises by RUB 2,697 million, or 85.1%.

In the year ended 31 December 2019, JSC “Leader-Invest” contributed RUB 10,875 million to the revenues of the residential development segment, including RUB 10,000 million in the revenues recognised from the sales of flats, RUB 549 million in the revenues recognised from the sales of parking places and RUB 326 million in the revenues recognised from the sale of built-in commercial premises.

Revenue from residential development consists of revenue from sale of flats, commercial premises and parking places.

Sale of flats

In the year ended 31 December 2019, 73.0% of our revenue was derived from the sale of flats. Revenue from the sale of flats increased by 16.9%, from RUB 53,514 million in the year ended 31 December 2018 to RUB 62,556 million in the year ended 31 December 2019. The increase is mainly attributable to the contribution of JSC “Leader-Invest” projects to our portfolio after the respective acquisition.

Sales of commercial premises and parking places

Revenue from the sale of commercial premises and parking places increased by RUB 6,370 million, or 139.7%, from RUB 4,558 million for the year ended 31 December 2018 to RUB 10,928 million for the year ended 31 December 2019. The increase is mainly attributable to the contribution of JSC “Leader-Invest” projects to our portfolio after the respective acquisition and several one-off sales of large commercial premises.

Construction services segment

External revenue from our construction services segment was RUB 5,611 million for the year ended 31 December 2019, a decrease of RUB 2,701 million, or 32.4% from RUB 8,312 million for the year ended 31 December 2018. The decrease resulted from the completion during the year ended 31 December 2018 of a project for the construction of a metro depot in Saint Petersburg.

Other revenue

Revenue from our other operations was RUB 4,370 million for the year ended 31 December 2019, a decrease of RUB 950 million, or 17.8%, from RUB 5,320 million for the year ended 31 December 2018. This decrease was primarily attributable to a decrease in sale of stand-alone commercial premises by RUB 42 million, or 100%, partially offset by an increase in other revenue related to servicing of premises by RUB 18 million, or 1.1%.

Sale of construction materials

Revenue from the sale of construction materials decreased by RUB 926 million, or 25.7%, from RUB 3,601 million for the year ended 31 December 2018 to RUB 2,675 million for the year ended 31 December 2019, mainly as a result of a decline in the production of construction materials.

Rental revenue

Rental revenue increased by RUB 242 million, or 38.8%, from RUB 623 million for the year ended 31 December 2018 to RUB 865 million for the year ended 31 December 2019. The increased revenue primarily resulted from the acquisition of JSC “Leader-Invest” in 2019 and its contribution to rental revenue.

Revenue by geographical location

The following table presents our total revenue by geographical location of flats for the years ended 31 December 2018 and 2019:

	For the year ended 31 December	
	2018	2019
	mln RUB	
St Petersburg Metropolitan Area	40,502	40,640

	For the year ended 31 December	
	2018	2019
	mln RUB	
Moscow Metropolitan Area.....	31,825	43,690
Total revenue.....	72,327	84,330

Total revenue for the St Petersburg Metropolitan Area was RUB 40,640 million for the year ended 31 December 2019, a slight increase of RUB 138 million, or 0.3%, from RUB 40,502 million for the year ended 31 December 2018.

Total revenue for the Moscow Metropolitan Area was RUB 43,690 million for the year ended 31 December 2019, an increase of RUB 11,865 million, or 37.3%, from RUB 31,825 million for the year ended 31 December 2018. The increase primarily resulted from the contribution of projects from the portfolio of JSC “Leader-Invest” and its subsidiaries that were acquired by us.

Cost of sales

Our cost of sales increased by RUB 9,001 million, or 16.3%, from RUB 55,272 million for the year ended 31 December 2018 (as restated) to RUB 64,273 million for the year ended 31 December 2019. This increase was primarily a result of an increase in amount of new sales and residential development revenue supported also by the projects added to our portfolio following the acquisition of JSC “Leader-Invest”. The Company monitors and manages the cost of projects but does not prepare analyses of the cost of sales reported in the Consolidated Financial Statements prepared in accordance with IFRS.

Gross Profit

As a result of the foregoing factors, gross profit for the year ended 31 December 2019 increased by 17.6%, from RUB 17,055 million for the year ended 31 December 2018 (as restated) to RUB 20,057 million for the year ended 31 December 2019. Gross profit increased for the year ended 31 December 2019 primarily due to an increase in gross profit of the residential development segment by RUB 3,683 million. JSC “Leader-Invest” contributed RUB 1,406 million to gross profit for the year ended 31 December 2019.

Residential development segment gross profit was RUB 19,742 million for the year ended 31 December 2019, an increase of RUB 3,683 million, or 22.9% from RUB 16,059 million for the year ended 31 December 2018 (as restated). The increase was due to revenue growth, which, in turn, was caused by the contribution of JSC “Leader-Invest” projects to our portfolio.

Construction services segment gross profit was RUB 110 million for the year ended 31 December 2019, a decrease of RUB 282 million, or 71.8% from RUB 393 million for the year ended 31 December 2018. The decrease was primarily driven by a decline in the total volume of revenue from constructions services.

Other operations segment gross profit was RUB 205 million for the year ended 31 December 2019, a decrease of RUB 398 million, or 66.0%, from RUB 603 million for the year ended 31 December 2018. The decrease was primarily due to a decrease in sales of construction materials and stand-alone commercial premises.

Our gross margin was 23.6% and 23.8% in 2018 and 2019, respectively. The increase in gross margin between the years ended 31 December 2018 and 2019 was primarily attributable to a change in the composition of total revenue showing an increase in residential development segment.

Selling Expenses

Our selling expenses increased by RUB 1,504 million, or 45.3%, from RUB 3,318 million for the year ended 31 December 2018 to RUB 4,822 million for the year ended 31 December 2019. The growth in selling expenses was mainly caused by the consolidation of JSC “Leader-Invest” that contributed RUB 980 million to out selling expenses. The remaining increase of RUB 524 million was driven by an increase in payroll and related taxes expenses by RUB 162 million, an increase in advertising expenses and agency fees by RUB 179 million and an increase in state registration and insurance expenses related to shared construction agreements by RUB 153 million.

General and administrative expenses

The table below details our general and administrative expenses for the periods under review by major components:

	For the year ended 31 December				
	2018		2019		Change
	Amount	Share	Amount	Share	
	mln RUB	%	mln RUB	%	%
Payroll and related taxes.....	4,446	64.2	4,825	66.3	8.5
Other taxes.....	160	2.3	521	7.2	225.6
Services	468	6.8	460	6.3	(1.7)
Audit and consulting services.....	217	3.1	429	5.9	97.7
Depreciation	85	1.2	218	3.0	156.5
Bank fees and commissions.....	173	2.5	156	2.1	(9.8)
Repair and maintenance.....	75	1.1	102	1.4	27.0
Materials	96	1.4	73	1.0	(24.0)
Other	356	5.1	496	6.8	39.3
Equity-settled share based	846	12.2	-	-	(100)
Total	6,922	100.0	7,280	100.0	5.2

Our general and administrative expenses increased by RUB 358 million, or 5.2%, from RUB 6,922 million for the year ended 31 December 2018 to RUB 7,280 million for the year ended 31 December 2019. The increase in general and administrative expenses for the period under review was mainly caused by consolidation of JSC “Leader-Invest” that contributed RUB 1,403 million to our general and administrative expenses.

Other taxes increased by RUB 361 million, or 225.6%, from RUB 160 million for the year ended 31 December 2018 to RUB 521 million for the year ended 31 December 2019, mainly as a result of an increase in taxable value of completed residential property owned by the Company.

Depreciation increased by RUB 133 million, or 156.5%, from RUB 85 million for the year ended 31 December 2018 to RUB 218 million for the year ended 31 December 2019. The increase was mainly driven by the consolidation of JSC “Leader-Invest” and its subsidiaries.

Net other expenses

Our net other expenses decreased by RUB 1,087 million, or 38.7%, from RUB 2,811 million for the year ended 31 December 2018 (as restated) to RUB 1,724 million for the year ended 31 December 2019. The table below details our other income and expenses by major component:

	For the year ended 31 December	
	2018 (restated)	2019
	mln RUB	
Other income		
Gains on disposal of property, plant and equipment.....	-	274
Gains on disposal of investment property.....	-	13
Gain on disposal of subsidiary.....	-	87
Other income	186	74
Fees and penalties received	268	153
	454	601
Other expenses		
Impairment loss on inventories.....	(450)	(1,287)
Cost of social infrastructure for completed projects.....	(1,594)	(125)
Other taxes.....	(496)	(493)
Fees and penalties incurred.....	(42)	(231)
Charity	(410)	(29)
Other expenses.....	(261)	(160)
Loss on disposal of property, plant and equipment	(8)	-

	For the year ended 31 December	
	2018 (restated)	2019
	mln RUB	
Loss on disposal of inventories.....	(4)	-
	(3,265)	(2,325)
Other expenses, net.....	(2,811)	(1,724)

The decrease in other expenses, net was mainly due to a decrease of costs of social infrastructure for completed projects by RUB 1,469 million, or 92.2%, a decrease in charity expenses by RUB 381 million, or 92.9%, offset by an increase in impairment loss on inventories by RUB 837 million, or 186.0%, and an increase in fees and penalties incurred by RUB 189 million, or 450%.

Results from operating activities

As a result of the foregoing factors our results from operating activities increased by RUB 3,280 million, or 102.4%, from RUB 3,204 million for the year ended 31 December 2018 (as restated) to RUB 6,484 million for the year ended 31 December 2019.

Finance income and finance costs

For the year ended 31 December 2019, our net finance costs increased by RUB 1,932 million, or 69.5%, from RUB 2,781 million for the year ended 31 December 2018 (as restated) to RUB 4,713 million for the year ended 31 December 2019.

The table below details our finance income and finance costs by major component:

	For the year ended 31 December	
	2018	2019
	mln RUB	
Recognised in profit or loss		
Finance income		
Interest income under the effective interest method on:		
-Cash and cash equivalents (except bank deposits)	672	1,431
-Unwinding of discount on trade receivables	976	705
-Bank deposits – at amortised cost	453	736
Total interest income arising from financial assets measured at amortised cost	2,101	2,872
Gain on write-off of accounts payable.....	101	111
Impairment (loss) reversal on investments	18	8
Net foreign exchange gain	64	-
Finance income – other	183	119
Finance costs		
Financial liabilities measured at amortised cost:		
-Interest expenses – financing component under IFRS 15	(2,859)	(2,619)
-Interest expenses – borrowing costs	(2,074)	(4,387)
-Interest expense on leases.....	-	(233)
-Unwinding of discount on other payables	-	(171)
Impairment loss on advances paid to suppliers.....	(118)	(102)
Other finance costs	(14)	(20)
Net foreign exchange loss.....	-	(172)
Finance costs	(5,065)	(7,704)
Net finance costs recognised in profit or loss.....	(2,781)	(4,713)

Finance income

Our finance income increased by RUB 707 million, or 31.0%, from RUB 2,284 million for the year ended 31 December 2018 to RUB 2,991 million for the year ended 31 December 2019. The increase in our finance income resulted primarily from an increase in interest income on cash and cash equivalents and bank deposits by

RUB 1,042, partially offset by a decrease in amount credited to the income statement in respect of the unwinding of the discount on trade receivables by RUB 271 million and a foreign exchange gain of RUB 64 million recognised during the year ended 31 December 2019.

Finance costs

For the year ended 31 December 2019, our finance costs increased by RUB 2,639 million, or 52.1%, from RUB 5,065 million for the year ended 31 December 2018 (as restated) to RUB 7,704 million for the year ended 31 December 2019. The increase in our finance costs was primarily driven by an increase in borrowings costs and financing component under IFRS 15 by RUB 2,073, which was in line with an increase in borrowings used to finance the acquisition of JSC “Leader-Invest”, an increase in interest expense on leases by RUB 233 million as a result of the adoption of the new accounting standard IFRS 16 “Leases”, an increase in amount debited to the income statement in respect of the unwinding of the discount on other payables by RUB 171 million and a foreign exchange loss of RUB 172 million, offset by a decrease in impairment loss on advances paid to supplier by RUB 16 million.

Net finance costs of JSC “Leader-Invest” contributed RUB 938 million to the overall increase of our finance costs.

Profit before Income Tax

For the reasons set forth above, our profit before income tax increased to RUB 1,771 million for the year ended 31 December 2019 from a profit before income tax of RUB 423 million for the year ended 31 December 2018 (as restated).

Income tax expense

The following table sets out our income tax expense for the years ended 31 December 2018 and 2019:

	For the year ended 31 December		Change
	2018 (restated)	2019	
	mln RUB		%
Current tax expense	2,002	3,399	69.8
Deferred tax expense	(879)	(1,814)	106.4
Total income tax expense	1,123	1,585	41.1

Our current income tax expense increased by 69.8% in the year ended 31 December 2019 compared with the year ended 31 December 2018 (as restated) as a result of an increase in taxable profit.

Our deferred income tax expense increased by 106.4% in the year ended 31 December 2019 compared with the year ended 31 December 2018. This is primarily attributable to the differences in revenue recognition policies under IFRS and Russian GAAP. For the year ended 31 December 2019, considerably more revenue was recognised under IFRS (as compared with Russian GAAP), which, in turn, led to an increase in our deferred tax expense.

The total income tax increased by RUB 462 million, or 41.1%, from RUB 1,123 million for the year ended 31 December 2018 (as restated) to RUB 1,585 million for the year ended 31 December 2019 as a result of an increase in taxable profit.

Our effective tax rates, defined as income tax expense as a percentage of profit before tax, were 265.5% and 89.5% for the years ended 31 December 2018 (as restated) and 2019, respectively. This was due to the fact that profit before tax for the year ended 31 December 2019 was significantly higher than for the year ended 31 December 2018, while expenses not deductible for tax purposes remained flat in those periods. Thus, the share of expenses not deductible for tax purposes to profit before tax (and effective tax rate) in 2019 was significantly higher than in 2018. The effective income tax rate as compared to the Russian statutory income tax rate of 20% for the years ended 31 December 2019 and 2018 was primarily the result of the impact of certain expenses that were recognised under IFRS, but were not deductible for tax purposes.

Profit/(Loss) for the Year

As a result of the foregoing factors, our profit for the year increased by RUB 886 million from a loss of RUB 700 million in the year ended 31 December 2018 (as restated) to a profit of RUB 186 million in the year ended 31 December 2019.

LIQUIDITY AND CAPITAL RESOURCES

We have historically financed our capital requirements and the requirements of our investment program from cash provided by a range of sources, but principally from cash from operations (principally cash from pre-sales of residential properties), bank loans, local bonds issuances and other financing sources. With new industry regulation in place and transition to a new business model, the primary source of financing is project financing. Proceeds from sales of real estate in multiple-dwelling buildings under construction are blocked in escrow accounts and become available once the relevant buildings are commissioned.

Despite our inability to use blocked proceeds, the significant amount of cash collections from sales in the construction stage and the extra coverage that cash held in escrow accounts provides for project loan debt, allows us to reduce the cost of project financing to preferential interest rate ranging from 0.01% to 3.5%, while market rates for comparable financing without escrow accounts are in the 8-10% range. A gradual transition to the new model with escrow accounts inevitably leads to a significant increase in debt levels of all industry players, however, offsetting debt with cash blocked in escrow accounts would imply that net debt ratios grow insignificantly. Our ability to service debt may be greater than may be implied by comparing our leverage ratios (as measured in terms of Net corporate debt / Adjusted EBITDA or Adjusted Net Debt / Adjusted EBITDA) to those of other companies.

Furthermore, significant funds accumulated in escrow accounts at the completion of construction enable us to prepay project financing when these funds are released and can be freely used. Apart from project financing, we will continue to use public debt instruments, as well as different types of corporate debt instruments, to invest into our business, acquire new projects and finance costs associated with such acquisitions at early development stages before we have an opportunity to raise project financing. We believe that we have applied a prudent approach to managing our liquidity and capital resources. Our Net corporate debt / Adjusted EBITDA ratio was (0.30x), 1.92x and 1.19x as of 31 December 2018, 2019 and 2020 respectively, which is consistent with the Group's target for keeping the ratio below 2-3x.

Apart from needing cash for developing land, we also need cash to acquire land plots. Following the economic downturn in 2008, we had used a mixed method of payment for acquisitions — where we paid only a portion of purchase price in cash upfront (typically ranging from 10% to 20% of the price), with the balance settled by transferring a portion of the completed residential real estate to the seller. With new industry regulation in place, the possibilities to acquire investment rights for land plots where the acquisition price is partially paid by means of transfer of specified premises constructed on those land plots have significantly narrowed, however, we have established the necessary systems and banking relationships to ensure a smooth transition to the use of escrow accounts and project financing for future residential development projects. In order to maintain a balance between the profitability of acquired projects and the reduction of investments made using our own funds, we apply different instruments such as spreading payments for new land plots over time, as well as bridge loans and other types of debt financing which could be refinanced in the future using project financing raised at construction stages.

Working Capital Statement

In the opinion of the Group, it has sufficient working capital for its present requirements, that is for a period of at least the next 12 months following the date of this Prospectus.

Cash Flows

A summary of our cash flows is presented in the table below for the periods indicated:

	For the year ended 31 December		
	2018 (restated)	2019	2020
		mln RUB	
Net cash from/(used in) operating activities	15,157	8,512	(897)
Net cash (used in)/from investing activities.....	596	(7,037)	1,164
Net cash (used in)/from financing activities	(7,230)	6,762	(5,589)

Net increase/(decrease) in cash and cash equivalents.	8,523	8,237	(5,322)
Effect of exchange rate fluctuations	418	(175)	24
Cash and cash equivalents at beginning of year	14,125	23,066	31,128
Cash and cash equivalents at end of year	23,066	31,128	25,830

Year ended 31 December 2020 compared to the year ended 31 December 2019

Cash flows from operating activities amounted to a net outflow of RUB 897 million for the year ended 31 December 2020, compared to a net inflow of RUB 8,512 million for the year ended 31 December 2019. This change was primarily a result of an increase in share of new contract sales made using escrow accounts under which the access to cash collected from customers is deferred up until completion of buildings. The net inflow for the year ended 31 December 2019 was attributable to a significant growth of cash collections from sales and moderate growth of cash construction spending.

The most significant differences in 2020 compared to 2019 in the changes in working capital were the following:

- A RUB 15,619 million increase in inventories during the year ended 31 December 2020 compared to a decrease of RUB 12,506 million during the year ended 31 December 2019. Inventories increased mainly as a result of the conclusion of a mediation agreement related to the acquisition of ZIL-South project, pursuant to which the Company obtained 88% in share capital of LLC “Specialized Developer “ZIL-YUG” and development rights in relation to ZIL-Yug project.
- A RUB 24,390 million increase in accounts payable during the year ended 31 December 2020 compared to a decrease of RUB 9,511 million during the year ended 31 December 2019. The increase in accounts payable in 2020 compared to 2019 was mainly driven by the acquisition of 88% in share capital of LLC “Specialized Developer “ZIL-YUG”, for which the consideration is RUB 32,200 million and is payable in 2021-2024.
- A RUB 2,642 million increase in accounts receivable during the year ended 31 December 2020 compared to a smaller increase of RUB 544 million during the year ended 31 December 2019. The larger increase in accounts receivable in 2020 compared to 2019 was because of an increase in new contract sales in residential projects under construction.
- Total provisions as at 31 December 2020 included a decrease of RUB 278 million from RUB 805 million as at 31 December 2019 to RUB 527 million as at 31 December 2020, as compared to a decrease of RUB 277 million from RUB 1,082 million as at 31 December 2018 to RUB 805 million as at 31 December 2019. The decrease was mainly a consequence of a decrease in provisions made for deferred works by us. We take the provisions for deferred works in respect of additional works (like landscaping) that the State Commission requires us to undertake after the related property has been commissioned. We are typically required to do these works within a few months of registration. In 2020, we used more of these provisions than in 2019, because of the increased number of properties commissioned during previous years, as a result of the acquisition of JSC “Leader-Invest”. In 2020, we made a higher level of provisions than in 2019; this was due to a larger amount of deferred works in relation to the buildings commissioned in 2020.
- Income tax paid was RUB 4,647 million in 2020, an increase of RUB 708 million, or 18.0%, compared to RUB 3,939 million in 2019. The difference was principally driven by the way income was recognised and treated under Russian GAAP.
- Interest paid was RUB 4,803 million in 2020, a decrease of RUB 21 million, or 0.4%, compared to RUB 4,824 million in 2019. The decrease in 2020 was primarily attributable to a lower weighted average interest rate of the Company’s debt portfolio in 2020.

Cash flows used in investing activities amounted to a net inflow of RUB 1,164 million in the year ended 31 December 2020 compared to a net outflow of RUB 7,037 million in the year ended 31 December 2019. This decrease was driven by the completion of acquisition of JSC “Leader-Invest” in 2019.

Cash flows relating to financing activities amounted to a net outflow of RUB 5,589 million in the year ended 31 December 2020 as compared to a net inflow of RUB 6,762 million in the year ended 31 December 2019. This was mainly a result of a decrease in proceeds from borrowings which amounted to RUB 8,691 million in 2020 as compared to RUB 30,332 million in 2019. Higher proceeds from borrowings in 2019 were received under the loans attracted to finance the acquisition of JSC “Leader-Invest”. In 2020, the Company did not use proceeds from borrowings to finance new acquisitions.

Year ended 31 December 2019 compared to the year ended 31 December 2018

Cash flows from operating activities amounted to a net inflow of RUB 8,512 million for the year ended 31 December 2019, compared to a larger inflow of RUB 15,157 million for the year ended 31 December 2018 (as restated). This change was primarily a result of an increase in income tax paid and interest paid in 2019.

The most significant differences in 2019 compared to 2018 in the changes in working capital were the following:

- A RUB 12,506 million decrease in inventories during the year ended 31 December 2019 compared to a smaller decrease of RUB 3,582 million during the year ended 31 December 2018 (as restated). Inventories decreased during 2019 mainly as a result of an increase in cost of sales, which, in turn, were driven by a growth of sold net selling area. In addition, a significant part of new inventories was added to the balance sheet during 2019 following the purchase price allocation calculated on the basis of fair value of projects portfolio of JSC “Leader-Invest” and its subsidiaries that we acquired. From the cash flow statement perspective, such part of inventories was determined on a non-cash basis and did not affect cash flow from operating activities.
- A decrease in accounts payable during the year ended 31 December 2019 of RUB 11,214 million compared to a smaller decrease of RUB 65 million during the year ended 31 December 2018. The key factor of change in accounts payable in 2019 was a barter deal associated with the acquisition of land plots, under which certain premises under construction were transferred in consideration for a part of the land plots.
- A decrease in accounts receivable during the year ended 31 December 2019 of RUB 544 million compared to a larger decrease of RUB 9,036 million during the year ended 31 December 2018. The smaller decrease in accounts receivable in 2019 compared to 2018 was because of the amount of new contract sales in projects under construction that increased in 2019 as compared with the prior period under review.
- Income tax paid was RUB 3,939 million in 2019, an increase of RUB 2,456 million, or 165.6% compared to RUB 1,483 million in 2018. The difference was principally driven by the fact that more revenue was recognised under Russian GAAP in 2018 compared with 2019.
- Interest paid was RUB 4,824 million in 2019, an increase of RUB 2,578 million, or 114.8% compared to RUB 2,246 million in 2018. The increase in 2019 was due to an increase in the total amount of debt and a higher level of weighted average interest rate, which, in turn, was caused by the attraction of new loans to finance the acquisition of JSC “Leader-Invest”.
- Total provisions as at 31 December 2019 included a decrease of RUB 277 million from RUB 1,082 million as at 31 December 2018 to RUB 805 million as at 31 December 2019, as compared to a larger decrease of RUB 883 million from RUB 1,965 million as at 1 January 2018 to RUB 1,082 million as at 31 December 2018. This decrease was mainly a consequence of a decrease in total provisions made for deferred works by us, partially offset by provisions made for litigations and claims of RUB 134 million. We take provisions for deferred works in respect of additional works (like landscaping) that the State Commission requires us to undertake after the related property has been commissioned. We are typically required to undertake these works within a few months of commissioning. In 2018, we made a greater provision than in 2019; this was due to a higher construction budget utilisation before commissioning. We release these provisions as we complete the corresponding works. In 2019, we released substantially less of these provisions than in 2018.

Cash flows used in investing activities amounted to a net inflow of RUB 596 million in the year ended 31 December 2018 compared to a net outflow of RUB 7,037 million in the year ended 31 December 2019. This change included a cash outflow of RUB 10,481 million in 2019 for the purpose of acquisition of a subsidiary, partially offset by a cash inflow of RUB 2,167 million from interest received and a cash inflow of RUB 1,359 million as a result of disposal of other investments.

Cash flows relating to financing activities amounted to a net inflow of RUB 6,762 million in the year ended 31 December 2019 compared to a net outflow of RUB 7,230 million in the year ended 31 December 2018. Primarily, this was as a result of a significant increase in proceeds from borrowings of RUB 30,332 million in 2019, as compared to RUB 4,707 million in 2018, attracted to finance the acquisition of JSC “Leader-Invest”.

Liquidity

Cash and cash equivalents comprise cash balances, petty cash, cash in transit and call deposits with original maturities of less than 3 months. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

As of 31 December 2020, 31 December 2019 and 31 December 2018, we had cash and cash equivalents in the amount of RUB 25,830 million, RUB 31,128 million and RUB 23,066 million, respectively.

	As at 31 December		
	2018 (restated)	2019	2020
		mln RUB	
Cash in banks in RUB.....	14,597	18,423	10,456
Cash in banks in USD.....	171	89	163
Cash in banks in EUR.....	19	15	18
Cash in banks in GBP.....	2	2	2
Petty cash.....	3	2	2
Cash in transit.....	-	-	1
Short-term deposits (less than 3 months).....	8,274	12,597	15,188
Cash and cash equivalents in the statement of financial position	23,066	31,128	25,830

For the years ended 31 December 2018, 2019 and 2020, cash held in escrow off balance sheet amounted to RUB 23,572 million, RUB 692 million and RUB nil, respectively.

Capital Resources

As well as cash flows from pre-sales discussed above, we rely on our credit facilities and bond debt as capital resources. Our major credit agreements and outstanding bonds are described below.

Major Credit Agreements

The availability of debt and equity financing is influenced by many factors, including our profitability, operating cash flows, debt levels, credit ratings, contractual restrictions and market conditions. We have pledged certain items of property, plant, equipment and inventories in connection with our borrowings. We cannot guarantee that we will be able to continue to obtain debt financing in the future.

Set out below is a description of our most significant borrowings by certain Group Companies as of 31 December 2020 (other than the credit line entered into by LLC “Specialized Developer “ZIL-YUG” after 31 December 2020).

Credit line agreements of “Etalon Group company” AO. On 12 February 2019, our subsidiary “Etalon Group company” AO entered into a non-revolving credit line agreement with Sberbank, allowing borrowings of up to RUB 16.8 billion for financing of business activities of the borrower that are stipulated in its charter, as well as the acquisition of a 51% stake in JSC “Leader-Invest”. The agreement is subject to a number of restrictive covenants and undertakings, including, for example, restrictions on incurring by the borrower of new debt in the amount exceeding RUB 300 million without a prior written consent of Sberbank; undertaking not to allow the actual proceeds from the sale of properties to fall by more than 20% compared to the target amounts agreed with Sberbank for two preceding quarters or one calendar year; certain financial thresholds, the crossing of which requires a prior written consent of Sberbank to dividends distributions by the borrower and the Company for the period up to 30 June 2024. The credit line agreement also provides for a cross-default in case of a failure of the borrower or any of the group companies which shares are pledged under the credit line agreement to duly perform its payment or other obligations non-performance of which could entail acceleration of debt under any of the arrangements between the borrower or any of the group companies which shares are pledged under the credit line agreement and Sberbank, which failure is continuing for more than five days (in case of payment obligations) and ten days (in case of other obligations). Also, Sberbank is entitled to accelerate the repayment under the credit line agreement in case the borrower or any of the group companies which shares are pledged under the credit line agreement is required to make early repayment under credit agreements with other creditors in the aggregate amount exceeding RUB 2 billion. The agreement has a maturity date of 11 February 2024. As of 31 December 2020, the total amount outstanding under the agreement was RUB 13.5 billion. The loan bears a floating interest

rate determined as the key rate of the CBR (but in any case no less than 6% and not more than 13.5%) *plus* 2.35%. As of 31 December 2020, the interest rate was 8.35%.

The loans are secured with guarantees issued by certain Group Companies (including, *inter alia*, LLC “EtalonSstroy”, LLC “Specialized Developer “Nagatino-2”, LLC “Zorge 3”) and pledges over certain of the Group Companies’ assets (including securities and real property). Sberbank may also request additional guarantees and pledges from the Group Companies in accordance with the terms of the option agreements entered into between Sberbank and the Group Companies.

On 14 August 2019, “Etalon Group company” AO entered into another non-revolving credit line agreement with Sberbank, allowing borrowings of up to RUB 29.8 billion for financing of the purchase of the rest of JSC “Leader-Invest” equity and refinancing of the principal debt under the above-mentioned credit facility line agreement. The August agreement is subject to a number of early repayment events, including, for example, unpermitted alienation of property the value of which exceeds 20% of the Group’s balance value for the relevant quarter and occurrence of event which could adversely impact the borrower’s financial position, as well as certain restrictions and undertakings. The credit line agreement also provides for a cross-default in case of a failure of the borrower or any of companies controlled by Etalon Group plc. to perform its payment or other obligations non-performance of which could entail acceleration of debt under any of the arrangements between the borrower or any of companies controlled by Etalon Group plc. and Sberbank, which failure is continuing for more than five days (in case of payment obligations) and ten days (in case of other obligations). Also, Sberbank is entitled to accelerate the repayment under the credit line agreement in case the borrower or any of companies controlled by Etalon Group plc. are required to make early repayment under credit agreements with other creditors in the aggregate amount exceeding RUB 2 billion. The agreement has a maturity date of 20 June 2027. As of 31 December 2020, the total amount outstanding under the agreement was RUB 14.5 billion. The loan bears a floating interest rate determined as key rate of the CBR (but in any case no less than 6.5% and no more than 13.5%) *plus* 3%. As of 31 December 2020, the interest rate was 9.5%. The loans are secured by guarantees issued by certain Group Companies (including, *inter alia*, LLC EtalonSstroy and LLC “Specialized Developer “Etalon”) and pledges over certain Group Companies’ assets (including securities and real property). Sberbank may also request additional guarantees and pledges from the Group Companies in accordance with the terms of the option agreements entered into between Sberbank and the Group Companies.

Credit line agreement of JSC “Specialized Developer “Silver fountain”. On 28 October 2020, our subsidiary JSC “Specialized Developer “Silver fountain” entered into a non-revolving credit line agreement with Sberbank, allowing borrowings of up to RUB 6.7 billion for financing of the construction of one of the units of the Silver Fountain residential complex and refinancing of loans received for its implementation. The agreement contains a number of restrictive covenants and undertakings, including, for example, undertaking to keep Sberbank informed of the developments in project implementation and undertaking to mortgage the unsold sellable areas upon commissioning of the residential complex in favour of Sberbank. The credit line agreement also provides for a cross-default in case of the borrower’s failure to perform its payment or other obligations non-performance of which could entail acceleration of debt or bank’s refusal to extend credit under any of the arrangements between the borrower and Sberbank, as well as in case of non-performance of payment obligations to third parties under the promissory notes, bonds or voluntary/mandatory tender offers, which failure is confirmed by an effective court order. Also, Sberbank is entitled to accelerate the repayment under the credit line agreement in case the borrower is required to make early repayment under credit agreements with other creditors. The agreement has a maturity date of 27 April 2024. As of 31 December 2020, the borrower had no outstanding debt under the agreement. The loan is provided at weighted average interest rate which is determined based on a formula tied to the weighted daily average of cash deposited in escrow accounts and the weighted daily average of debt for the reference periods. The loans are secured by pledges over the borrower’s assets and participatory interest in its charter capital.

Credit line agreement of LLC “Specialized Developer “Nagatino-2”. On 21 August 2020, our subsidiary LLC “Specialized Developer “Nagatino-2” entered into a non-revolving credit line agreement with Sberbank, allowing borrowings of up to RUB 5.4 billion for financing of the construction of a part of the Nagatino i-Land residential complex and the business activities of the borrower that are stipulated in its charter, as well as refinancing of loans received for the projects’ implementation. The agreement contains a number of early repayment events such as, for example, delays in construction works exceeding 6 months as compared to project declaration and the violation of requirements of the Shared Construction Law, in each case, if not remedied within 30 days. The credit line agreement also provides for a cross-default in case of the borrower’s failure to perform its payment or other obligations non-performance of which could entail acceleration of debt or bank’s refusal to extend credit under any of the arrangements between the borrower and Sberbank, which is continuing for more than five days (in case of payment obligations) and ten days (in case of other obligations) and is confirmed by an effective court decision. Also, Sberbank is entitled to accelerate the repayment under the credit line agreement in case the borrower is

required to make early repayment under credit agreements with other creditors in the aggregate amount exceeding the higher of 10% of its balance sheet total or RUB 100 million due to non-performance of its obligations under such agreements, except when the relevant amounts are paid in full. The agreement has a maturity date of 20 May 2024. As of 31 December 2020, the total amount outstanding under the agreement was RUB 1.4 billion. The loan is provided at weighted average interest rate which is determined based on a formula tied to the weighted daily average of cash deposited in escrow accounts and its weighted daily average of debt for the reference periods. As of 31 December 2020, the interest rate was 0.01%. The loans are secured by a guarantee issued by JSC “Leader-Invest” and LLC “SPM-Zhilstroy”, as well as pledges over the borrower’s assets and participatory interest in its charter capital.

Credit line agreement of LLC “Specialised Developer “Etalon Galaktika”.

Our subsidiary LLC “Specialized Developer “Etalon Galaktika” (**“Etalon Galaktika”**) entered into, among others, 3 non-revolving credit line agreements with Sberbank, namely:

- a non-revolving credit line agreement dated 23 September 2020, allowing borrowings of up to RUB 5.7 billion and maturing on 22 March 2025;
- a non-revolving credit line agreement dated 23 October 2020, allowing borrowings of up to RUB 7.5 billion and maturing on 22 October 2025; and
- a non-revolving credit line agreement dated 23 October 2020, allowing borrowings of up to RUB 7.8 billion and maturing on 22 October 2025 (together, the **“Etalon Galaktika Facilities”**).

The purpose of the Etalon Galaktika Facilities is financing of the construction of the residential complexes Moskovskie Vorota 2 and Galactika Quarter developed by Etalon Galaktika, refinancing of the loans extended earlier for implementation of the projects, provision of coverage for a letter of credit securing the obligations of the borrower in connection with the construction projects and financing of the business activities of the borrower that are stipulated in its charter. The Etalon Galaktika Facilities contain a number of early repayment events such as, for example, violation of requirements of the Shared Construction law, if not remedied within 30 days, as well as certain restrictions and undertakings, such as necessity to seek approval of Sberbank for major agreements for the project implementation and amendment of such agreements as well as a general prohibition to distribute profits except for cases outlined in the credit agreement. The Etalon Galaktika Facilities also provides for a cross-default in case of the borrower’s failure to perform its payment or other obligations non-performance of which could entail acceleration of debt or bank’s refusal to extend credit under any of the arrangements between the borrower and Sberbank, which is continuing for more than five days (in case of payment obligations) and ten days (in case of other obligations) and is confirmed by an effective court decision. Also, Sberbank is entitled to accelerate the repayment under the credit line agreement in case the borrower is required to make early repayment under credit agreements with other creditors in the aggregate amount exceeding the higher of 10% of its balance sheet total or RUB 100 million due to non-performance of its obligations under such agreements, except when the relevant amounts are paid in full. As of 31 December 2020, the borrower had no outstanding debt under any of the Etalon Galaktika Facilities. The loans are provided at weighted average interest rate which is determined based on a formula tied to the weighted daily average of cash deposited in escrow accounts and its weighted daily average of debt for the reference periods. The loans under the Etalon Galactica Facilities are secured by the guarantees issued by the relevant general contractors (JSC “LenSpetsSMU-Rekonstruktsiya” or JSC “Novator”, as applicable). The Etalon Galaktika Facilities are also secured by pledges over the borrower’s assets and allow Sberbank to request the issuance of a guarantee by “Etalon Group company” AO in the cases and in accordance with the terms of the option agreement entered into between Sberbank and “Etalon Group company” AO.

Credit line agreement of JSC “Specialized Developer “Etalon Development”. On 31 March 2020 our subsidiary, JSC “Specialized Developer “Etalon Development” entered into a credit facility agreement with Sberbank, allowing borrowings of up to RUB 10.3 billion for financing of the project on Chernigovskaya Street implementation and refinancing of loans received for the project implementation. The credit facility agreement sets forth a number of restrictive covenants such as, for example, prohibition on entry into sale purchase agreements for properties at a price below certain thresholds and prohibition on incurring of new debt, in each case, without prior consent of the lender. The credit line agreement also provides for a cross-default in case of the borrower’s failure to perform its payment or other obligations non-performance of which could entail acceleration of debt or bank’s refusal to extend credit under any of the arrangements between the borrower and Sberbank, which is continuing for more than five days (in case of payment obligations) and ten days (in case of other obligations). Also, Sberbank is entitled to accelerate the repayment under the credit line agreement in case the borrower is required to make early repayment under credit agreements with other creditors in the aggregate

amount exceeding 10% of its balance sheet total (but in any case no less than RUB 100 million) due to non-performance of its obligations under such agreements. The agreement has a maturity date of 30 March 2025. As of 31 December 2020, the total amount outstanding under the agreement was RUB 2.8 billion. The loans are extended at the weighted average interest rate which is determined based on a formula tied to the weighted daily average of cash deposited in escrow accounts and its weighted daily average of debt for the reference periods. As of 31 December 2020, the interest rate was 2.93%. The guarantor under the credit line agreement is JSC “Novator”. In certain circumstances such as termination of the credit agreement with “Etalon Group company” AO of August 2019 or change in the composition of the borrower’s participants, Sberbank is also entitled to exercise a call option for the issuance by “Etalon Group company” AO of a guarantee. The loans are also secured by the pledges over the assets of the borrower.

Credit line agreement of LLC “Specialized Developer “ZIL-YUG”. On 25 March 2021, our subsidiary, LLC “Specialized Developer “ZIL-YUG” entered into a credit facility agreement with Sberbank, allowing borrowings of up to RUB 26.5 billion with the purpose of provision by the borrower of a loan to LLC “Razvitie” in connection with the implementation of the mediation agreement dated 30 July 2020 between PJSC “Zavod imeni I.A. Likhacheva” (“AMO ZIL”) and LLC “Razvitie” (see “Material Contracts – Agreement on mediation with respect to amending the terms of Agreement governing the sale and purchase of interest in LLC “Specialized Developer “ZIL-YUG” and exercise of rights of its participants”) as well as for financing of implementation of different stages of the ZIL-Yug project. The credit line agreement sets forth a number of restrictive covenants such as, for example, prohibition on extension of loans to third parties, save for LLC “Razvitie”, and provision of guarantees or other security benefiting other banks or issued to secure the obligations of third parties, in each case without prior consent of Sberbank. The credit line agreement also provides for a cross-default in case of the borrower’s failure to perform its payment or other obligations non-performance of which could entail acceleration of debt or bank’s refusal to extend credit under any of the arrangements between the borrower and Sberbank, which is continuing for more than five days (in case of payment obligations) and ten days (in case of other obligations). Also, Sberbank is entitled to accelerate the repayment under the credit line agreement in case the borrower is required to make early repayment under credit agreements with other creditors in the aggregate amount exceeding the higher of 10% of its balance sheet total or RUB 100 million due to non-performance of its obligations under such agreements, except where the indebtedness is repaid in full. The agreement has a maturity date of 31 December 2024. The loans are extended at the weighted average interest rate which is determined based on a formula tied to the weighted daily average of cash deposited in escrow accounts and its weighted daily average of debt for the reference periods. The borrower’s obligations under the credit line agreement are secured by pledges over the borrower’s assets, pledges over the shares of the borrower, LLC “Razvitie” and JSC “Lobachevskogo 120”, the guarantees issued by JSC “Leader-Invest”, LLC “Razvitie”, “Etalon Group of Companies” AO and should be further secured by the guarantees to be issued by LLC “SPM-Zhilstroy” and affiliated general contractors implementing the project. In certain circumstances outlined by the credit line agreement, Sberbank is also entitled to exercise a call option for the issuance by JSC “Lobachevskogo 120” of a guarantee.

Credit facility agreement of JSC “Komplekt”. On 25 December 2020, our subsidiary JSC “Komplekt” entered into a credit facility agreement with DOM.RF Bank, allowing borrowings of up to RUB 13.7 billion for financing of the Letnikovskaya Street residential complex construction and refinancing of loans extended earlier for the project implementation. The credit facility agreement sets forth a number of restrictive covenants such as, for example, prohibition on incurring of new debt or selling properties at a price below certain thresholds, in each case, without prior consent of the lender. The credit line agreement also provides for a cross-default in case of the failure of the borrower or security provider to perform its payment obligations under any of the arrangements between the borrower and the bank, which failure is continuing for more than two working days. Also, DOM.RF is entitled to accelerate the repayment under the credit line agreement in case the borrower or security provider fails to make payments under debt arrangements with third parties as they fall due or in case its indebtedness is declared or otherwise becomes due for early repayment as a result of occurrence of any non-performance event, which results in the aggregate indebtedness of the borrower or security provider exceeding RUB 136.8 million for the borrower and 10% of the balance sheet total (but no less than RUB 100 million) for the security providers. The agreement provides for different maturity dates for each of the sublimits, with the latest maturity date being 28 December 2025. As of 31 December 2020, the borrower had no outstanding debt under the agreement. Prior to the release of pre-sale proceeds from the project deposited in escrow accounts opened with the creditor, the loans are extended at the weighted average interest rate which is determined based on a formula tied to the weighted daily average of cash deposited in escrow accounts opened with the creditor and its weighted daily average of debt for the reference periods. Once the proceeds are released from escrow, the loans bear the floating rate determined as the key rate of CBR *plus* 3.05%. The guarantors under the credit line agreement are LLC Zolotaya Zvezda and LLC Etalon-Invest. The credit line will be further secured by a guarantee to be issued by the

affiliated general contractor of the borrower implementing the project, if any. The loans are also secured by the pledges over the assets of the borrower as well as over its shares.

Bonds

RUB 5 billion five-year bonds. On 23 June 2016, our subsidiary AO Etalon LenSpetsSMU issued bonds in the total amount of RUB 5 billion. The bonds are governed by Russian law, circulated in the Russian debt securities market and included in the first quotation list of MoEX. The bonds have a maturity date of 17 June 2021. The bonds bear a fixed interest rate of 11.85% *per annum*. The coupon under the bonds is payable on a quarterly basis. As of 31 December 2020, the total amount outstanding under the bonds was RUB 1.15 billion.

RUB 5 billion five-year bonds. On 15 September 2017, our subsidiary AO Etalon LenSpetsSMU issued bonds in the total amount of RUB 5 billion. The bonds are governed by Russian law, circulated in the Russian debt securities market and included in the first quotation list of MoEX. The bonds have a maturity date of 9 September 2022. The bonds bear a fixed interest rate of 8.95% *per annum*. The coupon under the bonds is payable on a quarterly basis. As of 31 December 2020, the total amount outstanding under the bonds was RUB 3.9 billion.

RUB 5 billion five-year bonds. On 21 February and 15 March 2018, our subsidiary JSC “Leader-Invest” issued bonds in the total amount of RUB 5 billion. The bonds are governed by Russian law and circulated in the Russian debt securities market. The bonds have a maturity date of 15 February 2023. The bonds bore a fixed interest rate of 11.70% *per annum* for 1-6 coupon period. In February 2021, the coupon rate was replaced with a fixed interest rate of 7.95% *per annum*. The coupon under the bonds is payable on a semi-annual basis. As of 31 December 2020, the total amount outstanding under the bonds was RUB 5.2 billion.

Loans and Borrowings

As of 31 December 2020, we had total loans and borrowings of RUB 50,505 million, mainly comprising secured bank loans of RUB 28,899 million, unsecured bank loans of RUB 6,363 million, secured project financing of RUB 4,995 million and unsecured bonds of RUB 10,248 million.

We believe that no default is continuing that could allow our creditors to declare indebtedness owed to them immediately due and payable under any of our material credit agreements.

As of 31 December 2020, 31 December 2019 and 31 December 2018, our loans and borrowings were comprised of the following:

	Currency	Nominal interest rate	Outstanding 31 Dec 2018	Outstanding 31 Dec 2019	Outstanding 31 Dec 2020	Year of maturity
mln RUB, except interest rates						
Secured bank loans						
Secured bank loan	RUB	CBR's key rate + 2.35%	-	15,000	13,529	2024
Secured bank loan	RUB	CBR's key rate + 3%	-	14,566	14,522	2027
Secured bank loan	RUB	CBR's key rate + 3.5%	202	460	482	2022
Secured bank loan	RUB	10.0%	332	332	-	2020
Secured bank loan	RUB	CBR's key rate + 1.5%	-	-	-	2020
Secured bank loan	RUB	13.1%	-	-	-	2020
Secured bank loan	RUB	11.75%	802	-	-	2022
Secured bank loan	RUB	10.4%	237	-	-	2021
Secured bank loan	RUB	12.0%	-	-	-	2021
Secured bank loan	RUB	10.68%	49	-	-	2021
Secured project financing	RUB	0.01%-9.5%	-	-	2,814	2025
Secured project financing	RUB	0.01%-7.1%	-	-	1,372	2024
Secured project financing	RUB	0.01%-7.1%	-	-	407	2024
Secured project financing	RUB	0.01%-9%	-	-	404	2022
Secured bank loan	RUB	10.5%	-	-	366	2023
Unsecured bank loans						
Unsecured bank loan	RUB	7.15%	-	-	2,124	2022
Unsecured bank loan	RUB	4.25%-8.9%	1,502	1,502	751	2021
Unsecured bank loan	RUB	4.25%-9.7%	1,543	1,458	435	2021
Unsecured bank loan	RUB	8.3%	1,300	1,200	-	2020
Unsecured bank loan	RUB	4.5%-9.0%	1,200	1,200	-	2020
Unsecured bank loan	RUB	9.25%	-	902	819	2022

	Currency	Nominal interest rate	Outstanding 31 Dec 2018	Outstanding 31 Dec 2019	Outstanding 31 Dec 2020	Year of maturity
			mln RUB, except interest rates			
Unsecured bank loan.....	RUB	CBR's key rate + 1.0%	1,001	740	482	2021
Unsecured bank loan.....	RUB	8.75%	501	501	501	2021
Unsecured bank loan.....	RUB	4.25%-8.7%	501	501	501	2022
Unsecured bank loan.....	RUB	CBR's key rate + 1.75%	500	500	500	2021
Unsecured bank loan.....	RUB	CBR's key rate + 1.75%	250	250	250	2021
Unsecured bank loan.....	RUB	9.0%	-	-	-	2018
Unsecured bank loan.....	RUB	9.0%	1,000	-	-	2019
Unsecured bank loan.....	RUB	11.0%	-	-	-	2019
Unsecured bank loan.....	RUB	8.75%	-	-	-	2018
Unsecured bank loan.....	RUB	10.1%	-	-	-	2019
Unsecured bond issues						
Unsecured bonds.....	RUB	7.95% ⁽¹⁾	-	5,166	5,181	2023 ⁽²⁾
Unsecured bonds.....	RUB	8.95%	4,997	5,005	3,911	2022
Unsecured bonds.....	RUB	11.85%	4,995	3,355	1,154	2021
Unsecured bonds.....	RUB	7.95%	-	54	-	2020
Total loans and borrowings, non-current and current						
	—	—	20,912	52,692	50,505	—

(1) Before February 2021, 11.7%.

(2) Before February 2021, 2021.

As at 31 December 2020, our secured loans were secured by inventories with a carrying value of RUB 16,505 million, pledge of bank promissory note in the amount of RUB 3 million, pledge of 48% of shares in our subsidiary JSC “Zatonskoe” which represented RUB 2,866 million in its net assets, pledge of 100% of shares in subsidiary company LLC “Specialised Developer “LS-Riely” which represented RUB 4,151 million in its net assets, pledge of 100% of shares in JSC “Leader-Invest” and 100% of other 45 subsidiary companies of JSC “Leader-Invest” which collectively represented RUB 43,927 million in its net assets, pledge of 100% of shares in AO Etalon LenSpetsSMU, LLC “ZhK Moskovskiy” and LLC “Zolotaya Zvezda” which collectively represented RUB 45,994 million in its net assets and pledge of 98.3% shares of LLC “Specialised Developer “Serebriyaniy Fontan” which represents RUB 3,487 million in its net assets.

Capital Requirements

We expect to have significant ongoing liquidity and capital requirements to maintain current operation levels and the pipeline of projects for future development, which requires continued investment in new properties and development projects in our target market segments.

Cash outflows for acquisition of property, plant and equipment for each of the years ended 31 December 2018, 2019 and 2020 amounted to the following:

	For the year ended 31 December		
	2018	2019	2020
	mln RUB		
Acquisition of property, plant and equipment	(550)	(496)	(396)

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Overview

We are exposed to market risks from changes in both foreign currency exchange rates and interest rates. We do not use financial instruments, such as foreign exchange forward contracts, foreign currency options, interest rate swaps and forward rate agreements, to manage these market risks. We did not hold or issue derivative or other financial instruments for trading purposes as of 31 December 2020.

Foreign Exchange Risk

Our exposure to foreign currency risk is limited. We are exposed to currency risk on cash and cash equivalents denominated in US dollars and euro. As at 31 December 2020, 31 December 2019 and 31 December 2018, our net positions in foreign currency were as follows:

	31 December 2018		31 December 2019			31 December 2020		
	USD	EUR	USD	GBP	EUR	USD	GBP	EUR
	mln RUB							
Cash and cash equivalents	171	19	89	2	15	163	2	18
Net exposure	171	19	89	2	15	163	2	18

The following table sets out the average exchange rate applied for the periods under review:

	For the year ended December 31		
	2018	2019	2020
Average Exchange Rate (<i>RUB per USD 1.00</i>)	62.71	64.62	72.32
Average Exchange Rate (<i>RUB per EUR 1.00</i>)	73.95	72.32	82.84

Our management considers currency risk of financial assets nominated in foreign currencies as not significant.

Interest Rate Risk

Interest rate risk is the risk that changes in floating interest rates will adversely impact our financial results. We do not use any derivative instruments to manage interest rate risk exposure.

Profile

The following table summarises the interest rate profile of our interest-bearing financial instruments as at 31 December 2018, 2019 and 2020:

	For the year ended 31 December		
	2018	2019	2020
	mln RUB		
Fixed rate interest-bearing instruments:			
Financial assets	29,624	17,598	19,806
Financial liabilities	(19,162)	(22,009)	(22,602)
	10,462	(4,411)	(2,796)
Variable rate interest-bearing instruments:			
Financial liabilities	(1,750)	(31,356)	(29,765)
	(1,750)	(31,356)	(29,765)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100-200 basis points in interest rates at the reporting date would have decreased equity and profit or loss before taxes by the amounts shown below for the years ended 31 December 2018, 31 December 2019 and 31 December 2020. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	200bp increase	100bp decrease	200bp increase	100bp decrease
	mln RUB			
2018				
Variable rate instruments	(35)	18	(35)	18
Cash flow sensitivity (net)	(35)	18	(35)	18

2019

Variable rate instruments	(627)	314	(627)	314
Cash flow sensitivity (net)	(627)	314	(627)	314

2020

Variable rate instruments	(595)	298	(595)	298
Cash flow sensitivity (net)	(595)	298	(595)	298

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting the obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. Our approach to managing liquidity is to ensure, as far as possible, that we will always have sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our reputation. Our liquidity position in the future will primarily depend on our ability to maintain adequate cash flows from operations to meet our debt obligations as they become due and on our ability to obtain adequate external financing to meet our committed future capital expenditures. Our operating cash flows could be adversely affected by numerous factors beyond our control, including but not limited to, fluctuations in the price of residential property in our key markets, decreased demand for residential property, or increased competition. Our ability to obtain external financing depends on numerous factors, including but not limited to our financial performance and creditworthiness, as well as our relationships with lenders.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash and cash equivalents, deposits with banks as well as credit exposures to customers, including outstanding trade and other receivables.

Credit risk with regards to cash and cash equivalents and deposits with banks is managed by placing funds primarily in the banks listed in Note 20 to the Consolidated Financial Statements.

Credit risk connected with trade receivable arising from sale of apartments to individuals is managed by securing those receivables against sold apartments. A significant share of such sales is made on a prepayment basis.

To manage the credit risk of trade receivables from legal entities, the Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are applied.

Trade and other receivables

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer. We have no customers accounting individually for more than 10% of our balance of trade and other receivables as at 31 December 2020.

We establish an allowance for impairment that represents our estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Guarantees

As at 31 December 2020, the Group have not provided any financial guarantees to entities outside the Group.

Exposure to credit risk

The carrying amount of our financial assets represents our maximum credit exposure. The maximum exposure to credit risk as at 31 December 2018, 2019 and 2020 was as follows:

Carrying amount		
2018	2019	2020

	mln RUB		
Loans and receivables (excluding taxes receivable, advances paid to suppliers), including contract asset ⁽¹⁾	7,488	7,409	10,627
Bank promissory notes	782	203	94
Bank deposits (over 3 months)	23	80	100
Cash and cash equivalents	23,066	31,128	25,830
	31,359	38,802	36,651

(1) Presented net of receivables arising from the sale of real estate that is secured by a pledge of the sold real estate.

The maximum exposure to credit risk for trade receivables as at 31 December 2020 by geographic region is the St Petersburg region.

The maximum exposure to credit risk for trade receivables as at 31 December 2020 by customer type is from our industrial customers, reported in the construction services segment.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those policies that require the application of our management's most challenging, subjective or complex judgements, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Critical accounting policies involve judgements and uncertainties that are sufficiently sensitive to result in materially different results under different assumptions and conditions. We believe that our most critical accounting policies are those described below, which have been consistently applied in the preparation of the audited Consolidated Financial Statements.

Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The identifiable assets acquired and the liabilities assumed, as well as the consideration transferred in the acquisition are measured at their acquisition-date fair values.

The Group recognises goodwill as of the acquisition date as acquisition-date fair value consideration transferred plus the amount of any non-controlling interest in the acquiree plus the acquisition-date fair value of the acquirer's previously held equity interest in the acquire (in a business combination achieved in stages) less the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls another entity when it holds more than half of the voting rights of the other entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Inventories

Inventories comprise real estate properties under construction and development (including residential premises, stand-alone and built-in commercial premises) when the Group acts in the capacity of a developer, finished goods, and construction and other materials.

The Group accounts for stand-alone and built-in commercial properties within inventories because it does not intend to engage in renting-out those assets and keeping those as investment properties to generate rental income and benefit from appreciation. Properties classified as inventory may be rented out on a temporary basis while the Group is searching for a buyer. Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of real estate properties under construction and development is determined on the basis of specific identification of their individual costs. The costs of individual residential units and built-in commercial premises are arrived at by allocating the costs of a particular development project to individual apartments and built-in premises on a pro rata basis relative to their size.

Since 1 January 2017, for items on which revenue is recognised over time, real estate property under construction and development is treated as an asset ready for sale in its current condition and is not a qualifying asset for the capitalization of borrowing costs.

The costs of real estate property comprise costs of construction and other expenditure directly attributable to a particular development project.

The cost of inventories, other than construction work in progress intended for sale, is based on the weighted average cost formula and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost of manufactured inventories and work in progress includes an appropriate share of overheads based on normal operating capacity. Transfer from real estate properties under construction and development to the stock of finished goods occurs when the respective building is approved by the State commission established by the local regulating authorities for acceptance of finished buildings and the building is ready for housing.

The Group's inventory is not limited to 12 months and may be of longer term since the development cycle exceeds 12 months. Inventories are classified as current assets even when they are not expected to be realised within twelve months after the reporting date.

Revenue

Revenue from sale of real estate properties (including flats, commercial premises and parking places)

Revenue is measured based on the consideration specified in a contract with a customer adjusted for the effect of the time value of money (significant financing component) if the timing of payments agreed to by the parties provides the customer or the Group with a significant benefit of financing. The timing of satisfaction of the Group's performance obligations does not necessarily correspond to the typical payment terms, as the Group either accepts full down payments at the inception of construction, or provides instalment plans for the whole period of construction or beyond it.

The Group recognises revenue when (or as) it transfers control over an asset to a customer. Transfer of control may vary depending on the individual terms of the sales contracts.

For contracts for the sale of finished goods, the Group generally considers that control have been transferred on the date when a buyer signs the act of acceptance of the property.

For each performance obligation satisfied over time (promise to transfer an apartment specified in the contract with a customer in a multiple-dwelling building under construction), the Group recognises revenue over time by measuring the progress towards satisfaction of that performance obligation using the input method.

The Group applies the input method because it believes that there is a direct relationship between the Group's inputs and the transfer of control of goods or services to a customer. The measurement of the value to the customer of the goods or services transferred to date, applied under the output method, is not available for the Group without

undue cost. The Group excludes from the input method the effects of any inputs that do not contribute to the Group's progress in satisfying the performance obligation.

Under the input method, revenue is recognised on the basis of costs incurred relative to the total expected costs of satisfying that performance obligation, which is represented by the proportion of costs incurred to date to construct a multiple-dwelling building to the total costs to construct the building in accordance with its business plan.

The progress is considered to be the same for all apartments within a building, irrespective of their floors, and revenue is recognised with respect to apartments that are contracted under share participation agreements. Costs used to measure progress towards complete satisfaction of performance obligation include costs of design and construction of a multiple-dwelling building and exclude the cost of acquisition of land plots. The cost of acquisition of land plot is recognised in cost of sales consistently with the transfer to the customers of the apartments to which the land plot relates.

In relation to sales via housing cooperatives, revenue is recognised on the date when sold real estate property is transferred to, and accepted by, the cooperative. Before that date, the respective building has to be approved by the State commission for acceptance of finished buildings.

When adjusting the promised amount of consideration (monetary or non-monetary) for a significant financing component, the Group applies discount rates that would be reflected in a separate financing transaction between the entity and its customer at contract inception that is typically the average mortgage rate for contract assets and the Group's incremental borrowing rate for contract liabilities.

When the Group finances construction of residential buildings using project financing backed by balances on escrow accounts, which comes with a preferential interest rate, it adjusts the transaction price for the difference between interest expense on borrowings calculated using the base interest rate and the preferential interest rate. Interest rate on project financing depends on the ratio of the balances on escrow accounts to the balance of the project loan and fluctuates between the base interest rate that would have been charged if there were no balances on escrow accounts and the preferential interest rate that applies when balances on escrow accounts exceed or are equal to the balance of the project loan.

As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between the transfer of a promised good to a customer and the customer's payment for that good will be one year or less.

Costs to obtain contracts

The Group recognises as an asset the incremental costs of obtaining a contract with a customer. These costs usually include sales commissions and insurance payments for share participation agreements. Such assets are amortised on the basis of the progress towards complete satisfaction of respective performance obligations and are included into selling expenses.

Change in accounting policy with respect to capitalisation of borrowing costs and significant financing component

Following the requirements of par. 14(b) of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and in order to make cost of sales recognition more predictable and comparable on an ongoing basis and, as a result, provide more meaningful and relevant information for the users, effective from 1 January 2019, the Group ceased capitalisation of borrowing costs into the cost of inventories under construction and development, revenue for which is recognised over time.

The change in accounting policy was driven by a change in significant judgment that the land cost, being part of inventory (work-in-progress), is not a qualifying asset for capitalisation of borrowings costs as defined in IAS 23 Borrowing Costs.

The change in accounting policy was applied retrospectively, and the Group applied the new accounting policy from the beginning of 2018.

The following tables summarise the impacts of the change in accounting policy on the Group's consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

mln RUB Year ended 31 December 2018	Impact of change in accounting policy		
	As previously reported	Adjustments	As restated
Revenue	72,327	-	72,327
Cost of sales	(57,835)	2,563	(55,272)
Gross profit	14,492	2,563	17,055
General and administrative expenses	(6,922)	-	(6,922)
Selling expenses	(3,318)	-	(3,318)
Impairment loss on trade and other receivables	(800)	-	(800)
Other expenses, net	(2,376)	(435)	(2,811)
Results from operating activities	1,076	2,128	3,204
Finance income – interest revenue	2,101	-	2,101
Finance income - other	183	-	183
Finance costs	(2,015)	(3,050)	(5,065)
Net finance income/(costs)	269	(3,050)	(2,781)
Profit before income tax	1,345	(922)	423
Income tax expense	(1,308)	185	(1,123)
Profit (loss) for the year	37	(737)	(700)
Total comprehensive income (loss) for the year	37	(737)	(700)
Earnings per share			
Basic and diluted earnings (loss) per share	0,12	(2,53)	(2,41)

Consolidated statement of financial position

mln RUB 31 December 2018	Impact of change in accounting policy		
	As previously reported	Adjustments	As restated
Non-current assets			
Deferred tax assets	2,805	1	2,806
Other	10,036	-	10,036
Total non-current assets	12,841	1	12,842
Current assets			
Inventories under construction and development	56,096	(6,043)	50,053
Inventories - finished goods	15,638	8	15,646
Other	45,996	-	45,996
Total current assets	117,730	(6,035)	111,695
Total assets	130,571	(6,034)	124,537
Retained earnings	44,627	(4,825)	39,802
Other	15,489	-	15,489
Total equity	60,116	(4,825)	55,291
Total current liabilities	47,972	-	47,972
Non-current liabilities			
Deferred tax liabilities	2,808	(1,209)	1,599
Other	19,675	-	19,675
Total non-current liabilities	22,483	(1,209)	21,274
Total equity and liabilities	130,571	(6,034)	124,537

Consolidated statement of cash flows

mln RUB

Year ended 31 December 2018

OPERATING ACTIVITIES

Profit/(Loss) for the year

Finance (income)/costs, net

Impairment loss on inventories

Income tax expense

Other

Cash from operating activities before changes

in working capital and provisions

Change in inventories

Other

Net cash from operating activities

Impact of change in accounting policy

As previously reported	Adjustments	As restated
37	(737)	(700)
(269)	3,050	2,781
512	(62)	450
1,308	(185)	1,123
2,119	-	2,119
3,707	2,066	5,773
5,648	(2,066)	3,582
9,531	-	9,531
18,886	-	18,886

INDUSTRY

Set out below is a discussion of the macroeconomic environment in Russia and the industry conditions in residential real estate market in which we principally operate. All data referenced below has been sourced from publicly available information. While we have accurately extracted this data, it has not been independently verified by the Company.

MACROECONOMIC AND DEMOGRAPHIC OVERVIEW

Russia's economy is heavily dependent on oil prices. According to British Petroleum, Russia accounted for approximately 13.0% and 26.1% of global crude oil and natural gas exports in 2019, respectively, and the Russian national oil and gas sector accounted for approximately 7.2% of total Russian GDP in 2019, according to the Russian Ministry of Finance (*BP Statistical Review of World Energy, June 2020; Russian Ministry of Finance's Annual information on the execution of the federal budget, 29 June 2021*). Thus, the Russian economy is particularly vulnerable to fluctuations in international prices of hydrocarbons. In the first half of 2020, the prices of oil and gas decreased significantly as a result of an increase in oil supply following the termination of the OPEC+ agreement in April 2020 as well as a significant decrease in demand due to restrictive measures introduced in response to the COVID-19 pandemic. (*Source: Bloomberg, 9 April 2020*). Most of Russia's industries, including the real estate sector, were negatively affected. Prior to this economic slowdown, the Russian economy showed some signs of recovery from past downturns, such as the economic recession following the imposition of sanctions, recording real GDP growth of 1.8%, 2.8% and 2.0%, in 2017, 2018 and 2019, respectively (*Source: Rosstat, 2021*). However, in 2020, Russia's real GDP fell by 3.0% mainly as a result of the impact of the COVID-19 pandemic on the Russian economy. The Rouble lost more 19.3% of its value against the U.S. dollar between 31 December 2019 and 31 December 2020 (*Source: CBR, 30 December 2019; CBR, 30 December 2020*), and unemployment levels grew during the recent economic downturn, particularly in cities dependent on a single employer.

The following table sets forth certain macroeconomic indicators for the periods indicated.

	Year				
	2016	2017	2018	2019	2020
Real GDP growth, year-on-year (%) ⁽¹⁾	0.2	1.8	2.8	2.0	(3.0)
Real disposable income growth, year-on-year (%) ⁽¹⁾	(4.5)	(0.5)	0.1	1.0	(3.5)
CPI, end of period year-on-year (%) ⁽¹⁾	5.4	2.5	4.3	3.0	4.9
Fixed investments growth, year-on-year (%) ⁽¹⁾	(0.2)	4.8	5.4	2.1	n/a
Average price of URALS oil (USD/barrel) ⁽³⁾	41.9	53.03	70.01	63.59	41.73
Foreign capital inflow (TIC) (bln USD) ⁽²⁾	(18.5)	(24.1)	(65.5)	(22.1)	(47.8)
RUB/USD exchange rate (end of period) ⁽²⁾	60.66	57.60	69.47	61.91	73.88
Federal budget balance (% of GDP) ⁽³⁾	(3.5)	(1.4)	2.6	1.8	(3.8)

Source:

- (1) Rosstat, 2021.
- (2) CBR, 2021.
- (3) Russian Ministry of Finance, 2021

The following table sets forth certain quarterly macroeconomic indicators for the periods indicated.

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Real GDP growth, year-on-year (%) ⁽¹⁾	2.2	2.6	2.5	2.8	0.4	1.1	1.5	2.1	1.6	(8.0)	(3.4)	n/a
Real disposable income growth, year-on-year (%) ⁽¹⁾	1.0	0.2	0.0	(0.8)	(2.1)	0.7	2.5	2.5	1.0	(7.9)	(5.3)	(1.7)
CPI, end of period year-on-year (%) ⁽¹⁾	2.4	2.3	3.4	4.3	5.3	4.7	4.0	3.0	2.5	3.2	3.7	4.9
Fixed investments growth, year-on-year (%) ⁽¹⁾	3.8	4.6	6.4	2.9	0.9	1.2	1.7	2.3	1.2	(7.6)	(4.2)	n/a
Average price of URALS oil (USD/barrel) ⁽³⁾	65.22	72.44	74.22	67.22	63.17	68.13	61.26	62.09	48.18	30.39	43.11	44.41
Foreign capital inflow/(outflow) (TIC) (bln USD) ⁽²⁾	(16.4)	4.3	(19.5)	(33.9)	(23.8)	0.6	2.1	(0.9)	(18.0)	(11.9)	(7.7)	(10.2)
RUB/USD exchange rate (end of period) ⁽²⁾	57.26	62.76	65.59	69.47	64.73	63.08	64.42	61.91	77.73	69.95	79.68	73.88

Source:

- (1) Rosstat, 2021.

(2) CBR, 2021.

(3) Russian Ministry of Finance, 2021, Etalon Group Analysis

In 2018 and 2019, the current account surplus of Russia's balance of payments equalled USD 115.7 billion and USD 64.8 billion, respectively. In the nine months ended 30 September 2020, the current account surplus of Russia's balance of payments was USD 27.0 billion, which constituted a decrease of 49.9% as compared to the current account surplus of USD 53.9 billion the nine months ended 30 September 2019 (*Source: CBR*). This is primarily due to an economic downturn caused by the COVID-19 pandemic. As of 5 February 2021, the CBR reported USD 586.1 billion of international reserves. In addition, according to the Russian Ministry of Finance, Russia's federal budget deficit equalled 3.8% in 2020, as compared to a surplus of 1.8% in 2019.

In the year ended 31 December 2020, the Russian population remained relatively stable and equalled 146.5 million people, which constitutes a slight decrease of 0.3 million people, or 0.2%, as compared to the year ended 31 December 2019 (*Source: Rosstat, 2021*). This is primarily due to the COVID-19 outbreak. Over 2010-2019, the Russian population slightly increased due to birth rates exceeding mortality rates for much of the period, as well as net immigration inflows, primarily from CIS countries (*Source: Rosstat, 2021*). Various measures introduced by the Government such as child allowances and subsidies for multiple-child families (known as a maternity capital programme) have also contributed to the population growth.

The following table sets forth average total and urban Russian population, as well as average population of the cities of Moscow and St. Petersburg for the years of 2016, 2017, 2018, 2019 and 2020.

	Year				
	2016	2017	2018	2019	2020
	millions of people				
Russia					
Total population	146.7	146.8	146.8	146.8	146.5
Urban population	108.8	109.2	109.4	109.5	109.4
Moscow	12.4	12.4	12.6	12.6	12.7
St. Petersburg	5.3	5.3	5.4	5.4	5.4

Source: Rosstat, 2021

RUSSIAN RESIDENTIAL REAL ESTATE MARKET OVERVIEW

The demand for residential housing in Russia is cyclical and strongly influenced by general macroeconomic trends, as was evident during the economic downturn referred to above.

Growth of residential construction over the period from 2012 to 2020 in Russia was primarily driven by a general shortage of housing, generally favourable macroeconomic conditions and the development of mortgage lending. The shortage of housing also led the Government to implement affordable housing programmes, which remain a priority for the Government.

The following table sets forth data concerning the real growth in construction volume and residential real estate completions in Russia for the periods indicated:

	Year								
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Growth in construction volume ⁽¹⁾ (year-on-year, %)	2.5	0.1	(2.3)	(3.9)	(2.1)	(1.1)	6.3	2.1	(12.5)
Residential completions ⁽²⁾ (millions of square metres)	65.7	70.5	84.2	85.3	80.2	79.2	75.7	82.0	80.6
Growth (year-on-year, %)	5.5	7.3	19.4	1.3	(6.0)	(2.2)	(4.4)	8.3	(1.7)
Residential completions (thousands of flats)	838	929	1,124	1,195	1,167	1,139	1,076	1,120	n/a
Growth (year-on-year, %)	6.6	10.9	21.0	6.3	(2.7)	(2.4)	(5.5)	4.1	n/a

Source: Rosstat, 2021, DOM.RF, 30 June 2021

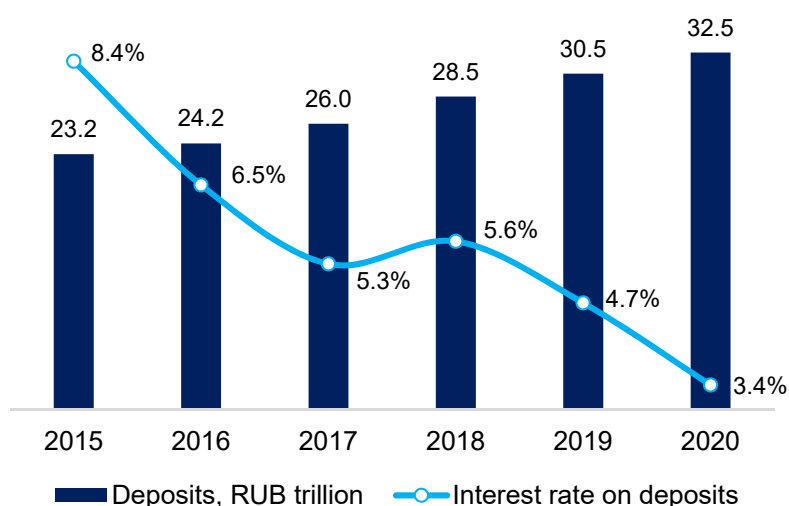
(1) Growth in the total value of construction works, calculated using nominal prices.

(2) "Completions" refers to a building that has been constructed, for which the operational permit has been obtained and which is ready for residents to move in.

Despite the recent economic downturn, demand for housing in 2020 increased significantly due to low rates on bank deposits (which compete with residential real estate as an instrument where individuals place their savings) and the state programme to subsidise mortgage rates.

Against a backdrop of falling returns and the introduction of taxes on interest income received from large deposits, bank deposit growth has slowed, becoming a less attractive option for individual savings. Starting from 2015, rates on rouble deposits have been steadily decreasing and were just keeping up with inflation as of December 2020 at 4.9% versus 4.0%. While total deposits in the Russian banking system in 2020 increased by RUB 2.0 trillion, the increase was largely attributable to funds being maintained at escrow accounts for the purchase of real estate (RUB 0.8 trillion) and revaluation of the deposits denominated in foreign currency into Russian rouble. According to the National Rating Agency, excluding the above two factors and also taking into account a USD 9 billion outflow from deposits denominated in foreign currency, total deposits decreased by RUB 1.5 trillion in 2020 (*RBC, 17 Dec 2020*).

Deposits and returns



Source: CBR, 2021

In addition, in 2020 Russia experienced some of the sharpest drops in mortgage rates in the world (down 170 basis points), from traditionally high levels compared with the biggest economies, which made housing investments a more attractive option for investing savings in Russia.

The following table sets forth the volume of mortgage lending and the weighted-average interest rate on mortgage loans, as well as the volume of mortgage lending on the primary market and the weighted-average interest rate on mortgage loans provided for acquisition of apartments on the primary market for the periods indicated.

	Year					
	2015	2016	2017	2018	2019	2020
Volume of mortgage lending (<i>RUB billion</i>)	1,161.7	1,473.5	2,021.9	3,013.1	2,848.2	4,295.8
Weighted-average interest rate on RUB-denominated loans (%) ⁽¹⁾ ...	12.9	11.5	9.8	9.7	9.0	7.4
Volume of mortgage lending on the primary market (<i>RUB billion</i>) .	n/a	570.7	661.2	870.6	922.7	1,497.7
Weighted-average interest rate on primary market RUB-denominated loans (%) ^{(1),(2)}	n/a	10.8	9.8	9.4	8.3	5.8

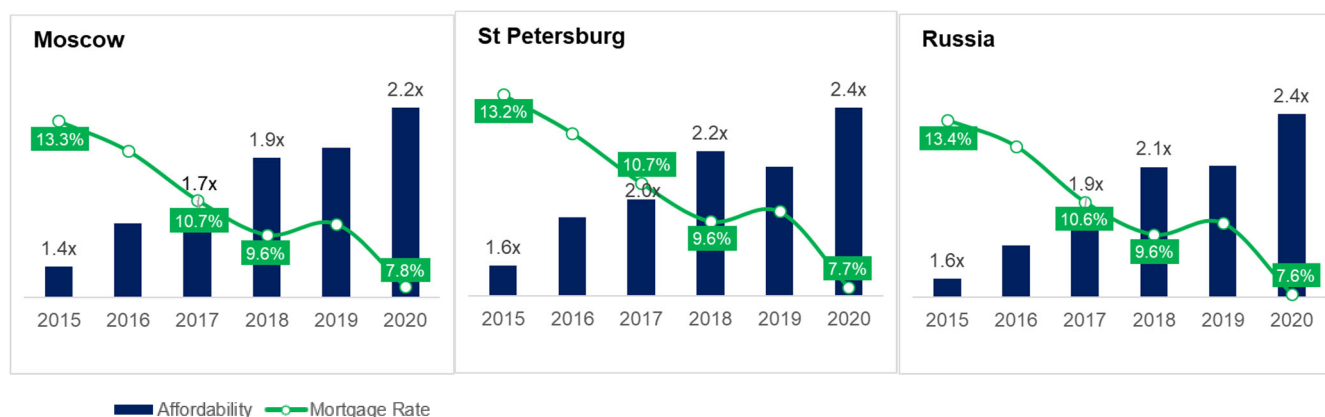
Source: CBR, 2021.

(1) Weighted-average interest rate at the end of the period indicated.

(2) Weighted-average interest rate on mortgage loans given for acquisition of apartments on primary market.

In Russia, mortgage interest rates are closely correlated with the CBR's key interest rate that it charges Russian commercial banks for providing short-term liquidity to them. The CBR's key interest rate is the main interest rate for enacting monetary policy and, as a result, it is set based on broad macroeconomic considerations. In recent years the weighted-average Rouble-denominated interest rate on mortgages has been declining to historical minima as a result of the gradual decrease of the CBR's key rate. In light of declining mortgage rates, various governmental support measures and increasing housing demand, the number of issued mortgage loans grew by 35% and their aggregate amount grew by 50% in 2020, according to DOM.RF (*DOM.RF, May 2021*). Thus, the noticeable decrease in mortgage rates in 2020 supported the general trend towards record high housing affordability levels, observed in Moscow, St. Petersburg and across Russia as a whole, despite a temporary drop in real incomes in Russia.

The following diagrams set forth housing affordability and mortgage rates⁽¹⁾.

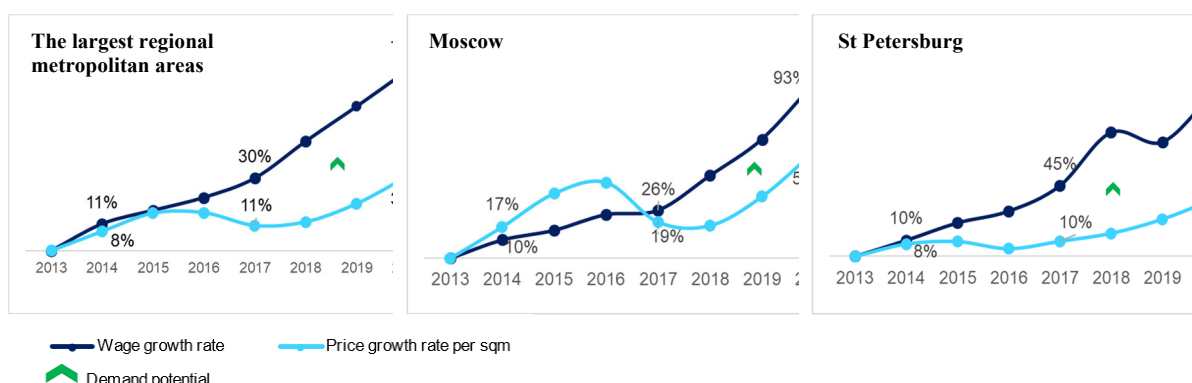


Source: Rosstat, 2021, CBR, 2021, DOM.RF, 2021, Etalon Group analysis

(1) Housing affordability represents a ratio of average salary to average annuity payment. Mortgage rates are calculated as average for 12 months.

Also, despite an overall drop in real disposable income in Russia, wage growth in St. Petersburg and Moscow noticeably outpaced the growth in prices per square metre of housing, even amid the uncertain financial situation in the Russian economy in 2020. There was a similar trend in other major cities across the country, which also contributed to improving housing affordability in major regions where buyers of our properties are located.

Growth in real estate price and wages since 2013



Source: Rosstat, 2021, DOM.RF, Etalon Group analysis.

Record affordability in the main regions of the Group's operations supports an outlook of sustainable demand going forward, even once the preferential mortgage programme is phased out in July 2021.

Another factor that made investments in real estate more attractive for individuals was the transition to escrow accounts in the residential development sector, which has made it possible to provide full state guarantees for investments in housing still under construction.

In December 2020, the volume of housing under construction in Russia using the new rules pursuant to the 2019 Shared Construction Law Amendments, which require funds from buyers be held on escrow accounts, exceeded the volume under the previous regime. The amount of funds that buyers of housing during the construction stage in Russia paid into escrow accounts increased eightfold during 2020. In St. Petersburg, escrow account balances increased almost twentyfold, while in Moscow, growth was comparable to the national average. As of 1 January 2021, according to the CBR, RUB 1.19 trillion was held in escrow for developments under the 2019 Shared Construction Law Amendments model (CBR, 30 June 2021).

Russian residential real estate through the Covid-19 crisis

The Covid-19 pandemic significantly slowed down, and in some instances shut residential real estate sales and construction activity, with residential completions experiencing a sharp drop in the second quarter of 2020. In the second half of 2020, as the Russian economy began to show signs of recovery and following the ease of quarantine measures, the Russian real estate market has been improving.

The following table sets forth the real growth in construction volume and residential real estate completions for the periods indicated:

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Construction volume growth ⁽¹⁾ (year-on-year, %)	6.4	7.2	5.5	6.3	(1.4)	2.8	3.9	1.7	2.8	(3.9)	1.1	0.8
Residential completions (mln sq.)	15.7	13.3	16.5	30.2	14.8	15.3	18.5	31.7	14.7	12.0	18.6	30.2
Growth (year-on-year, %)	19.1	(10.1)	(10.6)	(8.0)	(5.2)	14.6	12.1	5.1	(1.3)	(21.2)	0.9	(4.8)

Source: Rosstat, 2021

(1) Growth in the total value of construction works calculated using nominal prices.

As a result of the support measures implemented by the Government and the overall signs of recovery in the economy, the volume of mortgage lending in Russia also grew strongly in the second half of 2020, after dropping sharply earlier in the year, while weighted-average interest rates on mortgage loans given for acquisition of apartments on primary market continued to fall, as shown in the following table:

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Volume of mortgage lending (bln RUB)....	582.0	727.9	760.9	942.2	619.3	644.7	697.2	887.0	762.0	678.1	1,257.9	1,597.8
Quarter-to-quarter growth (%)	(20.9)	25.1	4.5	23.8	(34.3)	4.1	8.2	27.2	(14.1)	(11.0)	85.5	27.0
Weighted-average interest rate on RUB-denominated loans ⁽¹⁾	9.6	9.5	9.4	9.7	10.4	10.3	9.7	9.0	8.6	7.5	7.3	7.4
Volume of mortgage lending on the primary market (RUB billion)	177.7	205.0	230.4	257.5	204.2	214.3	222.6	281.6	257.9	247.4	481.4	511.0
Quarter-to-quarter growth (%)	n/a	15.4	12.4	11.8	-20.7	5.0	3.9	26.5	-8.4	-4.1	94.6	6.1
Weighted-average interest rate on primary market RUB-denominated loans (%) ^{(1),(2)}	9.5	9.3	9.1	9.4	10.1	9.8	9.1	8.3	7.8	6.1	5.9	5.8

Source: Rosstat, 2021

(1) Weighted-average interest rate as at the end of the period indicated.

(2) Weighted-average interest rate on mortgage loans given for acquisition of apartments on primary market.

The overall positive trend in the real estate market shown since the second half of 2020 was largely driven by a gradual recovery in the largest real estate markets – namely, the Moscow Metropolitan Area and St. Petersburg – which demonstrated one of the highest growth rates. These markets are described further in the sections below.

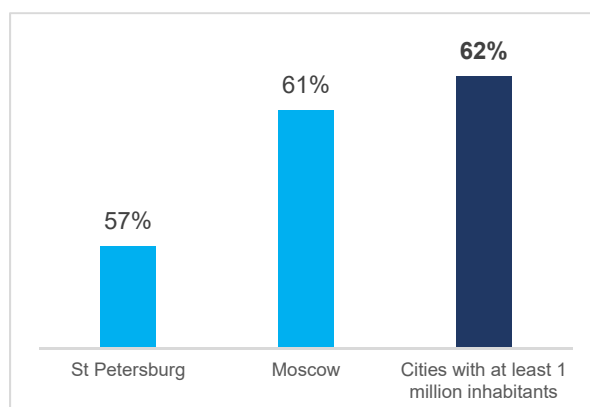
Russian residential real estate market growth fundamentals

Until the end of 2019, the development of the Russian real estate market was predominantly driven by several fundamental factors that are likely to continue to support the market growth in the near future. These factors are: obsolete existing housing stock, urbanisation, living space undersupply (in terms of residential space per capita), mortgage under-penetration, decrease in mortgage rates and increased affordability level.

Government-funded housing construction was widespread during the Soviet era but decreased dramatically after the breakup of the Soviet Union in the early 1990s. As a result, the existing Russian residential housing stock includes a substantial amount of aging or obsolete stock dating from the Soviet era. About 35% of the country's current housing stock was built before 1970 and needs to be renovated. (*Source: Russian Ministry of Construction, Housing and Utility Infrastructure, 2021*). As of 31 December 2018, approximately 25.5 million square meters of the existing housing stock in Russia were estimated to be dilapidated housing, while the wear-out rate of the

housing and utility infrastructure stood at around 43.0%. (Source: Russian Ministry of Construction, Housing and Utility Infrastructure, Rosstat, 2021).

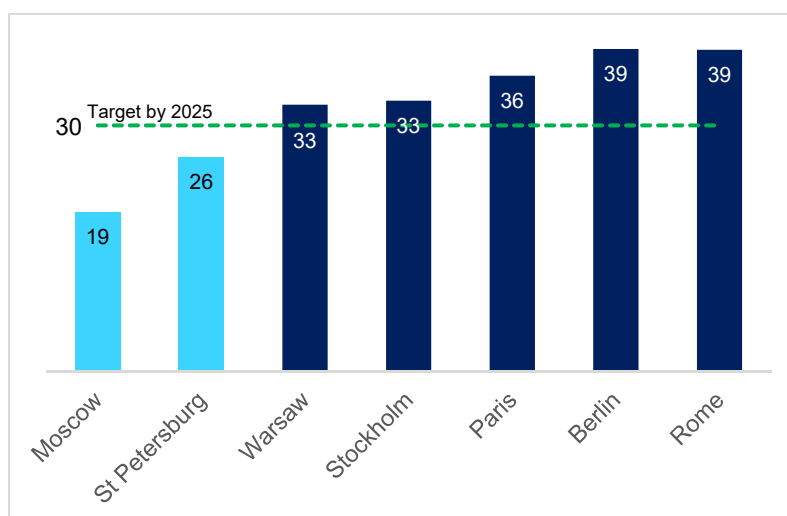
Housing stock older than 1990, %



Source: Russian Ministry of Construction, Housing and Utility Infrastructure, 2021, Etalon Group analysis

According to Rosstat, at the end of December 2019, the total area of residential real estate stock in Russia was approximately 3.9 billion square metres, or 26.3 square metres per capita (*Rosstat, 2021*). This is considerably lower than the average in developed European countries and in the United States, according to the UNECE. According to the Strategy for the Development of the Housing Sector of the Russian Federation to 2025, the target is to reach 30 square metres of housing stock per capita (*Housing Sector of the Russian Federation, 2021*).

Amount of living space, sqm/person



Source: Rosstat, national statistical agencies, 2019

Furthermore, the demand for real estate is expected to be supported by continued urbanisation. According to Rosstat, in the period from 2010 through 2020, population of the cities of Moscow and St. Petersburg increased by approximately 10% (*Rosstat, 2021*). The city authorities forecast that this trend will continue in the next 10 years.

On the supply side, investments in residential development sites continue to grow in terms of total investment in major real estate markets. Following a decline in investments in 2016–2017 amid the transition to new industry regulations, investors started to increase investments to replenish their project portfolios: the share of investments in development sites of the total volume of investment has doubled every year – from 5% in 2017 to 50% in 2020. This testifies to investors' growing interest in the expansion of the development business.

However, such expansion may be constrained by the tightening of industry regulations which has already resulted in decline in the number of building permits issued. Regarding the number of building permits issued for housing

in annual terms, there was a decrease of 14% over the last year. The number of building permits issued in St Petersburg decreased by 44%. In Moscow there was an increase of 8% from the previous year in terms of the number of permits issued; when taking into account the sqm covered by those permits, there was a decrease of 48%.

Also, on 19 November 2020, the Moscow Government adopted the Decree No.2019-PP which has significantly modified the methodology for calculation of the rent payments for land plots under development the permitted use of which has changed. In particular, before the amendments the rent was set depending on the extent to which the project was built-up while after their introduction it is tied to the floor space of the project under construction and its functional purpose. The Decree, however, provides a relief for developers if the relevant project received the status of investment project for the workplace creation with the relief amount depending on the total area of planned workplaces, the costs of their creation and their location.

The introduction of these amendments, coupled with lack of clarity with respect to their application, may result in increase in rent costs for developers and ultimately influence the supply of housing in Moscow.

Government support

The Government has historically supported and continues to support the country's residential real estate market by implementing various programmes to support demand for residential real estate and by actively financing affordable mass-market housing construction. This became particularly important during the economic downturn.

The mortgage market, as one of the key drivers of residential real estate demand, is supported by the Government through various direct and indirect measures. Direct measures include financing support given by the DOM.RF (previously – AHML), a state-controlled entity which provides additional funds to the mortgage market by purchasing mortgage loans from banks. Indirect measures include non-cash state guarantees for loans from DOM.RF provided to selected individuals and legal entities to refinance mortgage loans, guarantees for borrowings to modernise communal services as well as restructuring of mortgage loans (through its subsidiary DOM.RF Bank).

The Russian Government has developed certain programmes of preferential mortgages aimed at support of the country's residential real estate market:

- In 2017, the Russian Government introduced a programme of preferential mortgages with interest rates of 6.0% per annum for eligible families with two or more children. Under the programme, as amended in 2019, the participating banks provide mortgages at a reduced rate for the purchase of primary housing in the amount of up to RUB 6 million in the regions and in the amount of up to RUB 12 million in Moscow, the Moscow region, St. Petersburg and the Leningrad region. The programme is effective until 31 December 2022.
- In 2020, during the COVID-19 pandemic, the Russian Government developed a programme of preferential mortgages with interest rates at 6.5% per annum. Under this programme, the participating banks provide mortgages at a reduced rate for the purchase of primary housing in the amount of up to RUB 6 million in the regions and in the amount of up to RUB 12 million in Moscow, the Moscow region, St. Petersburg and the Leningrad region. Initially effective until 1 November 2020, the programme was subsequently extended until 1 July 2021. The Russian authorities have also expressed willingness to further extend the programme.

These measures have propelled the Russian real estate market into steady growth causing the mortgage financing to increase by around 50% in 2020 as compared to 2019. Additionally, the Government also contributed RUB 30 billion to the compensation fund for the protection of private investors to ensure the continuity of construction works and creation of new jobs in the construction sector.

More generally, the Russian Government has also been pursuing the nationwide programme “Housing and city infrastructure” aiming at, among other things, enhancing the mortgage financing by gradually decreasing the average interest rate of mortgages and increasing the amount of mortgage financing, increasing the volume of residential construction and residential completion, shortening the terms of construction permits issuance and pre-construction examination of design documentation.

The following table shows certain benchmarks set by the programme:

	Actual 2018 data	2024 Benchmark
Mortgage financing		
Average mortgage rates	10.6%	7.9%
Number of mortgages extended (<i>mln.</i>).....	1.10	2.26
Construction volumes		
Volumes of residential construction (<i>mln. sqm</i>)	79.2	120.0
Residential completion		
Annual residential completion (<i>mln. sqm</i>)	46.2	80.0
Construction process		
Terms of construction permit issuance (<i>working days</i>).....	7	5
Terms of examination of design documentation (<i>working days</i>).....	45	30

The Government has budgeted RUB 1,066 billion for the programme implementation, of which RUB 98 billion is planned to be expended in 2021, RUB 120 billion in 2022 and RUB 173 billion in 2023.

Further, the Russian tax legislation provides for certain personal income tax deductions in relation to the purchase of real estate:

- A deduction for the purchase of real estate calculated as 13.0% of the purchased real estate's price, with a cap of RUB 260 thousand. This deduction may be applied for by each spouse irrespective of whether the other has applied for it as well, which results in the effective deduction of up to RUB 560 thousand per household.
- A deduction for mortgage interest payments calculated as 13.0% of the total interest paid under mortgage, with a cap of RUB 390 thousand.

In addition to state support at the federal level, regional authorities have implemented their own measures to facilitate demand in their local residential real estate markets.

Russian real estate market segmentation

The residential market in Russia can be divided into many different segments, including by quality of design, construction materials and technology, price range, geographical location, number of rooms and living space area. However, the most widely used system of segmentation for primary residential real estate is based on the quality of real estate and its price, splitting the market into the following three categories:

- *Mass-market class.* This segment includes standardised housing in the low-to-mid price range. Buildings in this segment are built to a standard design from prefabricated reinforced concrete panels and are inexpensive relative to other classes, as the costs of design, labour and materials are relatively low. The upper end of the economy class price segment includes poured concrete buildings built to simplified designs. Poured concrete housing is of a higher quality than panel housing and allows for more flexible planning.
- *Mid-market class.* This segment comprises standardised and customised housing in the mid-to-high price range, including brick and poured concrete buildings, often with underground parking, improved layouts and higher quality insulation. The high end of the middle class segment (referred to as “business plus”) includes new poured concrete buildings in prestigious locations (often in gated developments), made of high quality construction materials, with on-site security and underground parking.
- *Premium (elite) class.* This segment includes premium and super-premium (or “exclusive”) class housing in the high to very high price range. These buildings usually have fewer apartments in comparison to buildings in lower price segments. Situated in prime locations (often in a gated development), they generally have air-conditioning, a security system, telephone and internet lines, a modern interior and exterior design, and a garden. In contrast to the middle-class segment, which is mainly primary, the premium class segment is dominated by secondary demand, making it relatively difficult to capture scalable growth in this segment.

THE MOSCOW METROPOLITAN AREA AND ST. PETERSBURG RESIDENTIAL REAL ESTATE MARKETS OVERVIEW

Residential construction activity in the Moscow Metropolitan Area and St. Petersburg was relatively unaffected by the general decline in activity in Russia in the post-Soviet period from 1990 to 2000. As a result, other regions' shares of the total national residential construction volume decreased from 89% in 1990 to 69% in 2004 and began to grow only in 2005 to reach 72% as of the end of 2020.

In 2020, mainly due to the economic downturn, a slowdown in total residential completions was observed in many Russian regions. In Moscow, the level of total residential completions (by millions of square metres) declined by 3.8% in 2020 as compared to 2019, as indicated in the table below. Residential completions in St. Petersburg decreased by 2.9% in 2020 as compared to 2019.

The following table sets forth residential completion volumes by regions for the periods indicated:

	2015	2016	2017	2018	2019	CAGR, 2010- 19	2020	Year-on-year change 2019-20
	mln sqm, unless otherwise indicated							
Total residential completions in								
Russia	85.3	80.2	79.2	75.7	82.0	3.8%	80.6	(1.7)%
Moscow	3.9	3.4	3.4	3.5	5.2	12.5%	5.0	(3.8)%
Moscow region	9.6	8.9	9.1	8.9	8.6	1.0%	8.7	1.2%
St. Petersburg	3.0	3.1	3.5	4.0	3.5	2.9%	3.4	(2.9)%

Source: Rosstat, 2021 DOM.RF, 2021

The following table sets forth the real growth in construction volume in Russia and selected regions for the periods indicated:

	2015	2016	2017	2018	2019	2020
	Percentage growth					
Russia	(3.9)	(2.1)	(1.1)	6.3	2.1	(12.5)
Moscow	5.2	7.0	0.6	(4.7)	2.9	(2.8)
Moscow region	(1.4)	(1.9)	0.9	22.0	4.0	(18.6)
St. Petersburg	(11.2)	0.4	(24.4)	(1.1)	(21.8)	(21.5)

Source: Rosstat, 2021, DOM.RF, 2021

As set forth in the table below, for the period from the fourth quarter of 2015 to the fourth quarter of 2019, average prices per square metre for primary residential real estate in Russia increased from RUB 51.5 thousand per square metre to RUB 64.1 thousand per square metre, representing a CAGR of 5.6% (*Source: Rosstat*). St. Petersburg and Moscow experienced the highest price inflation during the period from 2015 to 2019. Prices continued to grow in 2020.

The following table sets forth the average primary residential market prices in RUB per square metre for the periods indicated:

	Q4 2015	Q4 2016	Q4 2017	Q4 2018	Q4 2019	CAGR 2015- 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Percentage increase, Q4 2020 compared to Q4 2019
	RUB thousand per square metre, unless otherwise indicated										
Russia	51.5	53.3	56.9	61.8	64.1	5.6%	71.5	73.4	76.2	79.0	23.3%
Moscow	182.3	155.0	153.5	172.5	203.2	2.8%	214.3	215.2	226.8	231.3	13.8%
Moscow region	80.8	78.8	78.7	86.2	88.5	2.3%	88.4	92.9	95.2	100.5	13.6%
St. Petersburg	92.6	96.9	101.3	109.3	120.6	6.8%	118.7	123.2	128.1	133.3	10.5%

Source: Rosstat, 2021

ST. PETERSBURG OVERVIEW

Despite the effects of the economic downturn, St. Petersburg is one of the most dynamic residential real estate markets in Russia, based on the housing completions data below. According to Rosstat, the average income in St. Petersburg was approximately the same in the third quarter of 2019 and 2020 (*Rosstat, 2021*). According to the CBR, mortgage lending increased by 29% CAGR based on the number of issued mortgage loans and 35% CAGR based on the total amount of issued mortgage loans, in each case from 2010 to 2020 in St. Petersburg (*CBR, 2021*).

As a result of the supportive measures implemented by the Government, the volume of mortgage lending in St. Petersburg grew by 44.3%, as shown in the table below.

	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Year- on- Year change Jan 20- 21
mln RUB														
St. Petersburg total.....	13,573	19,895	21,579	12,217	13,333	18,216	22,684	24,935	32,588	35,390	32,287	37,472	19,586	44.3%

Source: CBR, 2021.

Note: There were no mortgage loans denominated in foreign currency in St. Petersburg in the period.

According to Rosstat, between 2012 and 2019, residential housing completions measured in million square metres increased by almost 34.7% in St. Petersburg, while the CAGR for this period amounted to 4.4%, which was higher by 1.2% than the CAGR of residential construction in Russia as a whole over the period (*Rosstat, 2021*). In 2020, the completions of new housing in St. Petersburg decreased by 0.1 million square metres, or almost 3.0%, compared to 2019, primarily as a result of the economic downturn. Also, in 2020 construction volumes decreased by 21.5% compared to 2019 (*Rosstat, 2021*).

The table below illustrates the evolution of residential space in St. Petersburg for the periods indicated:

	2015	2016	2017	2018	2019	2020	Year-on- Year change 2019-20
Total residential space commissioned (<i>thousand sqm</i>).....	3030.7	3116.3	3536.1	3950.3	3471.2	3369.6	(2.9%)
Total flats commissioned (<i>units</i>).....	52,157	57,421	69,508	78,174	72,752	n/a	n/a
Average residential space per capita (<i>sqm</i>)	23.6	24.3	24.9	25.4	26.2	n/a	n/a

Source: Rosstat, 2021

New Housing Supply

Even though construction works continued uninterrupted in St. Petersburg amidst the economic downturn, a drop in supply has been recorded in the first half of 2020. According to Three Bits Database, supply of new flats available for sale declined by 38.5% at the end of 2020 compared to 2019 (*Three Bits Database, 2021*).

The table below sets forth the volume of new flats available for sale in the periods indicated in St. Petersburg.

	1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	3Q 2020	4Q 2020	Year- on-Year change 2019- 2020, %	Year- on-Year change Q4 2019- 20, %
Number of flats.	48,202	54,202	50,545	49,417	41,232	39,144	29,733	28,799	(31.4)	(41.7)
Total area, ths sqm	2,607	2,790	2,619	2,578	2,201	2,127	1,663	1,586	(28.5)	(38.5)

Source: Three Bits Database, 2021.

Housing Demand

As a result of the economic downturn, and in particular the decline in disposable income, sales of new flats in St. Petersburg declined by 33.3% to 2.2 million square metres sold in 2020 from 3.3 million square metres in 2019, as shown in the table below. However, the second half of 2020 showed signs of recovery, illustrated by an increase in sales. In the second half of 2020, sales started to grow to reach the levels commensurate to the sales in the second half of 2019 (1.4 million square meters in the second half of 2019 against 1.2 million square meters in the second half of 2020). In monetary terms, the second half of 2020 outperformed the results of the second half of 2019 by 4.9%.

The table below shows the sales under shared construction agreements on the primary market in St. Petersburg for the periods indicated:

	1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	3Q 2020	4Q 2020	Year-on-Year change 2019-2020, %	Year-on-Year change Q4 2019-20, %
Number of contracts	18,312	24,187	15,334	14,697	12,743	10,702	11,720	16,581	(28.7)	12.8
Total sold area, ths sqm	797	1,133	714	674	540	459	509	704	(33.3)	4.5
Total sales, mln RUB	84,037	124,300	75,585	75,809	63,696	55,878	62,800	95,943	(22.6)	26.6

Source: DOM.RF, 2021

The prospects for St. Petersburg residential housing market appear strong in the medium- to long-term due to the shortage of housing supply and the low quality of the existing housing stock. According to Rosstat, as of 31 December 2019, housing stock per capita stood at 26.2 square metres in St. Petersburg, which is significantly below many Western European countries (*Rosstat, 2021*).

In addition, a substantial portion of the existing housing stock in St. Petersburg is obsolete and requires replacement. According to the Russian Ministry of Construction, Housing and Utility Infrastructure, as of 31 December 2019, the stock of obsolete flats, that includes first series of Soviet-era panel houses constructed before 1990, amounted to 80 million square metres, which represented more than 57% of the overall housing stock in St. Petersburg. Likewise, as of 26 October 2020, the St. Petersburg Administration reported that there were 65 thousand communal flats in St. Petersburg (*Russian ministry of Construction, Housing and Utility Infrastructure, 2021; Kommersant, 19 March 2021*).

Prices

Due to increase in demand for housing accompanied by a decrease on a supply side, prices of all classes of residential housing in St. Petersburg have grown in 2020: average price of a square metre of residential housing increased by 11.3%, 12.9% and 22.7% for mass-market, mid-market and premium (elite) classes, respectively.

The table below shows average prices of a square metre of residential housing in St. Petersburg for the periods indicated:

	2015	2016	2017	2018	2019	2020	Year-on-Year change 2019-2020, %
All classes	92,644	96,855	101,344	109,346	120,600	133,281	10.5
Mass-market	84,697	89,864	93,738	100,437	111,819	124,494	11.3
Mid-market	110,474	113,662	114,387	129,579	134,767	152,210	12.9
Premium (elite)	152,478	159,782	176,615	174,090	181,089	222,144	22.7

Source: Rosstat, 2021.

MOSCOW METROPOLITAN AREA OVERVIEW

The Moscow Metropolitan Area has been historically the largest real estate market in Russia. This market has shown some of the most significant rates of growth in the entire country since the collapse of the Soviet Union, supported by continuous migration from other regions of Russia to the capital and the surrounding region.

The Moscow Metropolitan Area is one of the most densely populated areas in Russia. According to Rosstat, as of 1 January 2021, the Moscow Metropolitan Area accounted for 13.9% of the country's total population. Driven by economic growth and increasing migration, the population of the Moscow Metropolitan Area experienced a CAGR of 0.8% over the period from 1 January 2010 to the 1 January 2020 (compared to a 0.2% CAGR of the country's population over the same period). This growth has supported strong demand for residential real estate in this area (*Rosstat, 2021*).

Accordingly, the Moscow Metropolitan Area constitutes the largest real estate market in Russia, with 409 million square metres of space, representing 13.0% of the total housing stock in Russia as of 31 December 2019 (*Source: Rosstat, 2021*). However, the housing stock per capita in the Moscow Metropolitan Area remains one of the lowest in Russia, at 24.7 square metres per capita as of 31 December 2019 (*Source: Rosstat, 2021*). In 2019, housing completions in the Moscow Metropolitan Area amounted to 13.8 million square metres (*Source: Rosstat, 2021*). At the end of 2020, the average price of primary housing in Moscow was RUB 231.3 thousand per square metre,

which represented a 13.8% increase over the average price of RUB 203.2 thousand per square metre at the end of 2019. (Source: Rosstat, 2021).

Moscow market overview

Construction volumes in Moscow grew steadily between 2010 and 2019. According to real estate agencies “Metrium” and “Azбука Жилья”, in 2020, Moscow’s residential market (both primary and secondary) experienced a supply deficit, due to, among others, the effect the economic downturn had on the real estate sector, resulting primarily in a number of projects being put on hold, increased barriers to entry for new market participants and elevated new construction launch hurdles for smaller players caused by the industry’s transition to the new financing model under the 2019 Shared Construction Law Amendments.

The table below illustrates the evolution of residential space in Moscow for the periods indicated:

	2015	2016	2017	2018	2019	2020	Year-on-year change 2019-20 %
Total residential space commissioned (thousand sqm.)	3,919.5	3,384.6	3,419.0	3,541.2	5,175.5	4,977.8	(3.8%)
Total flats commissioned (units)	56,171	51,483	53,667	58,544	80,317	n/a	n/a
Average residential space per capita (sqm.) ...	19.1	19.1	19.3	19.3	19.4	n/a	n/a

Source: Rosstat, 2021, DOM.RF, 2021.

According to the CBR, mortgage lending increased from 2018 to 2020 in Moscow. Total mortgage volume in January 2021 increased by 47.9% compared to January 2020.

	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Year-on- year change Jan 2020-21
	mln RUB													
Moscow total	28,602	42,666	49,481	21,918	23,184	35,413	50,700	57,114	75,685	82,672	77,599	88,468	42,310	47.9%

Source: CBR, 2021.

Note: Amount of mortgage loans denominated in foreign currency was negligible in Moscow for the period.

In addition, the government is taking a greater role in supporting affordable residential construction, with a primary focus on the economy class price segment. The Moscow budget includes both direct (cash) and indirect (non-cash) support for housing construction of RUB 417.5 billion in 2020 and RUB 436.6 billion in 2021.

According to Rosstat, average prices for residential real estate on the primary market in Moscow increased by more than 26.9% between 2015 and 2020, from approximately RUB 182.3 thousand per square metre at the end of 2015 to approximately RUB 231.3 thousand per square metre at the end of 2020, a CAGR of 4.9% (Rosstat, 2021).

Moscow has clearly defined geographical submarkets, with the most expensive and prestigious locations in the central (inside the “Garden Ring” circular street in the centre of the city), western and south-western districts.

Supply

The decline in construction in Moscow in the first half of 2020 due to an economic downturn, including the restrictive measures associated with it, affected the overall completions in 2020 and might continue to have a negative effect on the construction sector. Nevertheless, the long-term market fundamentals remain solid, as the supply of residential stock per capita remains about half of that of developed markets and will not catch up in the short term.

Corporate lending activity was low in the first half of 2020, as lenders’ exposure to the sector was already high. Therefore, developers had to reshuffle their pipelines and concentrate on projects in the final stages of development while long-term developments were frozen. This resulted in a decline in the number of new developments offered on the Moscow market. The ongoing economic recovery supported an increase in corporate lending including to the construction and real estate sectors. The improved trends in lending and the recovery in demand resulted in a number of projects being resumed.

The table below shows the overall trend for the decrease in supply of all classes of flats on the primary market in Moscow mainly due to the shift to the new financing structure under the 2019 Shared Construction Law Amendments, which made it more difficult for smaller and weaker market players to obtain funding for new projects.

	1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	3Q 2020	4Q 2020	Year-on-Year change 2019-2020, %	Year-on-Year change Q4 2019-20, %
Number of flats.....	44,846	46,594	43,700	43,714	41,270	37,272	40,891	33,021	(14.8)	(24.5)
Total area, ths sqm	3,115	3,260	3,057	3,071	2,896	2,620	2,838	2,367	(14.3)	(22.9)

Source: Dataflat Database, 2021.

Demand

As a result of the economic downturn, and in particular the decline in disposable income, sales of new flats in Moscow declined by 32.6% to 2.2 million square metres sold in 2020 from 3.9 million square metres in 2019, as shown in the table below. Despite the market showing signs of recovery in the second half of 2020, sales marginally decreased year-on-year both in terms of sold area in square meters and in monetary terms.

The table below shows sales under shared construction agreements on the primary market in Moscow for the periods indicated:

	1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	3Q 2020	4Q 2020	Year-on-Year change 2019-2020, %	Year-on-Year change Q4 2019-20, %
Number of contracts.....	17,711	20,885	11,908	12,321	10,324	6,071	10,095	10,922	(40.5)	(11.4)
Total sold area, ths sqm.	1,013	1,440	705	728	591	334	607	692	(42.8)	(4.9)
Total sales, mln RUB	165,025	229,420	127,270	140,105	112,419	66,580	124,122	142,713	(32.6)	1.9

Source: DOM.RF, 2021

Prices

As a result of the above developments, in 2020, the prices for mass-market class and mid-market class in Moscow increased by 8.1% and 9.0%, respectively, while the prices for premium class decreased by 2.2% in 2020.

According to Metrium agency, prices for primary residential properties in Moscow will continue to grow in 2021; the prices are forecasted to increase by 5-8% (*Metrium, 2021*).

Developers operating in Moscow are able to price middle class properties 8% higher compared to the mass market: average prices are RUB 181,321 per square metre for mid-market class and RUB 167,531 per square metre for mass-market class.

The table below shows average prices of a square metre of residential housing in Moscow:

	2015	2016	2017	2018	2019	2020	Year-on-Year change 2019-2020, %
All classes	182,292	155,033	153,523	172,460	203,190	231,309	13.8
Mass-market	132,354	105,926	102,712	114,818	154,959	167,531	8.1
Mid-market	160,028	143,132	144,560	156,170	166,299	181,321	9.0
Premium (elite).....	313,816	288,547	304,593	293,465	303,704	297,119	(2.2)

BUSINESS

OVERVIEW

We are one of Russia's largest and oldest residential real estate developers. In 2020, we were among the top nine developers in St. Petersburg and Moscow by sales on the primary real estate market, according to DOM.RF (*Primary Housing Market Data, 5 July 2021*), and the sixth largest developer in Russia, according to the Forbes Russia ranking (*Forbes Russia, 29 October 2020*).

Our strong portfolio is currently represented in the mid-market segment and partially in the upper segment. These segments include residential complexes in the comfort class, business class and premium price segments. With over 33 years of experience in real estate development and construction, we believe we have one of the longest track records in this sector in Russia, and we were ranked second among the top 20 most reliable developers by Forbes Russia in 2019 (*Forbes Russia, 2019*). Since our inception in 1987, we have successfully completed a total net sellable area of approximately 7.5 million square metres with approximately 0.5 million square metres, 0.6 million square metres and 0.5 million square metres delivered in 2018, 2019 and 2020, respectively.

For the years ended 31 December 2018, 2019 and 2020, our consolidated revenue was RUB 72.3 billion, RUB 84.3 billion and RUB 78.7 billion, respectively. For the year ended 31 December 2018, we had loss of RUB 0.7 billion, Adjusted EBITDA of RUB 7.2 billion, negative Net corporate debt of RUB 2.2 billion and negative Net corporate debt/Adjusted EBITDA ratio of 0.3x, while for the years ended 31 December 2019 and 2020, we had profit of RUB 0.2 billion and RUB 2.0 billion, Adjusted EBITDA of RUB 11.2 billion and RUB 16.5 billion, Net corporate debt of RUB 21.5 billion and RUB 19.6 billion and Net corporate debt/Adjusted EBITDA ratio of 1.9x and 1.2x, respectively. See "*Selected Consolidated Financial Information*".

The regions in which we operate are St. Petersburg and the Moscow Metropolitan Area, where we have achieved one of the leading positions, with 10% and 4% average annual market shares of total residential completions between 2010 and 2020 in St. Petersburg and between 2015 and 2020 in Moscow, respectively, based on Rosstat's data on total residential completions and the Company's calculations (*Rosstat, 2021*). Leveraging our extensive experience and capabilities, in 2008 we expanded our property development business into the Moscow Metropolitan Area by commencing development projects there. We further expanded our operations in Moscow by acquiring on 16 August 2019 a 100% stake in JSC "Leader-Invest", a Moscow-based residential developer which focuses on projects in the comfort, business and premium-class segments, and had total net sellable area of 1.3 million square metres as at 19 February 2019 (the date the Group acquired an initial 51% stake) and increasing on 14 June 2019 our stake to 100% in LLC Razvitie, which holds the development rights for the ZIL-Yug project.

The following table sets out the amount of net sellable area sold through new pre-sales and sales contracts and net sellable area completed in our residential development segment for the years ended 31 December 2018, 2019 and 2020.

	For the year ended 31 December			For the three months ended 31 March	
	2018	2019	2020	2020	2021
Residential Development⁽¹⁾					
New contract sales⁽²⁾, NSA ths sqm	628	630	538	126	99
<i>St. Petersburg</i>	325	328	266	67	47
<i>Moscow</i>	303	303	272	59	52
New contract sales⁽²⁾, bln RUB	68.7	77.6	79.9	17.9	16.2
<i>St. Petersburg</i>	34.5	34.4	33.2	7.8	6.8
<i>Moscow</i>	34.3	43.2	46.7	10.1	9.5
Completed⁽³⁾, NSA ths sqm	479	622	540	89	3
<i>St. Petersburg</i>	254	269	347	-	-
<i>Moscow</i>	226	353	193	89	3
Average price, ths RUB per sqm	109	123	149	142	164
<i>St. Petersburg</i>	106	105	125	117	144
<i>Moscow</i>	113	143	172	171	183
Average price for apartments, ths RUB per sqm	119	149	179	165	208
<i>St. Petersburg</i>	119	129	146	132	184
<i>Moscow</i>	130	169	213	208	230

(1) Net sellable area includes built-in commercial premises and associated parking places.

(2) Net sellable area of flats, commercial premises and parking places for which sales contracts have been entered into with customers.

(3) Net sellable area of buildings accepted by the State Commission.

For the years ended 31 December 2020, 2019 and 2018, our revenue from residential development, which includes revenue from sales of flats, built-in commercial premises, stand-alone commercial buildings and associated parking places, was RUB 70,476 million, RUB 73,484 million and RUB 58,072 million, accordingly. The following table sets out our revenue from residential development broken down by individual projects.

	For the year ended 31 December		
	2018	2019	2020
Project	mln RUB	mln RUB	mln RUB
<i>Saint-Petersburg</i>			
Galactica	11,965	11,155	11,219
Moscow Gates	3,313	746	40
Samotsvety	3,240	2,170	348
Project on Chernigovskaya Street.....	-	35	1,117
Okhta House	109	1,130	3,842
House on Blyukhera	1,934	5,587	1,963
Petrovskiy Landmark.....	51	812	1,179
Etalon on the Neva	29	735	2,461
Botanica.....	238	1,287	2,667
House on Obruchevykh Street	2,623	1,459	91
Beloostrovskaya.....	-	-	82
House on Kosmonavtov.....	145	546	1,376
Fusion	145	398	700
Tsar's Capital.....	2,786	924	109
Kristall-Polyustrovo.....	524	374	249
Jubilee Estate	15	19	582
Morskaya Zvezda	-	-	518
Landyshi	687	145	62
Other completed projects in Saint-Petersburg	634	157	243
Parking places in Saint-Petersburg	394	2,378	1,679
<i>Moscow and Moscow region</i>			
ZIL-Yug.....	-	-	-
Emerald Hills	5,930	5,171	1,698
Central Park (Nagatino I-Land)	-	-	1,274
Etalon City	10,419	4,513	311
Summer Garden	7,063	9,794	4,973
Silver Fountain	1,386	5,889	8,263
Wings (Lobachevskogo 120).....	-	2,728	8,905
Schastye v Tushino (Yana Raynisa 4)	-	1,065	285
Schastye na Volgogradke (Fyodora Poletaeva 15A)	-	853	382
Normandy	1,121	4,715	4,460
Golden Star.....	2,307	269	83
Letnikovskaya Street	-	-	-
Fotievoi 5	-	-	-
Schastye v Lianozovo (Abramtsevsкая 10).....	-	405	57
Schastye v Kuzminkakh (Zelenodolskaya St 41/2) ..	-	341	464
Schastye v Chertanovo (Chertanovskaya 59)	-	135	58
Schastye na Skodnenskoy (Fabriciusa 81 bldg.1).....	-	191	68
Schastye na Maslovke (Mishina 14).....	-	590	262
Schastye na Sokole (Usievicha St 10B).....	-	628	786
Schastye v Sadovnikakh (Nagatinskaya St 4/3).....	-	226	671
Schastye na Semyonovskoi (Izmailovskoye Shosse 20).....	-	-	-
Schastye na Presne (Krasnogvardeiskiy 15 bldg. 2) ..	-	447	857
Schastye na Lomosovskom (Lomonosovskiy Ave. 36)	-	32	280
Schastye v Kuskovo (Veshnyakovskaya St 10).....	-	201	615
Schastye v Tsaritsyno (Kavkazskiy Blvd. 27k2)	-	200	10
Schastyev Olimpiyskoy Derevne (Olimpiyskaya Derevnya, 10/1)	-	224	82
Schastye v Veshnyakakh (Veshnyakovskaya 18G) ..	-	205	254
Schastye na Dmitrovke (Sofyi Kovalevskoy St, 20) ..	-	218	205

	For the year ended 31 December		
	2018	2019	2020
Project	mln RUB	mln RUB	mln RUB
Residence on Pokrovskiy Boulevard (Pokrovskiy Blvd. 5/2).....	-	479	363
Schastye na Leninskom (Leninskiy 154).....	-	331	130
Residence on Vsevolozhskiy (Vsevolozhskiy Per., 5).....	-	422	1,447
Other completed projects in Moscow	-	409	559
Parking places in Moscow and Moscow Region	651	2,679	2,147
Total	<u>58,072</u>	<u>73,484</u>	<u>70,476</u>

The following table sets out our average realised prices of flats, calculated as new contract sales in monetary terms divided by new contract sales in sqm, in St Petersburg and the Moscow Metropolitan Area for each quarter in the years ended 31 December 2018, 2019 and 2020 and for the first quarter in 2021.

	Moscow	
	St Petersburg	Metropolitan Area
	thousands of RUB per sqm	
1Q 2018	109.2	121.0
2Q 2018	116.7	125.2
3Q 2018	122.9	129.2
4Q 2018	124.8	138.1
1Q 2019	125.0	153.1
2Q 2019	129.6	161.9
3Q 2019	131.2	174.3
4Q 2019	130.6	196.4
1Q 2020	131.6	207.9
2Q 2020	135.5	199.1
3Q 2020	149.2	214.5
4Q 2020	162.7	221.1
1Q 2021	184.2	230.0

Source: management accounts.

As of 31 December 2020, our portfolio comprised 60 projects with approximately 2.8 million square metres of total unsold net sellable area, of which 26% and 74% were attributed to St. Petersburg and the Moscow Metropolitan Area, respectively. We expect that by 2024 our portfolio will include more than 6 million square metres of total unsold net sellable area, of which approximately 50% will be attributed to Moscow, approximately 40% to St. Petersburg (including 20%-30% of unzoned land for potential development) and approximately 10% to new regions.

We believe our project portfolio will generate a predictable cash flow stream for us, with approximately 52.4% of the portfolio's total unsold net sellable area comprising residential projects in the design stage, 34.9% comprising residential projects under construction, 12.3% comprising completed residential projects with unsold units and 0.3% comprising standing commercial property, as of 31 December 2020. With the view to secure a well-balanced schedule of completions and establish a basis for growth of new contract sales and revenue, we are considering new land acquisitions. Subject to the assumptions set out in the Valuation Report, our beneficial interest in the project portfolio amounted to USD 2.6 billion (RUB 191 billion) and the market value of the assets comprising our production unit amounted to USD 0.2 billion (RUB 13 billion) as of 31 December 2020.

In every region where we operate, we focus on construction of large-scale and mid-sized projects, while also realizing infill developments. To meet the demands of our customers, we focus on providing high quality living at affordable prices. We construct our residential complexes using monolithic concrete technology, which is commonly used for its high quality, scalability, design flexibility and capital expenditure efficiency, and which enables us to offer our customers exceptional value for money. We also intend to develop alternatives to monolithic concrete technology, including modern prefabricated construction methods, modular construction and construction from cross-laminated timber (CLT) panels, which can significantly reduce costs and construction time, while improving the quality of the final product. The defining feature of our residential developments is construction of entire estates and, in some cases, micro-districts, integrated with social infrastructure, including

kindergartens, schools and hospitals. Our projects are primarily located close to city centres or in residential districts with well-developed transport and social infrastructure. Our product proposition is further enhanced through provision of on-site, consumer-oriented commercial properties, recreational areas and comprehensive property maintenance services, all of which contribute to the quality lifestyle that our customers value. We have the highest quality score (5 out of 5) according to the Russian Unified Register of Residential Real Estate Developers (ERZ). We believe that our extensive track record of consistent delivery of quality products at attractive prices in a timely manner has helped us to establish a solid reputation and strong brand recognition in our target markets, which, in turn, enhance our access to new development projects and will help us to retain our market position in the future.

We are able to create added value for our clients and shareholders at every stage of development: from land plot analysis and acquisition to the delivery of completed properties and provision of post-development housing services. A project's life cycle is divided into three key stages: land development, construction and ongoing services, and usually ranges from three to four-and-a-half years (however, our goal is to reduce this term). We aim to maximise return on investment at every stage, while also creating value for our customers in order to encourage loyalty to the Etalon brand. One of the ways that we are doing this is by creating an ecosystem platform that covers a wide range of convenient services for residents, from paying utility bills to food delivery and cleaning services.

Access to our potential customer base is substantially expanded through our nationwide marketing and sales network, one of the largest in the country. Focused on the regions in which people with the highest disposable income reside in Russia (including regions rich in natural resources), our network targets prospective buyers who are seeking to relocate or purchase housing in St. Petersburg and the Moscow Metropolitan Area. Our regional sales contracts accounted for approximately 32.5% of our total contracts concluded in 2020, and 30% in the first quarter of 2021.

We also view digital technologies in sales, such as virtual reality tours, remote mortgage approval and online sales, as offering key new channels to reach customers, which has been an important element in the development of our eco-system that provides wide range of interactions with potential buyers and owners of our apartments.

With an average of 4,671 employees during 2020, we have ample execution capabilities and technical expertise to manage the most important stages of the development process; from assessment of development opportunities to master planning and permit management, construction, nationwide marketing and sales, and on-going maintenance of the completed developments. We also operate in selected business areas critical to our property development business, including tower crane operations. We believe our business model allows us to control quality in the development process, and to lower our dependence on subcontractors in key areas.

COMPETITIVE STRENGTHS

We believe that we operate in an attractive industry with strong potential for future growth of the Russian real estate market in the medium- to long-term driven by the following fundamentals:

- *Housing undersupply:* According to Rosstat, in Russia housing stock per capita stood at 26.3 square metres as of 31 December 2019, which is substantially lower than the average in developed European countries and in the United States, according to the UNECE (*Rosstat, 2021*). According to the Strategy for the Development of the Housing Sector of the Russian Federation to 2025 prepared by the Russian Ministry of Construction, Housing and Utility Infrastructure and DOM.RF, the target is to reach 30 square metres of housing stock per capita (*DOM.RF, 2021*). We believe that such shortage of housing supply will give rise to significant demand for residential housing.
- *Urbanisation:* According to Rosstat, the population of Moscow has increased from 11.5 million people in 2010 to 12.7 million in 2020, and the population of St. Petersburg from 4.8 million to 5.4 million. The population of Moscow and St. Petersburg, as well as cities with over 1 million residents is expected to grow in the next decade, which will further increase the demand for housing. In particular, according to Rosstat, by 2030, the population of Moscow is expected to grow to 12.9 million and the population of St. Petersburg to 6 million (*Rosstat, 2021*).
- *Obsolete existing housing:* A substantial portion of the existing housing stock in Russia is obsolete and requires replacement. As of 31 December 2018, approximately 25.5 million square meters of the existing residential stock in Russia were estimated to be dilapidated housing, while the wear-out rate of the housing and utility infrastructure stood at around 43.0%. (*Source: Russian Ministry of Construction, Housing and*

Utility Infrastructure, 2021; Rosstat, 2019). In addition, the living environment created in the late 20th and early 21st centuries no longer meets the needs of the modern consumer. Demand is now shifting towards younger, generation Y buyers from 25 to 35 years of age. They take a rational approach to finances, and they value comfort and functionality. Millennials prefer finished apartments with ergonomic layouts, good transport accessibility and nearby social and commercial infrastructure. We believe that the high level of obsolete housing stock, which does not meet modern standards in terms of comfort and quality of living environment and infrastructure, and the new requirements to housing of modern consumers are likely to stimulate demand further.

- *Mortgage under-penetration and decrease in mortgage rates:* The Russian mortgage lending market remains under-developed. According to the CBR, as of 1 January 2020, the aggregate mortgage debt in Russia was over RUB 9 trillion, or 9% of Russia's GDP, as compared to 44% in the EU and 52% in the USA, as of the end of 2019, according to the European Mortgage Federation (*CBR, 2021*). The government has historically been and remains supportive of the country's residential real estate market by actively financing mass market housing construction and implementing various governmental programmes to support housing demand, including a family support programme, regional payments, subsidies for large families, preferential mortgage programme and tax deductions. In addition, in 2020, during the COVID-19 pandemic, the Russian government developed a programme of preferential mortgages with interest rates at 6.5% per annum. Under this programme, the participating banks provide mortgages at a reduced rate for the purchase of primary housing in the amount of up to RUB 6 million in the regions and in the amount of up to RUB 12 million in Moscow, the Moscow region, St. Petersburg and the Leningrad region. Initially effective until 1 November 2020, the programme was subsequently extended until 1 July 2021. In addition, in Russia mortgages interest rates closely correlate with the CBR's key interest rate, which is the interest rate that the CBR charges Russian commercial banks for lending funds to them. The CBR's key interest rate is the Russian government's main interest rate for enacting its monetary policy and, as a result, it is set based on broad macroeconomic considerations. In recent years the weighted-average Rouble-denominated interest rate on mortgages has been declining to historical minima as a result of the gradual decrease of the CBR's key rate. In light of declining mortgage rates, various governmental support measures and increasing housing demand, the number of issued mortgage loans grew by 35% and their aggregate amount grew by 50% in 2020, according to DOM.RF (*DOM.RF, May 2021*).
- *Increased affordability level:* According to the Company's estimates based on Rosstat and CBR data, the number of income groups who can afford a real estate purchase has increased more than twofold in the last five years (*Rosstat, 2021; CBR, 2021*). Now 40% and 50% of residents, as compared to 10% and 20% in 2015, can afford a real estate purchase in Moscow and St. Petersburg, respectively. Also, despite the recent decrease in real disposable income of population associated with the overall slowdown of the Russian economy as a result of COVID-19, the Ministry of Economic Development estimates that real personal disposable income in Russia will grow at an annual rate of 3.0%, 2.4% and 2.5% in 2021, 2022 and 2023, respectively.

As one of the leading residential real estate developers in Russia, we consider ourselves well-positioned to benefit from these favourable market dynamics in the Russian real estate market because of the following competitive strengths:

One of the leading Russian residential developers with highly reputable and extensive track record, well positioned for real estate industry consolidation driven by the large players

With over 33 years of experience, the Group has one of the longest track records in the Russian real estate development and construction, having successfully commissioned a wide range of projects with total area of approximately 7.5 million square metres. We have leading positions in our key markets with 10% average annual market share of total residential completions in St. Petersburg between 2010 and 2020 and 4% average annual market share of total residential completions in Moscow between 2015 and 2020.

Our extensive track record of seamless and reliable delivery of high-quality housing allowed us to establish a solid reputation and strong brand recognition. The Group was recognised as the second most reliable developer in Russia according to Forbes Russia in 2019. We believe our strong reputation and highly-recognized and respected brand supports robust customer demand for our projects under development and enhances our access to new development projects.

The Group is well-positioned to benefit from the ongoing sector consolidation. The real estate market in Russia has a fragmented structure with a large number of small-scale developers. The transition to escrow accounts and

project financing under the 2019 Shared Construction Law Amendments, scarcity of suitable land plots for new development with relevant permits, and the crowding out of customer demand for commercially-built housing by the housing renovation programme in Moscow are creating additional pressure on small players, and shifting the competitive balance in the sector in favour of larger, longer-standing and better financed developers, such as the Group. The share of the 20 largest players in Moscow and St. Petersburg by volume of total residential completions grew from 34% in 2015 to 45% in 2020. We believe there is a significant opportunity for the Group to further expand its market share within its key focus segments on the back of our established market position and efficient business model.

Strong customer value proposition

We focus on the mid-market segment of the real estate market represented by comfort and business class projects, which comprised 27% and 71% of the Group project portfolio by unsold net sellable area as of 31 December 2020, respectively, with the remaining 2% attributable to the upper economy class projects. We believe the mid-market segment stands out for its high growth potential, attractive profit margins and resistance to macroeconomic vulnerability. The Group's operations are concentrated in the two largest Russian cities, Moscow and St. Petersburg, which remain at the forefront of Russia's economic development, have large and continuously growing populations of 12.6 million and 5.5 million people in 2020, respectively, enjoy some of the highest regional GDP and per capita income levels in the country, and are among the largest and most rapidly growing real estate markets in Europe. Moreover, new housing sales in Moscow and St. Petersburg are additionally supported by demand from other Russian regions, either from people seeking to relocate themselves or their families to these cities, or wealthier individuals who view them as attractive destinations for investing in real estate. Our residential projects in Moscow and St. Petersburg comprised 26% and 74%, respectively, of the project portfolio's total unsold net sellable area as of 31 December 2020.

In recent years, we efficiently diversified our portfolio by expanding our presence in Moscow and increasing the share of business-class projects. The acquisition of JSC "Leader-Invest", a Moscow-based developer, played a major role in the Group's geographic expansion and positively contributed to operating results in 2019. As a result, business-class projects increased from 7% of new contract sales in square metre terms to 18% in 2019, and further to 30% in 2020.

Our unique combination of price, product and market distinguishes us from many other players in the Russian real estate market. We provide high quality living with a comprehensive set of amenities at an exceptional value for money. The defining feature of our residential developments is construction of entire estates and, in some cases, micro-districts, integrated with social infrastructure, including kindergartens, schools and hospitals. Our projects are primarily located close to city centres or in residential districts with well-developed transport and social infrastructure. Our product proposition is further enhanced by provision of on-site, consumer-oriented commercial properties, recreational areas, and comprehensive property maintenance services, all of which contribute to the quality lifestyle that our customers value.

Effective marketing and distribution capability

We have strong in-house marketing and sales competencies operating the largest nationwide sales network in Russia. Focused on the regions with the highest disposable income in Russia, our marketing and sales network allows us to capture the market demand for our properties in these prosperous regions and substantially expand our addressable market. In 2020, we sold apartments to customers in nine of the ten richest regions in Russia, as measured by disposable income, with our regional sales contracts accounting for approximately 32.5% of our total contracts concluded in 2020, and 30% in the first quarter of 2021. Our omni-channel model combining an online sales platform covers 59 Russian cities and provides seamless customer experience from apartment search to contract execution. We also offer our customers trade-in and flexible mortgage financing options with smooth integration with more than 20 bank partners. The share of mortgage contracts in total apartment sales reached 65% in 2020 and was 63% in the first quarter of 2021.

In addition, our extensive marketing activities add value throughout all stages of the development process. This approach results in wide exposure of our products and brand to our target audience. Our strong market knowledge and understanding of our customers gained by our sales teams allow us to tailor future construction projects to market demand.

Integrated business model

We participate in the entire value chain of the development and construction process, starting from assessing development opportunities to master planning and permit management, construction, marketing, sales and ongoing maintenance of the completed developments. We believe that our business model allows us to efficiently control both the product quality and development costs.

The Group is a technological leader in the Russian real estate market deploying modern construction techniques and innovative BIM (building information modelling) technology for complex and efficient residential development. We primarily focus on the development of high-rise residential complexes constructed using monolithic concrete technology, commonly used for its high quality, scalability, design flexibility and capital expenditure efficiency. We also intend to develop alternatives to monolithic concrete technology, including modern prefabricated construction methods, modular construction and construction from CLT panels, which can significantly reduce costs and/or construction time, while improving the quality of the final product. We plan to continue using our existing monolithic concrete technology, while aiming to find the best compromise between a property's sale price and the development costs. We have been the first company in Russia to complete the entire permitting process online using BIM models. We use BIM as our core project management platform throughout a project life cycle, enabling it to efficiently manage development costs as well as constantly monitor and analyse project progress, safety and other parameters.

Own production capacity and in-house operations in areas critical to our property development business, such as general contracting and tower crane operations, allows us to control quality in the development process, and to lower our dependence on subcontractors in key areas. Our unified construction and maintenance division also provide sustainable cash flows for the business. According to the Valuation Report, open market value of the division amounted to RUB 12.6 billion as of 31 December 2020.

Strong track record of growth and profitability

Our new contract sales have shown strong growth of 18% CAGR, increasing from RUB 35.1 billion to RUB 79.9 billion in 2015-2020, which included growth of sales volume in terms of square meters, as well as an expanding share of high-margin business class projects predominantly located in Moscow.

Despite the COVID-19 outbreak, we showed strong performance and profitability in 2020. The Group's gross profit margin adjusted for purchase price allocation from acquisition of Leader-Invest and Adjusted EBITDA margin amounted to 33% and 21% in 2020. Upon integration of Leader-Invest we have significantly improved our operational efficiency and enjoyed positive operating leverage, as the ratio of general and administrative expenses to total revenue decreased from 10% in 2018 to 7% in 2020.

Efficient capital allocation

To enhance returns and deploy our capital more efficiently, we focus on projects with visible and predictable cash flow generation and expedient construction timing. Our automated land screening system provides faster access to attractive new land for potential development while cost leadership enables us to be more competitive for new land acquisition and maintain high profit margin. We efficiently control development project lifecycle with end-to-end unified digital platform and our strong capabilities in permit management, master planning and budgeting. In 2019, we also closed the acquisition of JSC "Leader-Invest", with its full integration successfully completed within 8 months, allowing us to realise substantial synergies and efficiently diversify our portfolio with new business-class projects in Moscow. Our efficient capital allocation is reflected in the consistent accretion of the Group's project portfolio value, as assessed by independent appraisers, whereby the value of our beneficial interest in the portfolio increased by 84% since 31 December 2015 to RUB 191 billion as of 31 December 2020.

We maintain conservative leverage and liquidity position on the back of a cash-focused business model and strict financial discipline. As of 31 December 2020, we had cash and cash equivalents and net corporate debt of RUB 25.9 billion and RUB 19.6 billion respectively, while our Net corporate debt/Adjusted EBITDA ratio was 1.2x.

Professionally-managed public company adhering to sustainable development principles

We consider the strength of our management team to be fundamental to our success in the highly competitive real estate markets. Members of our management team have long-standing experience in real estate development and construction, and also have considerable strategic and business management expertise. The average service of our management team with the company is more than 8 years and of line employees is more than 5 years.

Since our IPO in 2011, we have adhered to the highest disclosure, transparency, and governance standards of a public company. Our corporate governance standards are stringent in many respects, including maintaining a balanced composition of the Board of Directors with eight non-executive directors, including six independent non-executive directors, as well as established strategy, audit, remuneration and nomination, and investor relations and information disclosure committees.

With strong commitment to the community and environment, we consider sustainable development principles throughout the entire value chain of the business. We have a long track record of implementing programmes in areas ranging from building social infrastructure to occupational health and safety and personnel development, and are currently bringing our reporting on these issues in line with GRI standards.

STRATEGY

We aim to maximise value for our shareholders by pursuing the following paths set by our new development strategy until 2024, approved by the Board of Directors in 2020 (the “**Strategy 2024**”):

- *Easy to scale fully-digital end-to-end architecture.* We are developing digital architecture that should enable end-to-end data transfer across the entire value chain. We believe this architecture will allow us to further optimise our operations by making all processes transparent and reducing time from site search to the start of construction.
- *Less capital intensive approach based on established relationships with partners and suppliers.* When developing new business areas we consider not only the possibilities to develop them internally, but also to work with other companies in order to implement new technologies at lower costs. We intend to develop a management model with seamless architecture that is open to partners and suppliers, enabling rapid innovation and cost reduction. Any company which, in our opinion, has the potential to contribute to the development of our digital platform may become our partner under the Etalon Partnership program in the form of participating in a joint venture, us entering into the capital of the partner or signing a long-term agreement for the exclusive use of a technology and its development for our purposes. Our openness to new partners and suppliers will enable us to build competencies quickly and at minimal cost.
- *Long-term focus on land-bank replenishment to achieve leadership in core regions (Moscow and St. Petersburg) and expand business to new regions.* We plan to accelerate land replenishment in St. Petersburg during 2021 and then to stabilise our residential portfolio both in St. Petersburg and the Moscow Metropolitan Area by replenishing our land bank annually in an amount equal to the volume of real estate sold during the year. This will enable us to maintain the necessary project pipeline and strengthen our position among the top Russian developers in terms of construction and sales volumes.

Under the Strategy 2024, in addition to zoned land plots, we will consider acquiring unzoned land plots as well since lower competition for such land creates additional upside potential for profitability. Our new approach to land bank replenishment is summarised in the table below:

	Old Strategy	Strategy 2024
1. <i>Focus</i>	Moscow, St. Petersburg	Moscow, St. Petersburg, optionally new regions
2. <i>Permitting stage</i>	Preferably zoned with project documentation	Zoned and unzoned, with or without landlord guarantee of receipt of planning permission
3. <i>Time to launch sales</i>	6–12 months	24–36 months
4. <i>Permitting risk</i>	Low	Moderate
5. <i>Investment horizon</i>	Short	Long
6. <i>Acquisition cost</i>	High	Moderate
7. <i>Impact on profitability</i>	Negative to Moderate	Positive

Our land bank replenishment goals and principles under the Strategy 2024 include:

- additional acquisition in St. Petersburg of approximately 1 million square metres, including up to 0.8 million square metres by the end of 2021;
- annual land bank replenishment by at least the same amount as planned for sale 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 five regions by 2024;
- target balanced portfolio of large-scale, mid- and small-sized projects to ensure diversified product offering.

In addition to implementing projects in Russia's two biggest cities (St. Petersburg and Moscow), subject to the achievement of stable operational and financial growth on the strategic horizon, we may consider the possibility of entering other Russian regions in cities with stable demand, high incomes and high real estate prices. The main criterion is the possibility of maintaining acceptable profitability levels in line with our strategy. We continue to view partnerships with strong local players as one of the means of geographic expansion. However, with the sharp decrease in the number of local players resulting from their inability to develop new projects under the 2019 Shared Construction Law Amendments, we may consider the possibility of entering markets organically in order to consolidate the industry and obtain the competitive advantages of a major player. We expect that by 2024 approximately 10% of our portfolio will be attributed to new regions.

- *Leadership in the use of new design and housebuilding technologies to support profitability and cash flow generation.* We plan to continue using and developing monolithic technology that we have used for housing construction up to this point. At the same time, we intend to develop alternatives to our monolithic construction techniques, including modern prefabricated construction methods, modular construction, and construction from CLT (cross-laminated timber) panels, which can significantly reduce costs and/or construction time, while improving the quality of the final product. We intend to seek to achieve an optimal balance between a property's selling price and construction costs to reach the target level of profitability. In addition, we plan to expand on our experience with BIM (building information modelling) technology by using it as the basis for creating a standard design system that will make the design process more efficient, while also speeding up the process of receiving permits and obtaining urban planning documentation.
- *Customer-centric approach to product, sales and services driven by development of B2C services and further improvement of communication at all steps of the customer journey.* We plan to actively develop additional services for the ever-growing number of people who live in properties that we have built over a period of more than 30 years. Such services are to be integrated in a single app and might include Smart home systems, online shops and delivery services among others. This may enable us to achieve the highest NPS (net promoter score) among Russian developers and, as a result, increase our share of repeat purchases, while also generating additional profit from complementary businesses.

In addition, as part of the Strategy 2024, we set the following financial targets to be reached by 2024:

- strong double digit growth of new contract sales;
- gross margin exceeding 35%;
- selling, general and administrative expenses to revenue ratio equalling 10%;
- adjusted pre-purchase price allocation earnings per share growth exceeding revenue growth;
- Net corporate debt / Adjusted EBITDA equalling 2x-3x;
- positive reported operating cash flow; and
- minimum dividends of RUB 12 per GDR and net profit growth upside.

HISTORY AND DEVELOPMENT

The Group was founded back in 1987 in St. Petersburg by Viacheslav Zarenkov.

In 2006, we began the process of expanding our operations to the Moscow Metropolitan Area by acquiring Emerald Hills, our first project in the Moscow region.

On 8 November 2007, the Company was incorporated with limited liability in Guernsey, Channel Islands, under Guernsey Law under the name of Etalon Group Limited.

In 2007, we began construction of the residential complex Jubilee Estate, one of our megaprojects and the first integrated urban development project in St. Petersburg.

In 2010, we commenced Etalon-City, our first project in Moscow with the current total net sellable area of 365,968 square metres.

In 2011, we successfully completed an IPO, listing GDRs on the Main Market of the London Stock Exchange. The IPO raised USD 575 million and we became the first real estate company from Russia to go public since 2007.

In 2012, we completed our post-IPO acquisition programme, which added another 887 thousand square metres to our landbank, securing our construction programme through 2017. We also purchased our flagship projects Galactica and Silver Fountain in 2012.

In 2013, the Board of Directors approved our first dividend policy, under which the Company would aim to pay out between 15% and 30% of consolidated net profit.

In 2015, we began construction of the Golden Star residential complex, which was our third project in Moscow.

In 2017, the Company migrated from Guernsey and was registered in the Republic of Cyprus under the name of Etalon Group Public Company Limited. Later in 2017, the Company changed its name to Etalon Group PLC.

In 2019, we acquired JSC “Leader-Invest”, a Moscow-based residential developer focusing on projects in the comfort, business and premium-class segments with a total net sellable area of 1.3 million square metres, as at 19 February 2019. In addition, in 2019, Sistema PJSFC, a publicly-listed investment company incorporated in Russia, acquired 25% of the Company’s issued share capital (in the form of GDRs) from the family of the Company’s founder, Viacheslav Zarenkov, making Sistema PJSFC our largest shareholder.

In 2020, our GDRs were admitted to trading on Moscow Exchange and included on the Level 1 List. In addition, in 2020, the Board of Directors approved the Strategy 2024 and the current version of the Company’s dividend policy with a dividend floor of RUB 12 per Ordinary Share/GDR.

OPERATIONAL STRUCTURE

The activities of the principal subsidiary entities of the Company are set out in the table below:

Subsidiary name	Summary of primary activities	Direct ownership interest as of the date of this Prospectus
		%
“Etalon Group company” AO	Management services	100.0
LLC “EtalonAktiv”	Management services	100.0
AO Etalon LenSpetsSMU	Real estate development	100.0
JSC “Novator”	General contractor	100.0
JSC “LenSpetsSMU-Rekonstruktsiya”	General contractor	100.0
LLC “Etalon-Invest”	Real estate development	100.0
JSC “Zatonskoe”	Real estate development	100.0
LLC “SPM-Zhilstroy”	General contractor	100.0
JSC “Specialized Developer “Silver fountain”	Real estate development	99.99
LLC “Specialized Developer “Etalon Galaktika”	Real estate development	100.0
LLC “Specialized Developer “Etalon Development”	Real estate development	100.0
JSC “Leader-Invest”	Real estate development	100.0
LLC “Razvitiye”	Real estate development	100.0
LLC “Specialized Developer “ZIL-YUG”	Real estate development	100.0
JSC “MBI”	Real estate development	100.0
JSC “Lobachevskogo 120”	Real estate development	100.0

Our registered office is located at 2-4 Arch. Makariou III Avenue, Capital Center, 9th floor, 1065 Nicosia, Cyprus and our telephone number is +44 (0)20 8123 1328. Our principal place of business in Russia is at 3 Bogatyrsky prospect, St. Petersburg. Our website is www.etalongroup.com. Information contained on our website does not constitute part of this Prospectus unless otherwise indicated in this Prospectus.

RESIDENTIAL DEVELOPMENT OVERVIEW

Our residential development segment is our largest business unit. External revenues of our residential development segment were 80.3%, 87.1% and 89.6% of our consolidated revenues 2018, 2019 and 2020, respectively.

The following table sets forth the details of our accumulated commissioning in St. Petersburg and the Moscow Metropolitan Area for the indicated periods:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total 2011-2020
	NSA, thousand sqm										
Group's commissioning	328	363	468	580	502	420	423	479	622	540	4,726

Geographic focus

Historically, we have focused our property development operations in St. Petersburg, where we have achieved a leading position in the private sector (excluding individual construction), with a 10% average annual share of total residential completions between 2010 and 2020, based on Rosstat's data on total residential completions and the Company's calculations (*Rosstat, 2021*).

The following table sets forth the details of our cumulative commissioning volumes and our share in total commissioning volumes in St. Petersburg for the indicated periods:

	2015	2016	2017	2018	2019	2020
Total residential commissioning in St. Petersburg (NSA, mln sqm)	3,031	3,116	3,536	3,950	3,471	3,370
Group's share in total residential commissioning in St. Petersburg (%)	13%	7%	6%	6%	8%	10%

Source: Rosstat, 2021; Company data.

Leveraging our extensive experience and capabilities, in 2008, we expanded our property development business into the Moscow Metropolitan Area. Our average annual share of total residential completions between 2015 and 2020 in Moscow was 4%, based on Rosstat's data on total residential completions and the Company's calculations (*Rosstat, 2021*).

The following table sets forth the details of our cumulative commissioning volumes and our share in total commissioning volumes in Moscow for the indicated periods:

	2015	2016	2017	2018	2019	2020
Total residential commissioning in Moscow (NSA, mln sqm)	3,920	3,385	3,419	3,541	5,176	4,978
Group's share in total residential commissioning in Moscow (%)	1%	3%	4%	6%	5%	4%

Source: Rosstat; Company data.

Market segment

Nearly half of our customers in Moscow are white-collar professionals looking to buy an apartment for with an average area of 51 square metres. White-collar and business owners looking for apartments with an average area of 59-60 square metres make up a further 30% of our customers. Other customers make up 20% of our customer base; they also have an average budget of RUB 8 million and purchase apartments with an average area of 51-52 square metres.

In St. Petersburg, white-collar professionals make up 38% of our customers, while executives and business owners represent 30% of the people who buy our apartments. Public sector workers account for another 11%, with other

groups making up the remaining 21% of our customer base. The largest age group is between 30-39 (35% of customers), followed by 40-49 (29%), then 50-59 (16%) and 20-29 (23%), with people under 20 or over 60 making up the rest. The vast majority of our customers have a higher education (89%) and most are buying apartments for themselves (66%) or their children (21%). In line with the Strategy 2024, we also consider entering the mass market segment as affordability in Russian main cities continues to increase.

Large-scale residential complexes and micro-districts specialisation

In every region where we operate we construct one large-scale project that forms the foundation of our portfolio and a number of medium-sized and infill development projects that will enable us to diversify our offer and balance the local demand for our residential complexes. We expect that the anticipated land bank acquisitions will allow us to scale up our business, while the well-diversified profile of our project portfolio limits concentration risk and enables us to address customer demand across a wide range of projects in different market segments. In addition to providing a more competitively priced alternative with lower building density, our developments provide a better living environment through provision of comprehensive on-site community facilities and premium services. Depending on the nature and size of a project, our residential complexes include amenities such as open green expanses, landscaped common gardens, well-maintained sidewalks with street lighting, play areas and other recreational facilities. The lower floors of our large residential complexes are usually dedicated to various consumer-oriented commercial properties, designed to enhance the living environment for residents and other members of the surrounding communities by providing easy access to staple services such as supermarkets, retail stores, restaurants and personal care services. In some cases, our developments are integrated with social infrastructure, including kindergartens, schools, hospitals and fitness centres.

Multi-phase development

We typically develop our large residential complexes in several phases. This approach provides us with flexibility to adapt the construction schedule of each phase to meet changes in demand, and to have a faster release of escrow funds following the delivery of residential projects built under the new regulations. As a result, 80% of the total net sellable area delivered in 2020 were sold before the relevant properties were commissioned. According to the feedback received from sales teams and the sales results, the model also allows us to modify our designs and offerings based on changing consumer trends and tastes.

We maintain a reasonable mix of multi-phase residential complexes and stand-alone residential buildings. For each individual phase of a multi-phase project to be similar in size, with small variations conditional upon the chosen architectural design.

DEVELOPMENT PROCESS

We engage into each stage of the development process: from assessment of development opportunities to master planning and permit management, construction, nationwide marketing and sales, and on-going maintenance of the completed developments.

Our real estate development activities are managed by our in-house project management companies, which are responsible for ensuring that the development and construction of our properties progresses in a timely manner. Construction work is monitored through on-site visits and progress reports. We have stringent financial controls and actively manage and control our costs through careful budget planning processes, such as reviews of project expenditure reports. Our project management teams ensure that our cost control policies are effectively applied in the construction process.

Assessing developmental opportunities

We consider careful site selection as a key step to success. Our land development division is responsible for identifying sites for prospective development. Before purchasing land for development or acquiring development rights in relation to a land plot, our land development division, working closely with our in-house marketing division, planning and control division and design division, assesses the feasibility of a potential development opportunity, considering a range of factors, including:

- *Geographic location:* We seek to develop properties located primarily close to city centres or in residential districts with well-developed transport and social infrastructure.
- *Site assessment:* We conduct comprehensive and in-depth market research and analysis to evaluate the market and development potential of the land and the value of the surrounding areas. Key factors that are considered

during the site assessment include disposable income and purchasing power of the consumers, transportation access and availability of infrastructural support and demand for residential property developments in the area. We also assess the overall competitive landscape by examining existing and potential property developments in the area.

- *Concept design:* We engage our in-house marketing and sales team and design team to explore preliminary design possibilities for a particular development, taking into account size, shape and location of the site and suitability of the site for our products.
- *Investment profitability:* We seek to invest in projects that will be in line with the Company's strategic goal to deliver gross margin of above 35% and aim to achieve double-digit annual growth of sales in monetary terms by 2024. We also consider other factors, such as the payback period, the growth potential for the project and how the project fits in more generally within the cash flow profile of our project portfolio. To enhance returns and deploy our capital more efficiently, we focus on projects with visible and predictable cash flow generation and expedient construction timing. We also aim to spread the payments for projects over several years and use different financial instruments.
- *Potential permitting:* Working closely with the relevant local authorities, we assess the likelihood of obtaining the required permitting, planning, zoning and environmental approvals relating to the development and establish whether there are any significant obstacles that could hinder our ability to deliver the project on time and within budget. To shorten our development cycle, we previously sought to acquire land plots with proper zoning and initial permitting already in place, and on which we believed we could commence construction within 12 months. According to the Strategy 2024, we have expanded our approach to replenishing our project portfolio with unzoned land plots as well, which will allow to reduce the cost of land in our cost structure and to put optimal design solutions in place. As a result, we now also look for unzoned land plots for which we believe we can launch sales within 24-36 months. This is largely a consequence of our experience in carrying out integrated development projects, such as Galactica and ZIL-Yug, which enabled us to strengthen our competencies in this area.

Upon completion of the preliminary analysis, a feasibility report is prepared and reviewed. If the proposed project is approved, we seek to engage our legal department and external consultants to conduct comprehensive legal, financial and tax due diligence investigations and negotiations of the transaction documents.

Acquiring land plots or obtaining development rights

A Russian developer must have land rights in order to begin construction. The following are the principal ways in which we acquire land plots or development rights to land plots and/or buildings located on land plots, which differ to a certain extent depending on whether we are acquiring these rights in St. Petersburg or the Moscow Metropolitan Area:

- *Purchase or lease of state or municipally owned land through a tender process*

We participate in tenders organised by city authorities in respect of land plots, which can be either leased or sold to us for the purposes of residential development. Usually, prior to the tender process, city authorities determine the scope and scale of the contemplated development project. It is also common for a developer to be required to develop infrastructure, such as roads, water and electricity, in the vicinity of the development project. In the case of land leases, the amount of rent to be paid to the city authorities is also determined beforehand.

In the Moscow Metropolitan Area, the majority of land for development is owned by public authorities and is granted to developers on a lease basis. After acquiring a land plot on lease, we demolish existing buildings and begin new construction on the land plot or, alternatively, we reconstruct existing buildings. In many instances, in order to commence construction on a land plot, a developer must first change the permitted use of the land plot, which in Moscow requires paying a fee.

By contrast, in St. Petersburg land plots owned by public authorities are often sold to developers, and no fees apply for changing the permitted use of a land plot.

- *Conclusion of an investment agreement with relevant government authority*

In the past, public authorities in the Moscow Metropolitan Area often entered into investment contracts, under which they granted land rights to developers in exchange for a share of completed apartments, but over time such practice has become rare. However, we continue the development of certain projects which were acquired under previously concluded investment contracts, such as Emerald Hills.

In addition, since 30 December 2020, the Town-Planning Code provides for special regulation of integrated development of territories (*kompleksnoye razvitie territorii*) (“IDT”). Developers may obtain land plots in the course of IDT under the auction procedure set forth by the Town-Planning Code, which allows a developer to acquire a project on market terms, or initiate IDT within the land plots which they hold on an ownership or lease basis. The IDT is carried out by a developer based on an IDT agreement entered into with the authorized local government entity. The terms of an IDT agreement are generally set out by the Town-Planning Code.

Under the terms of IDT agreements, a developer is granted a land lease in respect of the target land plot primarily for the purpose of carrying out construction on the relevant land plot. Under an IDT agreement, we may be required to build certain objects of social infrastructure, such as schools and hospitals, ownership to which will be then transferred to the state or municipal authorities, or participate in the development and upgrade of city utility systems.

We are currently exploring the possibilities to participate in IDT projects.

- *Direct acquisition of a land plot and/or building*

We sometimes purchase the ownership of land plots (together with any buildings thereon) from private parties in order to obtain development rights in St. Petersburg. In Moscow, the situation is different since land is very rarely transferred into private ownership. For this reason, it is common practice in Moscow to acquire a building and thus obtain the right to lease the underlying land plot by operation of law.

- *Conclusion of a co-investment agreement*

In co-investment projects, typically the party owning the land right contributes such right to the development while we finance the construction of the project and manage the development, solely or jointly with such party. Co-investment may be structured by conclusion of a co-investment agreement or by acquisition of the interest in the company holding the ownership or lease right or acting as a party to an investment agreement. Shares in completed premises or proceeds from the developed project are distributed between the parties in accordance with their arrangements.

- *Acquisition of interest in the company holding ownership or lease right or acting as a party to an investment agreement*

We sometimes acquire an equity interest in an existing entity, which possesses ownership or lease rights for a targeted property or has executed an investment or co-investment agreement with respect to a development. This practice has gained popularity over the last years as direct acquisition of land leases has become more difficult. For instance, the ZIL-Yug project was acquired in this manner.

Master Planning and Permit Management

Construction on an allocated land plot may only be carried out upon receipt of a construction permit from the authorities. Obtaining a construction permit is a multistage process, which ranges from 12 to 18 months and includes:

- *Preliminary design stage:* this stage involves preparing and obtaining approval of preliminary design materials. At the preliminary stage, our in-house design team will prepare an initial feasibility study, including mapping, engineering, architectural, legal and marketing studies, as the case may be. These pre-design materials will be submitted to various federal and local authorities for approval. Once all required approvals have been received, the local authority will issue a permit for the development of the initial project documentation. In some circumstances, we acquire projects with the permit already issued.
- *Project design stage:* this stage involves preparing and obtaining approval of design documentation. The project design documentation will be prepared on the basis of the approved pre-design materials and will typically include a land plot scheme with a layout of the building, as well as the technical specifications for a power grid, sewage system and gas and water supplies. The project documentation is submitted to the relevant local and federal authorities for obtaining its approval and issuance of a construction permit. For a

project comprising multiple phases, we are required to obtain construction permit from the relevant regulatory authority for each phase of the development. A construction permit is issued for a certain term specified in such permit. Construction permits may also be amended once construction has begun to the extent the scope and the nature of the project has changed. A construction permit may also be cancelled prior to its expiry date; in particular, in the event of a fundamental breach of the project documentation and/or the building and architectural rules and regulations or on other grounds.

We have our own in-house architecture and design centre, which, as of 31 December 2020, consisted of 390 experienced research and design professionals with strong knowledge in the local market. In the case of larger developments or as a requirement under an investment agreement, we sometimes engage recognised independent architects to design our developments. The engagement of our in-house design centre at an early stage of a property development project allows for the formulation of a preliminary design when we are negotiating with the relevant regulatory authority and enables us to commence construction shortly after the requisite approval to develop a parcel of land has been granted. In certain circumstances, we conduct preliminary development activities to prepare the site for construction, which reduces the overall time needed to complete the development.

In order to meet evolving preferences of our customers, we invest considerable resources in creating distinctive architectural designs, aimed at providing high-quality, comfortable and functional properties. We believe our customers associate our brand image, in part, with the modern and trend-setting designs of our properties. In recognition of the high quality and innovative design of our projects, we have received numerous awards from different organisations.

Historically, we have acquired several development projects, including such projects as Galactica and Project on Cherniogovskaya street, located in the historical centre of St. Petersburg where development and construction is heavily regulated and subject to various restrictions and specific regulations, including a requirement that the Committee for the State Preservation of Historical and Cultural Monuments must approve the project documentation for any development located within the preservation zone. For additional discussion, see *“Regulation of Real Estate in Russia — Construction and Development — Restrictions in the St. Petersburg preservation zone”*.

Urban Planning and Development

Depending on the terms of our investment contracts, we may be required to perform (or make a commitment to perform) specified urban planning and development activities before a construction permit is granted. Urban planning and development requirements can be complex and are normally undertaken in close cooperation with local, regional and federal authorities. This may involve the development of local infrastructure including, for example, constructing kindergartens, schools and hospitals, landscaping adjacent land, improving roads, building water heating stations, and providing utilities access. Upon completion of the construction and sale of the local infrastructure to the relevant government authority, we have no further obligations to the government in relation to such infrastructure, including its maintenance.

Construction

The construction stage commences upon receipt of the construction permit and typically takes 18 to 24 months to complete (not including the state commissioning process described below). Our in-house general contractors are responsible for supervising construction and performing auxiliary projects such as landscaping and providing utilities and road access. Acting as general contractors for our development projects provides us with better control over the costs and timing of the construction process and allows us to better allocate resources across our developments. We closely monitor the progress of construction of our property projects and conduct pre-delivery inspections to ensure timely delivery. The introduction of new technologies will shorten construction time, which is expected to create an opportunity for us to lengthen the pre-sale period, and, as a result, to reduce the project financing rate.

Our in-house general contractors oversee the procurement of materials as well as the selection and utilisation of subcontractors. External subcontractors are typically only appointed where particular specialised construction works cannot be carried out by us or can be carried out more profitably by third parties. This applies primarily to interior finishing, lift installation, plumbing and electrical installation. We appoint subcontractors based on a number of criteria. Most importantly, subcontractors should have relevant experience, be reliable and capable of supplying services of a sufficiently high quality. It is also important that they complete their work on time, within budget and in accordance with the contract terms, conditions and specifications. We aim to conduct a tender process with all subcontractors we work. To maintain greater cost discipline, we put supply of construction

materials and services out to tender even where we have our in-house capabilities. In determining whether to use external suppliers or in-house resources, we take into account the capacity and location of in-house capabilities and the pricing, complexity and timing of the necessary works.

Upon completion of construction, all regulatory authorities involved in the development process inspect the completed development to ensure that we have complied with the terms and conditions of all applicable federal and local approvals and regulations. This process, also known as state commissioning, is undergone while we complete finishing works. Once state commissioning in respect of a newly constructed property is completed, we receive an operational permit and start the preparation of all documents necessary to register the ownership rights to the real estate units, transfer them to purchasers and hand over the keys. Our maintenance business starts to operate the building once it is delivered.

Some state authorisations and permits that are required for construction, including construction permits, are issued for a certain term specified in such authorisations and permits. In the event that construction is delayed and we fail to ensure timely completion of the construction works, we may be subject to fines, cancellation of leases, forced auctions or other involuntary transfer of title. See *“Risk Factors — Risks Relating to Our Business — Delays in commencement or completion of construction or other defaults by us may affect our rights under land leases or investment contracts entered into with local and regional authorities or result in our incurring additional expenses”*.

Pre-Sales

Since 1 July 2019, under the 2019 Shared Construction Law Amendments, developers that sell properties using shared construction agreements, as a general rule and subject to certain temporary provisions, are required to keep funds received from their customers in escrow accounts. The developer has no access to these funds until the relevant construction project is commissioned. Until such commissioning, the developer is expected to fund construction from own or borrowed funds (project financing) from the bank where customers' escrow accounts are opened.

As an exception, a developer may in certain cases avoid using the escrow account model, provided that the developer makes contributions to the special compensation fund for the protection of private investors, which is used for paying compensation to private investors in the event of the developer's bankruptcy and for financing the completion of unfinished construction.

At the end of 2019, we began realising our first projects using escrow accounts and project financing. In 2020, the share of such transactions was more than 30%, and we expect to shift further towards operating mainly under the new model in the upcoming years. In transactions using escrow accounts and project financing, higher level of funding at lower preferential interest rates is available against cash in escrow accounts generated by pre-sales, which makes it possible to reduce the cost of project financing.

Russian legislation offers statutory protections to the customers who enter into shared construction agreements. For example, a customer's money in an escrow account is insured for an amount of up to RUB 10 million. See *“Regulation of Real Estate in Russia — Residential Construction — Financing and Sale.”*

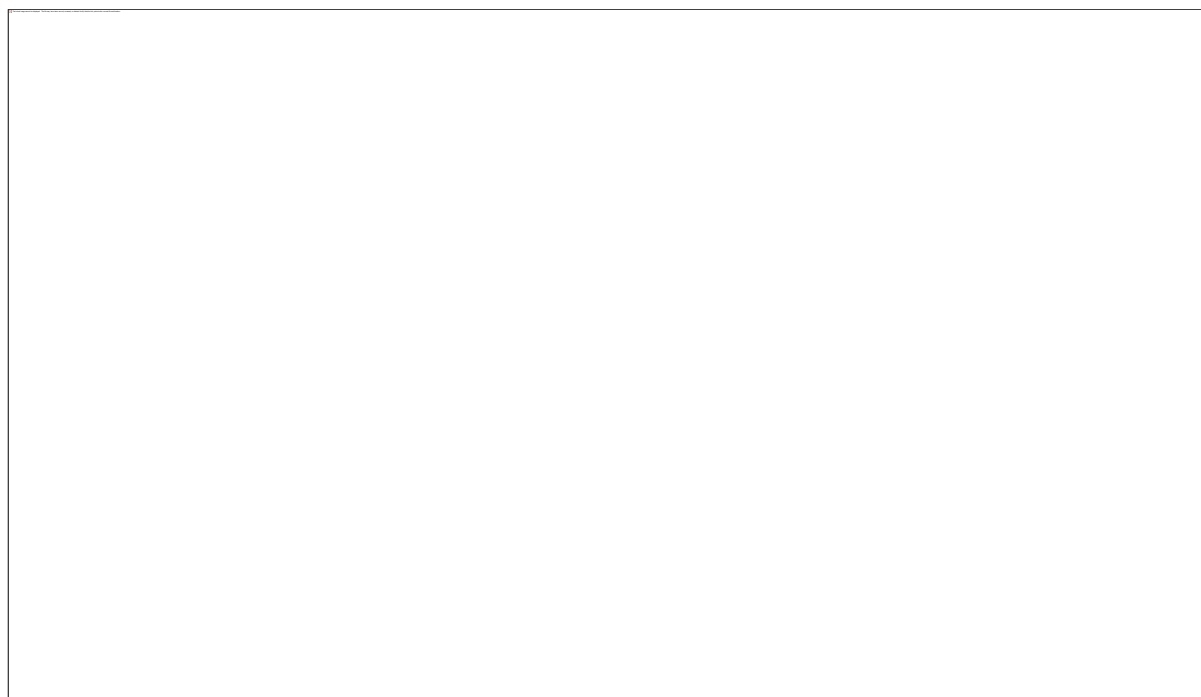
Payment Methods and Mortgage Financing

Purchasers of our properties may arrange for mortgage financing. As part of our sales efforts, we offer comprehensive mortgage consulting assistance to our customers at no charge. To broaden the market for our residential developments, we have entered into arrangements with 33 large national and regional banks in Russia, such as Sberbank, VTB, Alfa-Bank, Uralsib, Gazprombank, DOM.RF, Absolut Bank, Otkritie Bank, and Promsvyazbank, which provide mortgage financing programmes tailored to the needs of our customers. In 2020, approximately 61% of our sales of flats were made using mortgage financing, while in the last quarter of 2020, our mortgage sales reached a record high 65% share of total apartment sales.

Sales and Marketing

We have an extensive sales and marketing network, which as of 31 December 2020 comprised a team of approximately 300 employees, 15 sales offices in the St. Petersburg and Moscow, and additional 14 sales offices nationwide. We also engage external professional marketing and sales service agents located nationwide. Through this platform, one of the largest in the country, our marketing and sales activities cover 59 cities across Russia, in addition to St. Petersburg and Moscow.

A map of the cities in which our sales and representative offices and external sales agents are located, as of the date of this Prospectus, is provided below:



Seeking to capitalise on continued population migration from the Russian regions to St. Petersburg and the Moscow Metropolitan Area, our marketing strategy targets prospective buyers located in the regions with highest disposable incomes, which are primarily Russia's remote and climatically unfavourable areas rich in natural resources. In 2020, we sold flats to purchasers located in nine of the ten wealthiest regions in Russia, as measured by disposable income. With increased wealth tied to increased mobility, these prospective buyers are seeking to relocate to areas with better standards of living and quality of life. Our nationwide marketing and sales network enables us to connect regional market demand with high quality and a competitively priced comfortable living environment offered by our products. Our targeted marketing efforts and solid record of consistent delivery of quality products allowed us to achieve strong name brand recognition nationwide and substantially expand our customer base outside our core markets. As a result, we enjoy strong regional pre-sales and sales that accounted for approximately 32.5% of our total contracts concluded in 2020, and 30% in the first quarter of 2021.

The table below summarises geographic distribution of our regional sales in 2020 and corresponding average incomes (top 10).

<u>Region</u>	<u>2020 Shares in sales(1)</u>	<u>2020 Average income</u>
	<u>%</u>	<u>RUB</u>
Chukotka AD.....	0.02%	89,059
Yamalo-Nenets AD.....	1.6%	88,579
Nenets AD.....	0.1%	84,196
Magadan region.....	0.5%	68,239
Sakhalin region.....	0.6%	60,206
Khanty-Mansi AD.....	1.4%	54,295
Kamchatskiy krai.....	0.6%	54,206
Tyumen region.....	0.4%	49,782
Murmansk region.....	1.0%	45,938
Yakutia.....	0.7%	45,527
Other Russian regions.....	25.5%	n/a
Total regional sales.....	32.5%	n/a

Source: Company data, Rosstat

(1) Share of total concluded pre-sales and sales contracts.

Our comprehensive marketing approach adds value throughout all stages of the development process, which results in wide exposure of our products and brand to the target audience. As part of our land acquisition strategy and project design activities, our marketing team conducts market research on preferences of potential customers, assists in formulating the stylistic direction of a particular project and its signature identity, conducts feasibility studies based on market analysis and determines appropriate advertising and sales plans for a particular development.

Once a development project is ready to enter the sales phase, our sales professionals generally establish sales offices on-site for each development project and provide prospective buyers with a presentation of the architectural, design and construction aspects of the project, as well as with information on the surrounding community and amenities, recommend appropriate units based on their purchase criteria and accompany the prospective buyers to tour the model units and project amenities.

In addition to on-site show rooms, we use multiple other channels to market our residences, such as on-site billboards, project websites, social media, cross street banners, corporate sponsorship of events, general and specialised press, radio and television. Our marketing professionals attend commercial exhibitions and are frequent speakers at seminars and conferences related to real estate. They continuously monitor customer feedback to enable the sales personnel and developers to adjust strategies for the sales of unsold units as well as the construction and sale of the units to be built.

We also view digital technologies as a key to the consumer-facing part of our business, primarily through the development of an eco-system that encompasses a wide range of interactions with potential buyers and owners of our apartments. For example, in the first weeks following the introduction of restrictive measures in Russia in response to an outbreak of the COVID-19 pandemic, we launched an online real estate sales service, including online mortgages, formed operational teams of managers and strengthened its call centre. We developed a new model of interaction with clients, including virtual showrooms and virtual and augmented reality projects that provide a complete picture of the future apartments.

Property Management and Operation Services

Once construction is completed, we provide on-going property management and operation services to most of our residential developments.

Our comprehensive property management services range from day-to-day general maintenance for common areas of properties and facilities, to exterior building maintenance, landscaping, repair services and building equipment installation. Further, we provide the infrastructure for utilities such as water, electricity, ventilation, heating and sewage within the walls of the complex up to the point at which they connect with adjacent publicly maintained infrastructure. We also provide security services for each building we manage, including video surveillance, access control systems and alarm systems.

We provide a number of other management services, including title registration and retention of title documents, collecting fees for utility companies and organising and supervising contractors. We also organise various accounting documentation, draft and implement building budgets and arrange payment of relevant charges and taxes.

Furthermore, we launched a mobile app that enables our customers to pay their bills and communicate with the service company and gives access to additional services. The large base of potential users residing in buildings constructed by us gives access to 350 thousand residents, and the annual subscriber base growth is 10–15 thousand people after the delivery of a project. We seek to convert the majority of residents into app users by adding new services, such as smart home system, food and online shops and surveys, as well as by providing high-quality feedback to residents' requests.

We believe that retaining control over management of our properties following the completion of construction enables us to maintain the quality of our residential complexes on a long-term basis, gather feedback on our development and enhance our reputation for quality housing communities. This also provides a strong selling point for additional phases in the same development and for other residential complexes.

PORTFOLIO PROJECTS

As of 31 December 2020, we had 60 portfolio projects at various stages of development. We characterise these projects as being part of our portfolio where we have secured all necessary legal rights to complete these projects, or, with respect to projects at early stage of development, based on our expectation that we will be able to secure

all necessary legal rights to complete these projects as well as our past experience in progressing early-stage projects to completion. The stages of the portfolio development process are classified into the following three categories:

- *Completed*: the final phase, where relevant regulatory authority approvals have been obtained, construction has been completed and the development is operational; completed projects remain in our portfolio until they have been fully sold. As at 31 December 2020, completed projects constitute approximately 13% of our portfolio;
- *Under construction*: this phase usually commences on receipt of the required construction permit from the relevant regulatory authorities and continues through the period of construction until the development becomes fully operational. As some projects comprise multiple phase developments on a rolling basis, a single project may include a number of phases that are completed, still under construction or in the design stages. For the purposes of this section of the Prospectus, a project comprising multiple phases is considered to be a project under construction if the required construction permit from the relevant regulatory authority is received with respect to at least one phase of the development. As at 31 December 2020, projects under construction comprise approximately 35% of our portfolio; and
- *Design stage*: the preliminary phase, which commences when we expect that we will be able to secure all legal rights necessary to complete the project, and which continues until the construction permit is obtained.

As of 31 December 2020, our project portfolio comprised an aggregate site area of approximately 455 hectares and aggregate unsold net sellable area of approximately 2.8 million square metres, with approximately 52.4% of the portfolio's total unsold net sellable area comprising residential projects in the design stage, 34.9% comprising residential projects under construction, 12.3% comprising completed residential projects with unsold units and 0.3% comprising standing commercial property as of 31 December 2020. We believe our new projects and construction costs are well-balanced in the context of the average project construction cycle, which allows us to secure predictable cash flow generation. In the long term, our strategy is to maintain the level of turnover cycle from 2 to 3 years.

The table below sets forth the stages of our portfolio development projects as of 31 December 2020:

Category	Number of projects	Unsold NSA thousand sqm⁽¹⁾	Market Value of our beneficial share mln RUB
Residential, completed with unsold units	38	350,095	25,195
Residential, under construction	13	992,353	89,598
Residential, design stage	7	1,489,755	75,506
Standing commercial property.....	2	8,186	591
Total	60	2,840,388	190,890

Source: Valuation Report.

(1) Values may not sum to total due to rounding.

As of 31 December 2020, our portfolio projects were distributed between St. Petersburg and the Moscow Metropolitan Area, accounting for approximately 26% and 74% of the project portfolio's total unsold net sellable area, respectively. Subject to the assumptions set out in the Valuation Report, our beneficial interest in the portfolio amounted to USD 2.6 billion (RUB 191 billion) as of 31 December 2020.

The following table sets forth our portfolio projects by location as of 31 December 2020:

Location	Number of projects	Unsold NSA thousand sqm⁽¹⁾	Market Value of our beneficial share mln RUB
St. Petersburg.....	23	731,850	58,435
Moscow Metropolitan Area.....	37	2,108,538	132,455
Total	60	2,840,388	190,890

Source: Valuation Report

(1) Values may not sum to total due to rounding.

PORTFOLIO PROJECTS

Information on the project portfolio properties is provided in the table below, as extracted from the Valuation Report and as of 31 December 2020.

PROJECT PORTFOLIO OVERVIEW

Residential Real Estate Projects

						Total	Estimated				
						construction	outstanding	Market		NSA (5)	
<u>No.</u>	<u>Name</u>	<u>Location</u>	<u>Land tenure</u>	<u>Development stage (1)</u>	<u>Date of commissioning (2)</u>	<u>budget (3)</u>	<u>costs</u>	<u>value of</u>	<u>Site area</u>	<u>Total</u>	<u>Unsold</u>
						mln RUB	mln RUB	mln RUB	ha	sqm	(our share) sqm
Current Projects											
Current Projects in MMA											
1	ZIL-Yug	Moscow	Leasehold	Design stage	2023 - 2030	166,078	165,473	64,121	108.8	1,403,275	1,306,818
2	Letnikovskaya Street	Moscow	Leasehold	Design stage	2023	8,980	8,405	6,814	2.7	63,307	63,307
3	Fotievoi 5	Moscow	Leasehold	Design stage	2023	1,640	1,639	1,533	0.4	10,637	10,637
4	House on Elektrozavodskaya	Moscow	Leasehold	Design stage	2023	1,192	1,147	676	0.7	8,600	8,600
5	Zorge 3	Moscow	Leasehold	Design stage	2024	1,941	1,905	392	0.5	11,677	11,677
6	Bolshaya Cherkizovskaya st. 4	Moscow	Leasehold	Design stage	2022	556	556	714	0.3	7,096	7,096
7	Nagatino i-Land	Moscow	Leasehold	Construction	2021 - 2025	31,493	29,981	23,237	31.6	329,232	301,249
8	Silver Fountain	Moscow	Freehold	Construction	2019 - 2020, 2021, 2022	18,745	6,719	17,973	7.7	226,146	120,998
9	Normandy	Moscow	Freehold	Construction	2020, 2021	7,002	880	3,029	4.4	124,270	29,401
10	Wings (Lobachevskogo 120)	Moscow	Freehold	Construction	2021	16,087	7,782	2,769	8.0	184,357	48,034
11	Summer Garden	Moscow	Leasehold	Construction	2018 - 2019, 2021	17,409	4,022	1,494	12.9	277,613	36,292
12	Schastye na Semyonovskoi (Izmailovskoe shosse 20)	Moscow	Leasehold	Construction	2021	729	463	868	0.3	6,413	5,055
13	Schastye na Lomonosovskom	Moscow	Leasehold	Construction	2021	1,217	689	860	0.3	6,106	3,113
14	Emerald Hills	Moscow region	Freehold and investment contract	Construction	2011 - 2017, 2019, 2021	39,799	3,614	1,519	67.0	857,210	27,843
15	Gribki	Moscow region	Freehold	Design stage	2023	4,469	4,469	1,256	9.3	93,171	81,620
	Total Current Projects in MMA					317,337	237,743	127,255	—	3,609,111	2,061,739
Current Projects in St.Petersburg											
16	Galactica	Saint Petersburg	Freehold and investment contract	Construction	2018 - 2020, 2021, 2022	49,017	20,103	21,620	36.3	763,667	245,237
17	Petrovskiy Landmark (Petrovskiy Island)	Saint Petersburg	Freehold	Construction	2021	6,716	4,222	4,941	3.0	89,196	39,938
18	Etalon on the Neva (Nevskiy district)	Saint Petersburg	Freehold	Construction	2021	4,520	1,412	3,233	2.8	76,625	34,512

						Total	Estimated	Market			
				Development	Date of	construction	outstanding	value of		NSA (5)	Unsold
No.	Name	Location	Land tenure	stage (1)	commissioning (2)	budget (3)	costs	our share (4)	Site area	Total	(our share)
						mln RUB	mln RUB	mln RUB	ha	sqm	sqm
19	Domino	Saint Petersburg	Freehold	Construction	2022, 2023	3,262	2,965	2,696	2.1	38,786	32,925
20	Project on Chernigovskaya St	Saint Petersburg	Freehold	Construction	2022	8,939	6,557	5,359	7.0	110,109	67,758
	Total Current Projects in St.Petersburg					72,454	35,259	37,849	–	1,078,383	420,369
Completed Projects											
Completed Projects in MMA											
21	Etalon-City	Moscow	Leasehold	Completed	2018	18,387	845	1,725	14.9	365,968	12,317
22	Residence on Vsevolozhskiy (Vsevolozhskiy per., 5)	Moscow	Leasehold	Completed	2019	0	0	1,227	0.2	4,224	1,582
23	Schastye na Sokole (Usievicha st., 10B)	Moscow	Leasehold	Completed	2020	0	0	245	0.4	8,471	1,489
24	Schastye na Volgogradke (Fyodora Poletaeva 15A)	Moscow	Leasehold	Completed	2019	0	0	98	0.5	11,167	2,580
25	Schastye v Kuzminkah (Zelenodolskaya st., 41/2)	Moscow	Leasehold	Completed	2019	0	0	86	0.4	9,435	1,680
26	Schastye v Chertanovo (Chertanovskaya 59)	Moscow	Leasehold	Completed	2019	0	0	28	0.4	7,934	630
27	Schastye na Maslovke (Mishina 14)	Moscow	Leasehold	Completed	2019	0	0	61	0.3	6,722	1,050
28	Schastye v Olimpiyskoy Derevne (Olimpiyskaya Derevnja, 10/1)	Moscow	Leasehold	Completed	2019	0	0	136	0.3	6,422	1,255
29	Schastye v Veshnyakah (Veshnyakovskaya 18G)	Moscow	Leasehold	Completed	2019	0	0	102	0.4	6,426	867
30	Schastye na Dmitrovke (Sofyi Kovalevskoy st., 20)	Moscow	Leasehold	Completed	2019	0	0	52	0.4	6,635	501
31	Residence na Pokrovskom (Pokrovskiy blvr 5/2)	Moscow	Leasehold	Completed	2019	0	0	61	0.2	5,949	300
32	Schastye na Leninskom (Leninskiy 154)	Moscow	Leasehold	Completed	2019	0	0	61	0.3	6,070	575
33	Schastye na Presne (Krasnogvardeyskiy 15 bldg. 2)	Moscow	Leasehold	Completed	2020	0	0	66	0.3	6,128	161
34	Schastye v Kuskovo (Veshnyakovskaya st., 10)	Moscow	Leasehold	Completed	2020	0	0	89	0.3	5,978	808
35	Schastye v Mnevnikhakh	Moscow	Leasehold	Completed	2018	0	0	67	0.4	7,687	510
36	Schastye na Izumrudnoy	Moscow	Leasehold	Completed	2015	0	0	66	0.5	10,390	1,246
37	Schastye na Serpukhovke	Moscow	Leasehold	Completed	2015	0	0	74	0.2	4,464	1,260
38	Schastye na Tulskoy	Moscow	Leasehold	Completed	2015	0	0	55	0.3	6,612	1,020
39	Schastye na Taganke	Moscow	Leasehold	Completed	2016	0	0	61	0.6	11,397	1,050
40	Golden Star	Moscow	Freehold	Completed	2017	0	0	103	3.6	85,434	1,369
41	Klubny dom na Sretenke	Moscow	Leasehold	Completed	2017	0	0	205	0.3	8,153	1,260
42	Andropova 18	Moscow	Leasehold	Completed	–	0	0	532	–	13,440	13,290

						Total	Estimated	Market		NSA (5)	
				Development	Date of	construction	outstanding	value of			Unsold
No.	Name	Location	Land tenure	stage (1)	commissioning (2)	budget (3)	costs	our share (4)	Site area	Total	(our share)
						mln RUB	mln RUB	mln RUB	ha	sqm	sqm
	<i>Total Completed Projects in MMA</i>					<u>18,387</u>	<u>845</u>	<u>5,200</u>	–	<u>605,105</u>	<u>46,800</u>
<i>Completed Projects in St.Petersburg</i>											
43	Okhta House	Saint Petersburg	Freehold	Completed	2020	6,768	873	5,849	4.2	130,476	66,324
44	Botanica	Saint Petersburg	Freehold	Completed	2020	0	0	3,220	1.5	47,191	16,873
45	Morskaya zvezda	Saint Petersburg	Freehold	Completed	2019	0	0	678	1.9	60,153	5,403
46	House on Kosmonavtov	Saint Petersburg	Freehold	Completed	2020	0	0	642	1.0	26,197	5,335
47	Fusion	Saint Petersburg	Freehold	Completed	2019	0	0	927	0.3	14,036	4,030
48	Jubilee Estate	Saint Petersburg	Freehold	Completed	2012	0	0	3,083	35.4	605,515	44,761
49	Swallow's Nest	Saint Petersburg	Freehold	Completed	2015	0	0	1,103	14.8	334,008	21,774
50	Tsar's Capital	Saint Petersburg	Freehold	Completed	2016	0	0	2,723	20.8	390,138	65,808
51	Samotsvety	Saint Petersburg	Freehold	Completed	2018	0	0	697	8.4	209,262	32,959
52	Rechnoy	Saint Petersburg	Freehold	Completed	2014	0	0	459	2.2	110,253	7,125
53	Landyshy	Saint Petersburg	Freehold	Completed	2017	0	0	215	3.1	91,704	7,074
54	Molodejny	Saint Petersburg	Freehold	Completed	2014	0	0	188	3.6	107,063	8,310
55	Orbita	Saint Petersburg	Freehold	Completed	2012	0	0	146	6.9	206,793	4,410
56	House on Blyukhera (Kalininskiy district)	Saint Petersburg	Freehold	Completed	2019	4,995	361	26	4.9	104,944	3,031
57	Moscow Gates	Saint Petersburg	Freehold and leasehold	Completed	2017	1,498	722	0	12.7	225,729	9,960
58	Letniy	Saint Petersburg	Freehold	Completed	2013	0	0	39	2.1	63,166	120
	<i>Total Completed Projects in St. Petersburg</i>					<u>13,261</u>	<u>1,957</u>	<u>19,995</u>	–	<u>2,726,628</u>	<u>303,295</u>
	<u>Total Residential Development Projects</u>					<u>421,439</u>	<u>275,804</u>	<u>190,299</u>	–	<u>8,019,228</u>	<u>2,832,202</u>

Notes:

- (1) For a detailed explanation of our classification of various stages of development, see “— *Portfolio Projects*” above.

- (2) For projects under construction or in the design stage, the date of commissioning estimated by us is reflected.
- (3) Construction costs have been assessed in accordance with standard rates in the market that a third party developer would expect to incur in the course of development of each proposed scheme. All construction/ outstanding construction budgets have been provided by us to Colliers and double-checked by Colliers based on the information provided to Colliers on other similar valuation instructions. Colliers has concluded that the construction/ outstanding construction budgets provided by us to Colliers fall into the range of appropriate construction costs which a third party developer is expected to pay in the present market.
- (4) The Market Value is defined as the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
- (5) NSA refers to the net sellable/leasable area, including parking lots.

Commercial Real Estate Projects

					Market value of	Net sellable/leasable area (3)			
			Development	Date of	our share (2)	Total	Unsold	Estimated market	Estimated market
No.	Name	Location	stage (1)	commissioning	mln RUB	sqm	(our share)	rental income (4)	rental rates
							sqm	mln RUB	RUB/sqm or
								per annum	lot/year
1	BC Na Smolenke	Saint Petersburg	Completed	2009	532	7,356.0	7,356.0	72.487	11,200
2	Dunaysky Ave	Saint Petersburg	Completed	2016	59	830.3	830.3	7.805	9,400
	Total Commercial Projects				591	8,186	8,186		

Notes:

- (1) For a detailed explanation of our classification of various stages of development, see “— Portfolio Projects” above.
- (2) The Market Value is defined as the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
- (3) NSA refers to the net sellable/leasable area, including parking lots.
- (4) Estimated market rental income and rates include OPEX but are net of VAT.

Description of our Portfolio Projects

A summary description of each of our portfolio projects is set out below as of 31 December 2020, unless otherwise indicated.

The Market Value of each of our portfolio projects indicated below is assessed by Colliers as the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

For a full discussion of how the Market Value is determined and for more information on the types of costs that are included in Colliers's cost estimate see the Valuation Report and "— *Valuation of Our Properties*." For a full discussion of the portfolio projects, valuation, valuation methodology, cost calculations and assumptions, please refer to the Valuation Report prepared by Colliers that is included in Annex A to this Prospectus.

Residential Real Estate Projects

St. Petersburg

1. Galactica

Description:

The project is a comfort class residential complex consisting of several 9-19-storey buildings, some of which have been commissioned.

The complex comprises commercial premises, parking, kindergartens, a clinic and business centres.

The development envisages a total net sellable area of approximately 763,667 square metres, of which our share is 612,471 square metres. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 21,620,000,000.

Location:

The complex is located in the Admiralteysky district of St. Petersburg.

The complex has good transport and pedestrian accessibility. The nearest metro stations "Frunzenskaya" and "Moskovskie Vorota" are within 10-15 minutes' walking distance.

Residential, public and business facilities (business centres, shops, educational facilities) are located nearby.

Stage of development:

Construction

2. Moscow gates

Description:

The project is a comfort class residential complex, consisting of six 12-18-storey buildings.

The complex comprises commercial premises, underground parking, a detached multi-level parking and a kindergarten. In addition, a school is planned, which is under construction.

The development envisages a total net sellable area of approximately 225,729 square metres, of which our share is 201,155 square metres. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 1.

Location:

The complex is located in the Moskovsky district of St. Petersburg.

The complex has good transport and pedestrian accessibility. The nearest metro station "Moskovskie Vorota" is within 0.9 kilometres.

Various public and business properties (business centres, shops, educational facilities), as well as residential properties are located in the neighbourhood.

Stage of development:

Completed

3. Okhta House

Description:

The project is a comfort class residential complex consisting of several 19-21-storey buildings.

The complex includes commercial premises, underground parking, a detached multi-level parking and a kindergarten for 140 children.

The development envisages a total net sellable area of approximately 130,476 square metres, of which our share is 127,903 square metres. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 5,849,000,000.

Location:

The complex is located in the Krasnogvardeisky district of St. Petersburg.

The nearest metro station “Ladozhskaya” is within 3.3 kilometres. The complex is located not far from the main highways of the district, including Revolutsii Highway, Energetikov Ave, Industrialny Ave, Potapova Street, Irinovsky Ave. Armashovsky Square, Polyustrovsky Park, Small and Big Ilyinsky Gardens. The Ring Road is within 5.5 kilometres.

Various public and business properties (educational facilities, clinics and shops) are located in the neighbourhood.

Stage of development:

Completed

4. House on Blukhera

Description:

The project is a comfort class residential complex consisting of two 17-storey buildings.

The complex includes commercial premises and a detached multi-level parking. According to the project, a kindergarten is planned, which is under construction.

The development envisages a total net sellable area of approximately 104,944 square metres, of which our share is 91,255 square metres. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 26,000,000.

Location:

The complex is located in the Kalininsky district of St. Petersburg.

The nearest metro stations “Lesnaya” and “Ploshchad Vuzhstva” are within 1.5 kilometres.

The park of Lesotekhnicheskaya Academy and Piskarevsky Park are located nearby. Residential, public and business facilities (educational facilities, business centres and shops) are located in the neighbourhood.

Stage of development:

Completed

5. Petrovskiy Landmark

Description:

The project is a business class residential complex consisting of three 6-9-storey buildings.

It is planned to build a kindergarten on the territory, and also commercial premises (shops, beauty salons, medical facilities, pharmacies) will be located on the ground floors.

The development envisages a total net sellable area of approximately 89,196 square metres, of which our share is 73,296 square metres. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 4,941,000,000.

Location:

The complex is located on the bank of the Malaya Neva, on Petrovsky Island, in the Petrogradsky district of St. Petersburg.

The nearest metro station “Krestovsky Ostrov” is located in 1.7 kilometres. The historical centre of the city is within 10 minutes’ transport accessibility. The major highways - Petrovsky Ave, Betancourt Bridge and others - are located not far from the residential complex. The windows of the apartments on both sides will overlook water: the Malaya Neva and the South Harbor.

Residential complexes of business and premium segment are located next to the development. Parks, restaurants, recreation facilities, mainly of the high segment, as well as an amusement park and healthcare properties are located nearby.

Stage of development:

Construction

6. Etalon on the Neva

Description:

The project is a business light class residential complex consisting of two 2-18-storey buildings.

It is planned to build a kindergarten and aboveground and underground parking on the territory.

The development envisages a total net sellable area of approximately 76,625 square metres, of which our share is 75,128 square metres. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 3,233,000,000.

Location:

The complex is located in the Nevsky district of St. Petersburg, on the bank of the Neva River, on the first coastline.

The nearest metro station “Elizavetskaya” is within 0.7 kilometres (8 minutes’ walking distance). The nearest bridges are Volodarsky and Alexandra Nevskogo. The historical centre of the city is within 10 minutes’ transport accessibility from the complex. 70% of the windows have a river view. Smolensky Garden, Krupskaya Garden, Park named after Babushkin, Factory Garden are in the neighbourhood.

Residential, public and business facilities (educational facilities and shops) are located nearby.

Stage of development:

Construction

7. Morskaya Zvezda

Description:

The project is a comfort class residential complex comprising a single 8-25-storey building.

The complex includes commercial premises and a parking.

The development envisages a total net sellable area of approximately 60,153 square metres, of which our share is 31,335 square metres. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 678,000,000.

Location:

The complex is located in the Primorsky district of St. Petersburg.

The nearest metro station “Begovaya” is within 2.0 kilometres. The complex has good transport accessibility (Planernaya, Savushkina, Shkolnaya, Beloostrovskaya Streets, Lakhtinsky Ave, Primorskoe Highway, Bogatyrsky Ave, Western High Speed Diameter). Yuntolovsky forest park, Lake Lakhtinsky spill, Lake Dolgoe park and the park of the 300th anniversary of St. Petersburg are located nearby.

The immediate environment of the complex includes residential, public and business facilities (kindergartens, schools, sports facilities and shops).

Stage of development:

Completed

8. Botanica

Description:

The project is a business class residential complex consisting of two 9-storey buildings.

The complex comprises commercial premises and an underground parking.

The development envisages a total net sellable area of approximately 47,191 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 3,220,000,000.

Location:

The complex is located in the Petrogradsky district of St. Petersburg.

The nearest metro station “Petrogradskaya” is within 1.0 kilometres (12 minutes’ walking distance). The historical centre of the city is within 10 minutes’ transport accessibility. Aptekarskaya Embankment, Medikov Ave, Instrumentalnaya and Professora Popova Streets are located nearby. The Botanic Garden is in the neighbourhood.

The immediate environment of the complex includes residential, public and business facilities (educational facilities, properties of cultural and historical significance, business centres and shops).

Stage of development:

Completed

9. Domino

Description:

The project is a comfort class residential complex consisting of a single 10-storey building with commercial premises and parking.

The development envisages a total net sellable area of approximately 38,786 square metres, of which our share is 100%. As of 31

December 2020, Colliers assessed the Market Value of our interest in the development at RUB 2,696,000,000.

Location:

The complex is located in the Primorsky district of St. Petersburg.

The complex has good transport and pedestrian accessibility. The nearest metro station “Chernaya Rechka” is within 7 minutes’ walking distance.

Residential, public and business facilities (business centres, shops and educational facilities) are located nearby.

Stage of development:

Construction

10. House on Kosmonavtov

Description:

The project is a comfort class residential complex consisting of a single 25-storey building.

The complex comprises commercial premises, an underground parking and an attached kindergarten building.

The development envisages a total net sellable area of approximately 26,197 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 642,000,000.

Location:

The complex is located in the Moskovsky district of St. Petersburg.

The nearest metro station “Zvezdnaya” is within 0.8 kilometres (9 minutes’ walking distance).

The immediate environment of the complex includes residential, public and business facilities (SEC “Continent” with the Prisma hypermarket, “Aleko” theatre, “Moskovskaya Zastava” stadium, “GAZPROM” sports complex, “Tin” modern youth sports centre, “Musketeer” sports club), as well as recreation facilities such as Pulkovo Park, Dimitrov Square and Moscow Victory Park.

Stage of development:

Completed

11. Fusion

Description:

The project is a business class residential complex consisting of a single 9-storey building.

The complex comprises commercial premises, a kindergarten and an underground parking.

The development envisages a total net sellable area of approximately 14,036 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 927,000,000.

Location:

The complex is located in the Vyborgsky district of St. Petersburg.

The nearest metro station “Vyborgskaya” is within 0.6 kilometres (7 minutes’ walking distance).

The immediate environment of the complex includes residential, public and business facilities (educational facilities, business centres and shops), as well as recreation facilities (Grenadiersky, Vyborgsky, Sapmsonievsky and Botanic Gardens).

<i>Stage of development:</i>	Completed
12. Project on Chernigovskaya st.	
<i>Description:</i>	<p>The project is a business-light class residential complex consisting of six 8-12-storey buildings.</p> <p>The complex will comprise commercial premises, two kindergartens and a detached multi-level parking.</p> <p>The development envisages a total net sellable area of approximately 110,109 square metres, of which our share is 104,954 square metres. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 5,359,000,000.</p>
<i>Location:</i>	<p>The complex is located in the Moskovsky district of St. Petersburg.</p> <p>The nearest metro station “Moskovskie Vorota” is within 0.9 kilometres (11 minutes’ walking distance).</p> <p>The immediate environment of the complex includes residential, public and business facilities (educational facilities, business centres and shops).</p>
<i>Stage of development:</i>	Construction
13. Samotsvety	
<i>Description:</i>	<p>The project is a comfort class residential complex consisting of four 13-storey buildings.</p> <p>The complex comprises commercial premises, an underground parking and a kindergarten.</p> <p>The development envisages a total net sellable area of approximately 209,262 square metres, of which our share is 204,053 square metres. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 697,000,000.</p>
<i>Location:</i>	<p>The complex is located in the Vasileostrovsky district of St. Petersburg.</p> <p>The nearest metro station “Vasileostrovskaya” is within 0.9 kilometres (10 minutes’ walking distance).</p> <p>The immediate environment of the complex includes residential, public and business facilities (educational facilities, business centres and shops).</p>
<i>Stage of development:</i>	Completed
14. Jubilee Estate	
<i>Description:</i>	<p>The project is a comfort class residential complex consisting of thirteen 16-25-storey buildings.</p> <p>The complex comprises commercial premises, an underground parking and a kindergarten. In addition, two hypermarkets operate on the territory of the Jubilee Quarter: K-Ruoka and O’Key Express.</p> <p>The development envisages a total net sellable area of approximately 605,515 square metres, of which our share is 100%. As of 31</p>

December 2020, Colliers assessed the Market Value of our interest in the development at RUB 3,083,000,000.

Location:

The complex is located in the Primorsky district of St. Petersburg.

The nearest metro station “Komendantsky Prospekt” is within 3.4 kilometres.

The immediate environment of the complex includes residential, public and business facilities (educational facilities, shops and the Gazprom sports complex), as well as recreation facilities (Novoorlovsky Forest Park and Yuntolovsky Reserve).

Stage of development:

Completed

15. Landyshy

Description:

The project is a comfort class residential complex consisting of two 11-16-storey buildings.

The complex has commercial premises, a large sports area and two attached multi-level parking.

The development envisages a total net sellable area of approximately 91,704 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 215,000,000.

Location:

The complex is located in the Kalininsky district of St. Petersburg.

The nearest metro station “Lesnaya” is within 2.7 kilometres.

The immediate environment of the complex includes residential, public and business facilities (educational facilities, shops and business centres).

Stage of development:

Completed

16. Orbita

Description:

The project is a comfort class residential complex consisting of four 17-24-storey buildings.

The complex comprises commercial premises, a municipal kindergarten and two private underground parking.

The development envisages a total net sellable area of approximately 206,793 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 146,000,000.

Location:

The complex is located in the Kalininsky district of St. Petersburg.

The nearest metro station “Akademicheskaya” is within 1.1 kilometres (13 minutes’ walking distance).

The immediate environment of the complex includes residential, public and business facilities (educational facilities, shops, SEC “Academ-Park” and the Academic shopping centre).

Stage of development:

Completed

17. Letniy

Description: The project is a comfort class residential complex consisting of three 24-storey buildings.

The complex comprises commercial premises and a detached multi-level parking.

The development envisages a total net sellable area of approximately 63,166 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 39,000,000.

Location: The complex is located in the Moskovsky district of St. Petersburg.

The nearest metro station “Zvezdnaya” is within 2.7 kilometres.

The immediate environment of the complex includes residential, public and business facilities (educational facilities, shops, supermarkets “O’key”, “OBI”, “Metro”, a swimming pool, Gazprom sports complex), as well as recreation facilities (“Dubovaya Roscha” garden).

Stage of development: Completed

18. Rechnoy

Description: The project is a comfort class residential complex consisting of six 28-storey buildings.

The complex has commercial premises, an underground parking, and a kindergarten in the courtyard.

The development envisages a total net sellable area of approximately 110,253 square metres, of which our share is 93,944 square metres. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 459,000,000.

Location: The complex is located in the Nevsky district of St. Petersburg.

The nearest metro station “Rybatskoye” is within 1.4 kilometres (17 minutes’ walking distance).

The immediate environment of the complex includes residential, public and business facilities (educational facilities, shops, supermarkets and sports complexes).

Stage of development: Completed

19. Swallow’s Nest

Description: The project is a comfort class residential complex consisting of twelve 18-24-storey buildings.

The complex comprises commercial premises and an attached multi-level parking. A school and a kindergarten are located on the territory. In addition, there are children’s and adults’ polyclinics located on the ground floors of the buildings.

The development envisages a total net sellable area of approximately 334,008 square metres, of which our share is 312,878 square metres. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 1,103,000,000.

Location: The complex is located in the Nevsky district of St. Petersburg.

The nearest metro station “Lomonosovskaya” is within 5 kilometres.

The immediate environment of the complex includes residential, public and business facilities (educational facilities, shops, hypermarkets and sports complexes).

Stage of development: Completed

20. Molodejny

Description: The project is a comfort class residential complex consisting of a single 23-storey building.

The complex comprises commercial premises, a kindergarten and an underground parking.

The development envisages a total net sellable area of approximately 107,063 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 188,000,000.

Location: The complex is located in the Nevsky district of St. Petersburg.

The nearest metro station “Proletarskaya” is within 0.3 kilometres (3 minutes’ walking distance).

The immediate environment of the complex includes residential, public and business facilities (educational facilities and shops), as well as recreation facilities (Kurakina Dacha Garden).

Stage of development: Completed

21. Tsar’s Capital

Description: The project is a comfort class residential complex consisting of fifteen 7-12-storey buildings.

The complex has commercial premises, a kindergarten and an underground parking.

The development envisages a total net sellable area of approximately 390,138 square metres, of which our share is 301,395 square metres. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 2,723,000,000.

Location: The complex is located in the Centralny district of St. Petersburg.

The nearest metro station “Ploshchad Vosstaniya” is within 1.3 kilometres (15 minutes’ walking distance).

The immediate environment of the complex includes residential, public and business facilities (educational facilities, shops, business centres and hotels).

Stage of development: Completed

Moscow

22. Etalon-City

Description:

The project is a business class residential complex consisting of nine 23-31-storey buildings.

The complex comprises commercial premises and an underground parking. There are also a kindergarten, a school, a fitness centre, a pool and a shopping complex on the territory of the complex.

The development envisages a total net sellable area of approximately 365,968 square metres, of which our share is 320,842 square metres. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 1,725,000,000.

Location:

The complex is located in the South-Western Administrative district of Moscow.

The nearest metro station “Skobelevskaya Street” is within 2.5 kilometres.

The immediate environment of the complex includes residential, public and business facilities (educational facilities and shops), as well as recreation facilities (Butovsky Forest Park).

Stage of development:

Completed

23. Summer Garden

Description:

The project is a comfort class residential complex consisting of several 12-21-storey buildings, some of which have been commissioned.

The complex comprises commercial premises and an underground parking. There are also kindergartens, a school for 800 children and a clinic on the territory of the complex.

The development envisages a total net sellable area of approximately 277,613 square metres, of which our share is 229,645 square metres. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 1,494,000,000.

Location:

The complex is located in the Northern Administrative district of Moscow.

The nearest metro station “Seligerskaya” is within 1.6 kilometres.

The immediate environment of the complex includes residential, public and business facilities (educational facilities and shops), as well as recreation facilities (Dmitrovsky park, VISKHOM park and Angarsky ponds park).

Stage of development:

Construction

24. Silver Fountain

Description:

The project is a business class residential complex consisting of several 3-20-storey buildings, some of which have been commissioned.

The complex has commercial premises, an underground parking and a kindergarten.

The development envisages a total net sellable area of approximately 226,146 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 17,973,000,000.

Location:

The complex is located in the Northeast Administrative district of Moscow.

The nearest metro station “Alekseevskaya” is within 0.9 kilometres (10 minutes’ walking distance).

The immediate environment of the complex includes residential, public and business facilities (educational facilities and shops).

Stage of development:

Construction

25. Normandy

Description:

The project is a comfort class residential complex consisting of several 7-24-storey buildings.

The complex comprises commercial premises, an underground parking, a kindergarten and an elementary school.

The development envisages a total net sellable area of approximately 124,270 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 3,029,000,000.

Location:

The complex is located in the Northeast Administrative district of Moscow.

The nearest metro station “Medvedkovo” is within 1.7 kilometres.

The immediate environment of the complex includes residential, public and business facilities (educational facilities and shops), as well as recreation facilities (Torfyanka and Dzhamgarovsky parks).

Stage of development:

Construction

26. Golden Star

Description:

The project is a comfort class residential complex consisting of four 7-24-storey buildings.

The complex has commercial premises, an underground parking, a kindergarten and an elementary school.

The development envisages a total net sellable area of approximately 85,434 square metres, of which our share is 77,104 square metres. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 103,000,000.

Location:

The complex is located in the Eastern Administrative district of Moscow.

The nearest metro station “Enthusiasts Highway” is within 0.6 kilometres (7 minutes’ walking distance).

The immediate environment of the complex includes residential, public and business facilities (educational facilities and shops), as well recreation facilities (Izmailovsky Park).

<i>Stage of development:</i>	Completed
27. Letnikovskaya street	
<i>Description:</i>	<p>The project is a business class residential complex.</p> <p>The complex comprises commercial premises and an underground parking.</p> <p>The development envisages a total net sellable area of approximately 63,307 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 6,814,000,000.</p>
<i>Location:</i>	<p>The complex is located in the Central Administrative district of Moscow.</p> <p>The nearest metro station “Paveletskaya” is within 1.2 kilometres (14 minutes’ walking distance).</p> <p>The immediate environment of the complex includes residential, public and business facilities (educational facilities, shops, business centres and hotels).</p>
<i>Stage of development:</i>	Design
28. ZIL-Yug, Moscow	
<i>Description:</i>	<p>The complex is a business class residential complex.</p> <p>The complex comprises commercial premises, a parking and social facilities.</p> <p>The development envisages a total net sellable area of approximately 1,403,275 square metres, of which our share is 1,306,818 square metres. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 64,121,000,000.</p>
<i>Location:</i>	<p>The complex is located in the Southern Administrative district of Moscow.</p> <p>The nearest metro station “MCK ZIL” is within 0.5 kilometres (6 minutes’ walking distance).</p> <p>The immediate environment of the complex includes residential, public and business facilities (educational facilities and shops), as well as recreation facilities (Tyufel Grove and Kozhukhovo parks).</p>
<i>Stage of development:</i>	Design
29. Nagatino I-Land	
<i>Description:</i>	<p>The project is a business class residential complex consisting of several 5-22-storey buildings.</p> <p>The complex comprises commercial premises, an underground parking, four kindergartens and a school.</p> <p>The development envisages a total net sellable area of approximately 329,232 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 23,237,000,000.</p>

Location: The complex is located in the Southern Administrative district of Moscow.

The nearest metro station “Technopark” is within 1.4 kilometres (16 minutes’ walking distance).

The immediate environment of the complex includes residential, public and business facilities (educational facilities and shops), as well as recreation facilities (Tyufel Grove and Nagatinsky floodplain parks).

Stage of development: Construction

30. Wings

Description: The project is a business class residential complex consisting of several 21-39-storey buildings.

The complex comprises commercial premises, an underground parking, a recreational area with a pond, a kindergarten, a school, a retail and office centre.

The development envisages a total net sellable area of approximately 184,357 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 2,769,000,000.

Location: The complex is located in the Western Administrative district of Moscow.

The nearest metro station “Michurinsky Prospect” is within 1.7 kilometres.

The immediate environment of the complex includes residential, public and business facilities (educational facilities and shops), as well as recreation facilities (parks of the “Olympic Village” and “Named after the 50th anniversary of the October Revolution”).

Stage of development: Construction

31. Zorge st., 3

Description: The project is a complex of business class apartments.

The complex comprises commercial premises and a parking.

The development envisages a total net sellable area of approximately 11,677 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 392,000,000.

Location: The property is located in the Northern Administrative district of Moscow.

The nearest metro station “Polezhaevskaya” is within 5 minutes’ walking distance.

The immediate environment of the complex includes residential, public and business facilities (educational and medical), as well as recreation facilities (Birch Grove Park).

Stage of development: Design

32. Schastye na Volgogradke

Description:

The project is a comfort class residential complex consisting of a single 16-storey building.

The complex comprises commercial premises and an underground parking.

The development envisages a total net sellable area of approximately 11,167 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 98,000,000.

Location:

The complex is located in the Southeastern Administrative district of Moscow.

The nearest metro station “Ryazansky Prospekt” is within 1.1 kilometres (12 minutes’ walking distance).

The immediate environment of the complex includes residential, public and business facilities (educational facilities and shops), as well as recreation facilities (the square named after Hero of the Soviet Union Fedor Poletaev, the Kuzminki-Lyublino Natural History Park and the Kuskovsky Forest Park).

Stage of development:

Completed

33. Fotievoi 5

Description:

The project is a premium class residential complex.

The complex comprises commercial premises and a parking.

The development envisages a total net sellable area of approximately 10,637 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 1,533,000,000.

Location:

The complex is located in the South-Western Administrative district of Moscow.

The complex has good transport accessibility and pedestrian accessibility. The nearest metro stations “Vorobyovy Gory” and “Universitet” are within 15 minutes.

The neighbourhood comprises residential, public and business facilities (educational facilities, healthcare and trade facilities), as well as recreation facilities (Vorobyovy Gory Nature Reserve, Botanical Garden of Moscow State University and Park named after Gorky).

Stage of development:

Design

34. Schastye v Kuzminkah

Description:

The project is a comfort class residential complex consisting of a single 15-storey building.

The complex comprises commercial premises and a parking.

The development envisages a total net sellable area of approximately 9,435 square metres, of which our share is 100%. As of 31 December

2020, Colliers assessed the Market Value of our interest in the development at RUB 86,000,000.

Location:

The complex is located in the Southeastern Administrative district of Moscow.

The nearest metro station “Kuzminki” is within 0.3 kilometres (4 minutes’ walking distance).

The immediate environment of the complex includes residential, public and business facilities (educational facilities and shops), as well as recreation facilities (Kuzminsky Forest Park, Shkuleva Park, Lublin Park and Lublin Ponds, Twelve Rays Park).

Stage of development:

Completed

35. *Electrozavodskaya 60*

Description:

The project is a comfort class residential complex consisting of a single building.

The complex comprises commercial premises and a parking.

The development envisages a total net sellable area of approximately 8,600 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 676,000,000.

Location:

The complex is located in the Eastern Administrative district of Moscow.

The nearest metro station “Preobrazhenskaya Ploshchad” is within 0.6 km (7 minutes’ walking distance).

Stage of development:

Design

36. *Schastye na Sokole*

Description:

The project is a business class residential complex consisting of two 5-10-storey buildings.

The complex comprises commercial premises and a parking.

The development envisages a total net sellable area of approximately 8,471 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 245,000,000.

Location:

The complex is located in the Northern Administrative district of Moscow.

The nearest metro station “Airport” is within 0.8 kilometres (9 minutes’ walking distance).

The immediate environment of the complex includes residential, public and business facilities (educational facilities and shops), as well as recreation facilities (Timiryazevsky Park and Dendrological Garden).

Stage of development:

Completed

37. Schastye v Chertanovo

Description:

The project is a comfort class residential complex consisting of a single 14-storey building.

The complex comprises commercial premises and a parking.

The development envisages a total net sellable area of approximately 7,934 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 28,000,000.

Location:

The complex is located in the Southern Administrative district of Moscow.

The nearest metro station “Akademika Yangelya Street” is within 1.2 kilometres (14 minutes’ walking distance).

The immediate environment of the complex includes residential, public and business facilities (educational facilities and shops), as well as recreation facilities (Bitsevsky forest, Narodny Park, Rodnaya Gavan’ and the cascade of Kirovograd ponds).

Stage of development:

Completed

38. Schastye na Maslovke

Description:

The project is a comfort class residential complex consisting of a single 7-storey building.

The complex comprises commercial premises, an underground parking and a children’s development centre.

The development envisages a total net sellable area of approximately 6,722 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 61,000,000.

Location:

The complex is located in the Northern district of Moscow.

The nearest metro station “Dynamo” is within 1 kilometres (12 minutes’ walking distance).

The immediate environment of the complex includes residential, public and business facilities (educational facilities and shops), as well as recreation facilities (Petrovsky Park).

Stage of development:

Completed

39. Schastye v Olimpiyskoy Derevne

Description:

The project is a business class residential complex consisting of a single 14-storey building.

The complex comprises commercial premises and a parking.

The development envisages a total net sellable area of approximately 6,422 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 136,000,000.

Location:

The complex is located in the Western Administrative district of Moscow.

	<p>The nearest metro station “Ozernaya” is within 1.5 kilometres.</p> <p>The immediate environment of the complex includes high-end residential, public and business facilities (educational, trade and sports facilities), as well as recreation facilities (Vorobyovy Gory Nature Reserve and Botanical Garden of Moscow State University).</p>
<i>Stage of development:</i>	Completed
40. Schastye v Veshnyakah	
<i>Description:</i>	<p>The project is a comfort class residential complex consisting of a single 11-13-storey building.</p> <p>The complex comprises commercial premises and a parking.</p> <p>The development envisages a total net sellable area of approximately 6,426 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 102,000,000.</p>
<i>Location:</i>	<p>The complex is located in the Eastern Administrative district of Moscow.</p> <p>The nearest metro station “Vykhino” is within 10 minutes’ walking distance.</p> <p>The immediate environment of the complex includes residential, public and business facilities (educational and trade facilities), as well as recreation facilities (Rainbow Park and Kuskovsky Forest Park).</p>
<i>Stage of development:</i>	Completed
41. Schastye na Dmitrovke	
<i>Description:</i>	<p>The project is a comfort class residential complex consisting of a single 15-storey building.</p> <p>The complex comprises commercial premises and a parking.</p> <p>The development envisages a total net sellable area of approximately 6,635 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 52,000,000.</p>
<i>Location:</i>	<p>The complex is located in the Northern Administrative District of Moscow.</p> <p>The nearest metro station “Seligerskaya” is located within 10 minutes’ transport accessibility.</p> <p>The immediate environment of the complex includes residential, public and business buildings (educational and shopping facilities), as well as recreation facilities (Vanogoremont Park and Angarskiye Prudy Park).</p>
<i>Stage of development:</i>	Completed
42. Schastye na Semenovskoi	
<i>Description:</i>	<p>The project is a comfort class residential complex consisting of a single 13-storey building.</p>

The complex comprises commercial premises and a parking.

The development envisages a total net sellable area of approximately 6,413 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 868,000,000.

Location:

The complex is located in the Eastern Administrative district of Moscow.

The nearest metro station “Semenovskaya” is within 7 minutes’ walking distance.

The immediate environment of the complex includes residential, public and business facilities (educational and shopping facilities), as well as recreation facilities (Semenovsky Park and Semenovsky Square).

Stage of development:

Construction

43. Schastye na Lomonosovskom

Description:

The project is a premium class residential complex consisting of a single 13-storey building.

The complex comprises commercial premises and a parking.

The development envisages a total net sellable area of approximately 6,106 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 860,000,000.

Location:

The complex is located in the Western Administrative district of Moscow.

The nearest metro station “Lomonosovsky Prospect” is within 4 minutes’ walking distance.

The immediate environment of the complex includes high-end residential, public and business facilities (educational, shopping and sports facilities), as well as recreation facilities (Vorobyovy Gory Nature Reserve and Botanical Garden of Moscow State University).

Stage of development:

Construction

44. Residence na Pokrovskom

Description:

The project is a premium class residential complex consisting of a single 7-storey building.

The complex comprises commercial premises and a parking.

The development envisages a total net sellable area of approximately 5,949 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 61,000,000.

Location:

The complex is located in the Central Administrative district of Moscow.

The complex is located within 1.6 kilometres from the Kremlin, and the nearest metro station “Kurskaya” is within 10 minutes’ walking distance.

The immediate environment of the complex includes high-end residential, public and business facilities (places of interest and shopping facilities).

Stage of development:

Completed

45. Schastye na Leninskom

Description:

The project is a business class residential complex consisting of a single 12-storey building.

The complex comprises commercial premises and a parking.

The development envisages a total net sellable area of approximately 6,070 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 61,000,000.

Location:

The complex is located in the Western Administrative district of Moscow.

The nearest metro station “South-West” is within 10 minutes’ walking distance.

The immediate environment of the complex includes residential, public and business facilities (educational, healthcare and trade facilities), as well as recreation facilities (Troparevsky and South-West forest parks).

Stage of development:

Completed

46. Schastye na Presne

Description:

The project is a business class residential complex consisting of a single 19-21-storey building.

The complex comprises commercial premises and a parking.

The development envisages a total net sellable area of approximately 6,128 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 66,000,000.

Location:

The complex is located in the Central Administrative District of Moscow.

The complex is located in the centre of business activity of the city. The nearest metro stations “Ulitsa 1905 goda” and MIBC “Moscow City” are within 20 minutes’ walking distance.

The immediate environment of the complex includes residential, public and business facilities (business centres, hotels, trade and healthcare facilities), as well as recreation facilities (Krasnogvardeysky Ponds Park and Krasnaya Presnya Park).

Stage of development:

Completed

47. Schastye v Kuskovo

Description:

The project is a business class residential complex consisting of a single 11-storey building.

The complex includes commercial premises and a parking.

The development envisages a total net sellable area of approximately 5,978 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 89,000,000.

Location:

The complex is located in the Eastern Administrative district of Moscow.

The nearest metro stations “Novogireevo” and “Vykhino” are within 15-20 minutes’ walking distance.

The immediate environment of the complex includes residential, public and business buildings (educational and shopping facilities), as well as recreation facilities (Rainbow Park and Kuskovsky Forest Park).

Stage of development:

Completed

48. Bolshaya Cherkizovskaya st, 4

Description:

The project is a business class residential complex.

The complex includes commercial premises and a parking.

The development envisages a total net sellable area of approximately 7,096 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 714,000,000.

Location:

The Property is located in the Eastern Administrative district of Moscow.

The nearest metro station “Preobrazhenskaya Square” is within 3 minutes’ walking distance.

The immediate environment of the complex includes residential, public and business buildings (educational and shopping facilities). Sokolniki Park is located within 20 minutes’ walking distance.

Stage of development:

Design

49. Residence on Vsevolozhskiy

Description:

The project is a deluxe residential complex consisting of a single 6-storey building.

The complex comprises commercial premises and a parking.

The development envisages a total net sellable area of approximately 4,224 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 1,227,000,000.

Location:

The complex is located in the Central Administrative district of Moscow, in the historical centre of the city, on the site between the Kremlin and the Garden Ring, within the prestigious Khamovniki district.

Boulevard Ring, Prechistenskaya Embankment, Zubovsky Boulevard are nearby. The nearest metro station “Kropotkinskaya” is within 4 minutes’ walking distance.

The immediate environment of the complex includes high-end residential, public and business facilities (such as business centres, shops and hotels).

Stage of development:

Completed

50. Schastye v Mnevnikakh

Description:

The project is a business class residential complex consisting of a single 9-16-storey building.

The complex comprises commercial premises and a parking.

The development envisages a total net sellable area of approximately 7,687 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 67,000,000.

Location:

The complex is located in the Northwestern Administrative district of Moscow.

The nearest metro station Khoroshevo is within 15 minutes' walking distance.

The immediate environment of the complex includes residential, public and business facilities (educational facilities, shops and restaurants).

Stage of development:

Completed

51. Schastye na Izumrudnoy

Description:

The project is a comfort class residential complex consisting of a single 21-storey building.

The complex comprises commercial premises and a parking.

The development envisages a total net sellable area of approximately 10,390 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 66,000,000.

Location:

The complex is located in the Northeast Administrative district of Moscow.

The nearest metro stations "Babushkinskaya" and "Medvedkovo" are within 10 minutes' transport accessibility.

The immediate environment of the complex includes residential, public and business facilities (educational facilities, shops, restaurants and hotels), as well as recreation facilities (Torfyanka Park and Taiga Square).

Stage of development:

Completed

52. Schastye na Serpukhovke

Description:

The project is a business class residential complex consisting of a single 11-storey building.

The complex comprises commercial premises and a parking.

The development envisages a total net sellable area of approximately 4,464 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 74,000,000.

Location:

The complex is located in the Southern Administrative district of Moscow.

The nearest metro stations “Tulskaya” and “Shabolovskaya” are within 10 minutes’ walking distance.

The immediate environment of the complex includes residential, public and business facilities (educational facilities, shops, restaurants and Danilovsky market). Neskuchny Garden is located within 15 minutes’ walking distance.

Stage of development:

Completed

53. Schastye na Tuskoy

Description:

The project is a business class residential complex consisting of a single 12-storey building.

The complex comprises commercial premises and a parking.

The development envisages a total net sellable area of approximately 6,612 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 55,000,000.

Location:

The complex is located in the Southern Administrative district of Moscow.

The nearest metro station “Tulskaya” is within 5 minutes’ walking distance.

The immediate environment of the complex includes residential, public and business facilities (educational facilities, shops, restaurants and Danilovsky market). Neskuchny Garden is within 15 minutes’ walking distance.

Stage of development:

Completed

54. Schastye na Taganke

Description:

The project is a business class residential complex consisting of two 13-storey buildings.

The complex comprises commercial premises and a parking.

The development envisages a total net sellable area of approximately 11,397 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 61,000,000.

Location:

The Property is located in the Central Administrative district of Moscow.

The nearest metro stations “Ilyich Square” and “Rimskaya” are within 5 minutes’ walking distance.

The immediate environment of the complex includes residential, public and business facilities (educational facilities, shops, restaurants).

Stage of development:

Completed

55. Klubny Dom Na Sretenke

Description:

The project is a comfort class residential complex consisting of a single 8-storey building.

The complex comprises commercial premises and a parking.

The development envisages a total net sellable area of approximately 8,153 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 205,000,000.

Location:

The complex is located in the Central Administrative District of Moscow.

The complex is located between the Boulevard and Garden Ring, and the nearest metro stations “Sukharevskaya” and “Krasnye Vorota” are within 5 minutes’ walking distance.

The immediate environment of the complex includes high-end residential, public and business facilities (such as business centres, restaurants, shops and healthcare facilities).

Stage of development:

Completed

56. Andropova 18

Description:

The project is a multi-level ground parking.

The development envisages a total net sellable area of approximately 13,440 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 532,000,000.

Location:

The development is located in the Southern Administrative district of Moscow, next to the residential complex Nagatino i-Land.

Stage of development:

Completed

Moscow region

57. Emerald hills

Description:

The project is a comfort class residential complex consisting of several 16-26-storey buildings, some of which have been commissioned.

The complex comprises commercial premises and an underground parking. There are also 2 secondary schools, 3 kindergartens and an art and ballet school on the territory of the complex.

The development envisages a total net sellable area of approximately 857,210 square metres, of which our share is 770,635 square metres. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 1,519,000,000.

Location:

The complex is located in Krasnogorsk.

The nearest metro station “Mitino” is within 7.6 kilometres.

The immediate environment of the complex includes residential, public and business facilities (educational facilities and shops), as well as recreation facilities (forest park).

Stage of development:

Construction

58. Gribki

Description:

The project is a comfort class residential complex.

The complex comprises commercial premises and a parking.

The development envisages a total net sellable area of approximately 93,171 square metres, of which our share is 81,620 square metres. As of 31 December 2020, Colliers assessed the Market Value of our interest in the development at RUB 1,256,000,000.

Location:

The complex is located in the Mytishchi district of the Moscow region.

The Moscow Ring Road is within 6 kilometres, and Sheremetyevo Airport is within 9 kilometres.

The neighbourhood of the complex comprises other residential buildings.

Stage of development:

Design

Commercial Real Estate Projects

59. BC Na Smolenke

Description:

The property is commercial premises in a B+ class business centre.

There is an underground parking for 55 parking places.

The unsold net sellable/leasable area is approximately 8,678 square metres, of which our share is 7,356 square metres. As of 31 December 2020, Colliers assessed the Market Value of our interest in the property at RUB 532,000,000.

Location:

The property is located in the Vasileostrovsky district of St. Petersburg.

The nearest metro station “Vasileostrovskaya” is within 1.5 kilometres (18 minutes’ walking distance). The main highways of the district pass nearby: Uralskaya Street, Maliy Ave of V.O., Sredny Ave of V.O., Makarova Embankment, Western High Speed Diameter. Smolenka River, Smolenskoe cemetery are close to the property.

The neighborhood comprises public business and residential facilities (educational facilities, clinics and shops, residential buildings).

Stage of development:

Completed

60. Dunaysky Ave

Description:

The property is a commercial build-in premise.

The development envisages the unsold net sellable/leasable area of approximately 830.3 square metres, of which our share is 100%. As of 31 December 2020, Colliers assessed the Market Value of our interest in the property at RUB 59,000,000.

Location:

The property is located in the Moskovsky district of St. Petersburg.

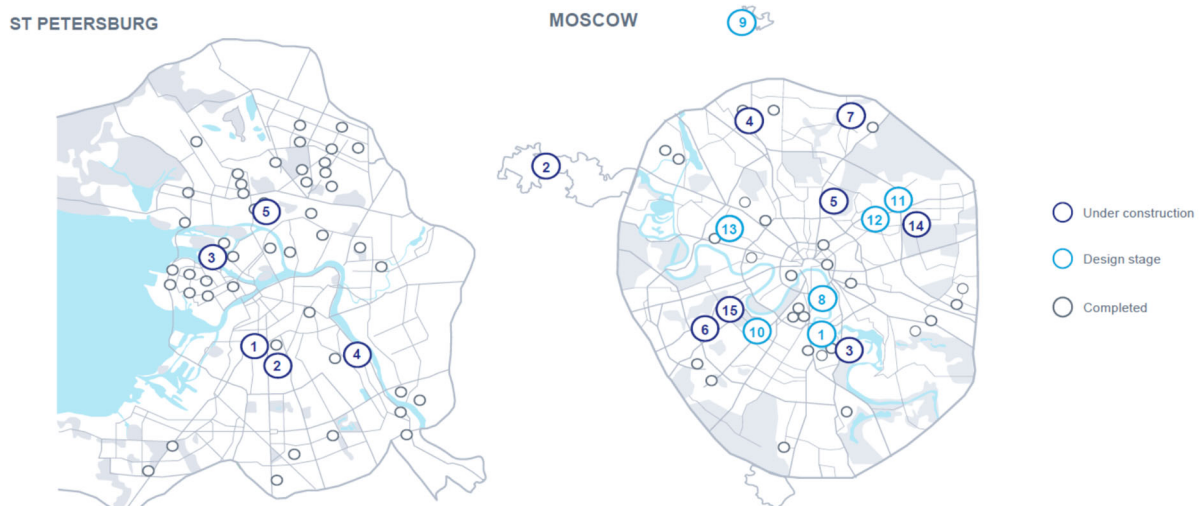
The nearest metro station “Zvezdnaya” is within 1.5 kilometres (18 minutes’ walking distance). The following main highways of the district are located not far from the property: Pulkovskoye Highway, Dunayskiy Ave, Moskovskoye Highway, Ring Road. Pulkovsky Garden and Pulkovo Airport are also nearby.

The neighborhood of the property comprises public and business facilities (educational facilities, clinics and shops), retail and entertainment facilities (Castorama, O’Key, Hoff, OBI, Metro, SC “Leto”).

Stage of development:

Completed

Maps showing the location of our projects are provided below:



CURRENT PROJECTS:	
ST PETERSBURG	MOSCOW METROPOLITAN AREA (MMA)
1 Galactica	1 ZIL-Yug
2 Project on Chernigovskaya street	2 Emerald Hills
3 Petrovskiy Landmark	3 Nagatino-i-Land
4 Etalon on the Neva	4 Summer Garden
5 Domino	5 Silver Fountain
	6 Wings
	7 Normandy
	8 Letnikovskaya street
	9 Mytishinskiy District
	10 Fotievoi 5
	11 Bolshaya Cherkizovskaya
	12 Electrozavodskaya 60
	13 Zorge 3
	14 Schastye na Semyonovskoi (Izmailovskoe shosse 20)
	15 Schastye na Lomonosovskom

In April 2021, we launched sales at the second phase of the Nagatino i-Land project. Further in 2021, we also expect to launch sales at the ZIL-Yug and Letnikovskaya street projects.

Land Bank

We aim to maintain sufficient land bank for sustainable development over the short to medium term, which we believe enables us to minimise the time period between acquisition and development of the acquired land, and, thus, ensures that our capital will be more efficiently deployed and enhances our returns. In order to avoid our capital being tied down to passive land banks and minimise our overall capital costs, our project portfolio had no projects held for future development as of 31 December 2020.

As of 31 December 2020, our real estate development land bank, which is the land projects under development, consisted of approximately 306 hectares of land. We anticipate that, based on our current development plans, our development land bank will allow us to develop approximately 4.7 million square metres of net sellable area of mainly residential real estate.

The Company is currently considering several additional projects in Moscow and St. Petersburg, which are at various stages of evaluation, internal approval and/or negotiation.

Valuation of our Properties

We retained Colliers to value certain of our real estate properties and development projects, which we generally refer to in this description as “properties”. The valuations and a discussion of the valuation methodology and other assumptions and methodologies are contained in the Valuation Report. The properties in the Valuation Report are valued as of 31 December 2020.

Colliers has assessed the Market Value of each property using the methodology set out in the Valuation Report and summarised in “Valuation Methodology” below, in each case in accordance with the RICS Valuation – Global Standards, incorporating the IVSC International Valuation Standards, issued by the Royal Institution of Chartered Surveyors (RICS) and effective from 31 January 2020 (the “**Red Book**”), which is defined as: “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

According to Colliers, as of 31 December 2020, the aggregate Market Value of our beneficial share of the properties was USD 2.8 billion (RUB 204 billion).

The values ascribed to each property are set out in the Valuation Report.

Valuation Methodology

All properties in the course of development were valued using the residual approach to valuation. This approach has its own limitations, especially in Russia, and we urge you to read the Valuation Report for a full discussion of these limitations. Below we have generally described the basic premises of such approach.

The residual approach to valuation has been applied by Colliers using the discounted cash flow methodology, which involves the calculation of the present value of all future costs and income to be incurred and generated by the development of the property. This cash flow is discounted at an appropriate rate and this in turn generates a present value of the cash flow, which is the sum available for the purchase of the site/project at the date of valuation.

In Russia, a lack of transparency and a general shortage of detailed comparable evidence make it difficult to assess market values using the more common sales comparable approach. This situation can hinder the ability to accurately compare the sale of development sites, meaning that the approach is generally not capable of being adopted at present for those development assets which are relatively advanced in the development process. As a result of the above, Colliers has not adopted this approach in arriving at its opinion of the market value of the development properties, taking into account that the majority of development projects are reasonably advanced in terms of the overall development process which has to be undertaken by a developer. However, where Colliers was aware of details of comparable transactions, it had regard to them in arriving at its opinions and these are reflected within the market value adopted.

Certain Assumptions and Methodologies

The valuations are based on various assumptions and methodologies. We urge you to read the Valuation Report for a full discussion of these assumptions and methodologies.

In general, Colliers has assumed a number of matters relating to the nature of the properties and the development process. Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking the valuation of our properties, assumptions made by Colliers included, but were not limited to:

- the scope of work of Colliers did not include a legal or financial due diligence of the information provided by us;
- the transaction price of sale may differ from the values mentioned in the Valuation Report;
- the Valuation Report does not meet the requirement to the appraisal report of the Federal Law No. 135-FZ “On Valuation Activities in the Russian Federation”;
- the valuation is based on the assumption that the properties are neither encumbered, nor are under obligation or distraintment;
- third parties have no ownership rights to the properties and there are no other encumbrances;
- Colliers relied on information provided by us on, among other things, the sold areas, the total sellable areas, parking spaces, the construction budget, the estimated outstanding construction costs, the construction terms, the outstanding payments related to the purchase of rights for the properties, the outstanding payments related to the change of land use and the selling method;
- market values were estimated for each real estate property separately without considering a possible discount for portfolio scale;
- the market value of the production unit was estimated assuming a single business unit;
- the market value is estimated specially assuming that we have executed all the payments related to the purchase of rights for the properties and have executed all the payments related to the change of land use;
- all conclusions are correct in so far as the conditions of the current market and are valid at the date of valuation;
- the valuation is based on the absence of any hidden factors affecting the value of the property;
- financial reports and other necessary information provided by us or our representatives during the valuation process are accepted without any verification;
- publicly available industry and statistical information is obtained from sources that Colliers considers reliable;
- Colliers has not carried out a measured survey and have relied upon the areas supplied to it by us or our representatives;
- unless otherwise stated within the Valuation Report, Colliers has not carried out a building survey;
- none of the materials commonly considered deleterious are included within the properties;
- unless otherwise stated within the Valuation Report, Colliers has not carried out soil, geological or other tests or surveys in order to ascertain the site conditions or other environmental conditions of the property;
- there are no unusual ground conditions, contamination, pollutants or any other substances that may be environmentally harmful;
- the value of all process related plant, machinery, fixtures and fittings and those items which are in the nature of tenants’ equipment has been disregarded, while landlords’ fixtures such as lifts, escalators, central heating and air conditioning have been considered forming an integral part of the buildings;
- all equipment, where appropriate, meets the necessary local legislation;

- unless otherwise stated within the Valuation Report, Colliers has not inspected the title deeds, leases and related legal documents and, unless otherwise disclosed to it, Colliers has assumed that there are no onerous or restrictive covenants in the titles or leases which would affect the value;
- in the case of properties that are let, the opinion of value is based on Colliers' assessment of the investment market's perception of the covenant strength of the tenant(s);
- all rents and other payments payable by virtue of the leases have been paid to date;
- no account has been made for any liability for tax which may arise on a disposal, whether actual or notional, and no deduction has been made for any tax on capital gains, local consumer tax (VAT) or any other tax;
- the valuation does not make any allowance for goodwill;
- no formal searches or enquiries have been made in respect of the property;
- all consents, licenses and permissions including, inter alia, fire certificates, enabling the property to be put to the uses ascertained at the date of our inspection have been obtained and that there are no outstanding works or conditions required by the lessor or statutory, local or other competent authorities;
- the valuations do not take account of any rights, obligations or liabilities, whether prospective or accrued, under any legislation relating to defective premises, health and safety or disability at work;
- the property is capable of being insured by reputable insurers at reasonable market rates;
- no liability is accepted by Colliers to any third party for the whole or any parts of its contents.

In addition, certain specific assumptions have been made in connection with the use of the residual valuation approach.

With respect to the impact of the COVID-19 pandemic, the use of the material uncertainty clause as set out the Red Book has been lifted for real estate markets in Russia since, according to Colliers, as at 31 December 2020, property markets in certain sectors in Russia have begun to function with transaction volumes providing an adequate quantum of comparable market evidence upon which to base opinions of value.

See also "Risk Factors — Risks Relating to Our Business — Real estate appraisals with respect to the properties and projects included in this Prospectus may not reflect their actual market values because determining such values is an inherently subjective process. In addition, an appraisal may not be directly comparable to those given in respect of similar portfolios held by other real estate development businesses in the Russian market as a result of differing assumptions and methodologies".

INDUSTRIAL CONSTRUCTION SERVICES

In addition to residential construction, we also have experience in industrial construction, having completed several industrial projects, such as ExpoForum and a museum dedicated to the history of Russian Railways. This experience enables us to receive incremental profit by participating in industrial projects, subject to the availability of spare resources and the attractiveness of new projects terms available in the market. Our comprehensive service range includes building construction, civil engineering, road construction and mechanical and electrical engineering. Our projects often have accelerated completion schedules, require flexibility in adapting to design changes, demand the highest quality control standards and are frequently conducted at challenging locations. We believe we have developed a solid reputation within the industry for efficiently executing large-scale industrial projects on time, on budget and in accordance with specifications and designs.

We believe that our ability and expertise to provide quality construction services to well-known international and domestic companies has, in recent years, increased our brand awareness and strengthened our ability to successfully tender new projects and secure additional mandates from our existing customers.

As of 31 December 2020, we were engaged in one industrial construction project near St. Petersburg:

SMC Pneumatics — Lomonosov town, St. Petersburg

Description: This project involved construction of a 15,062 square metre industrial warehouse facility for production of parts for medical equipment.

Work execution period: 2019 — 2021

Currently, we might consider new industrial projects only under favourable commercial terms.

NEW CONSTRUCTION AND DESIGN TECHNOLOGIES

We intend to introduce alternatives to monolithic construction, including modern prefabricated construction, construction using CLT panels and modular construction, which can greatly reduce construction costs and/or timing, while simultaneously improving the quality of construction. That said, we plan to continue using and improving existing monolithic housing construction techniques, while aiming to find the best compromise between a property's sale price and the cost of building it.

Modern prefabricated construction

Prefabricated housing construction is becoming increasingly popular in today's world thanks to the use of new materials, technologies and original architectural solutions. Compared with monolithic housing construction systems, modern prefabricated assembly makes it possible to increase the speed of delivery, while reducing costs, losses and the write-off of materials. Alongside cost reduction, the quality of housing is also improving: advanced materials make it possible to construct highly energy-efficient and ergonomic buildings, while also making a wide variety of design solutions possible.

By using modern prefabricated assembly, the construction cycle is shortened by building modules and units in factories while preparatory works are carried out simultaneously at construction sites. For example, while modules are being built at a factory, work can be done to lay the foundation or prepare for utilities to be hooked up at the construction site. This greatly reduces the total time required for a full construction cycle.

Buildings constructed using modern prefabricated technology meet the requirements of sustainable development and are often outfitted with smart home functionality and made of environmentally friendly materials. An important advantage of modern prefabricated construction is its total reusability: a completely disassembled lightweight module can be broken down into its component parts for processing or used in a new capacity.

We are considering different partnership options to implement this technique.

Construction using CLT panels

For the production of CLT panels, slats are used that are bonded together under high pressure. The result is a massive, highly durable wooden panel capable of replacing reinforced concrete structures but, at the same time, cheaper to manufacture and easy to install. The popularity of CLT panels in European countries is precisely due to the fact that such material is seen as an environmentally friendly alternative to reinforced concrete, and it also makes it possible to construct buildings quickly and relatively cheaply. In the medium term, this technology will become a new growth point for industrial development in Russia. According to experts, CLT production is increasing throughout the world at a rate of 20% per year.

The main benefits of CLT bonded wood panels are:

- freedom of choice of architectural appearance thanks to the versatility of CLT panels and their compatibility with any type of finishing;
- reduction of construction time due to the convenience and speed of assembly;
- higher project margins due to the possibility of reusing production waste;
- cost-effective building operation thanks to the excellent thermal insulation properties of CLT panels and the fact that CLT panels are windproof;

- a healthy microclimate inside and excellent sound insulation, providing comfort and environmental friendliness.

Modular construction

Modular construction allows multi-storey buildings to be constructed with finished and ready-to-assemble modules prepared at the factory. By our estimate, modular technology makes the construction cycle approximately 40% shorter and also reduces construction costs by approximately 20%. We have exclusive right to develop and use the technology in Russia and plan to certify the technology in Russia for residential building construction.

Modern design technologies

We study global best practices in urban planning and design technologies. Modern design technologies, implemented with cutting edge IT solutions, make it possible to radically reduce the time and cost required for the design stage. This also makes it possible to quickly identify the most profitable solutions for the development of land plots.

We are considering implementation of modern design technologies in conjunction with a comprehensive project to standardise our product. In combination, these two projects will maximise the impact in terms of timing, quality and cost of design, as well as the overall economic benefit from development.

CONSTRUCTION EQUIPMENT AND MACHINERY

We engage in leasing, engineering and technical support services for a wide range of construction equipment and machinery to our Group companies and third parties. As of 31 December 2020, our construction equipment included, among other things, advanced formwork systems and more than 60 Liebherr and Wolff cranes.

SUPPLIERS

We contract with major suppliers for raw materials, construction materials and equipment used in the construction of our projects, including cement, crushed rock, gravel, clay, sand, and metal.

Among our five largest suppliers are LLC Adamant SPB, LLC Betonika, LLC LSR. BETON, LLC PKF DiPOS, and JSC SPK.

We have rigorous specifications when selecting our suppliers, which are based not only on the quality and price of the products, but also on the reputation of the suppliers. We also maintain strict quality controls to ensure that materials conform to specifications prior to their installation.

We work closely with our suppliers, enabling them to schedule their production in order to meet our demand or notify us in advance in the event they anticipate delays. We have good relationships with our suppliers and have experienced no significant construction delays due to shortages of materials in recent years.

LICENSES AND CERTIFICATES

Activities relating to the construction and development of buildings in Russia are not the subject to licensing. Instead, every person (entity) that intends to perform engineering research, prepare design documentation, engage in construction, reconstruction, overhaul and demolition of capital construction projects must be a member of a non-profit self-regulated organization. As of 31 December 2020, our Group companies engaged in such activities are members of relevant self-regulated organizations.

In addition, JSC “Service-Nedvizhimost” and LLC “Upravleniye i ekspluatatsiya nedvizhimosti “Etalon”, Group companies engaged in apartment house management, have the necessary licenses to perform such activities.

COMPETITION

Competition in the real estate industry in Russia is highly intense. Competitive factors include the size of land reserves, the geographical location, the types of property offered, brand recognition by customers, creditworthiness, prices and design quality. There are many property developers that undertake residential property development projects in St. Petersburg, including Setl Group and LSR, and in Moscow, including PIK, Don-Stroy and MR Group.

For more information on competition, see “*Risk Factors — Risks Relating to Our Business — The real estate industry in Russia is highly competitive, and we may not be able to compete successfully*”.

EMPLOYEES

The following table sets forth the approximate number of our employees in each of our business divisions as of 31 December 2018, 2019 and 2020.

	As of 31 December		
	2018	2019	2020
Real estate development.....	1,624	1,309	1,175
Construction and design.....	2,753	2,587	2,470
Services and maintenance.....	551	669	654
Sales.....	268	350	307
Total	5,196	4,915	4,606

Our staff remuneration structure consists of a base salary, bonuses, non-financial incentives and various benefits. The remuneration structure of our employees engaged in construction is performance-based in line with local market practices. We make mandatory social security contributions for our employees to the government pension programme in Russia but do not maintain any voluntary pension fund.

HEALTH AND SAFETY

We consider the health and safety of our employees to be our most significant responsibility in connection with our operations. We strive to create a healthy and safe working environment at each of our facilities and sites by assessing the potential risks faced by our employees and implementing appropriate safety measures. We also educate our staff as to these risks through annual occupational safety workshops and ensure that they have a sufficient knowledge of workplace safety procedures before they are permitted to work on a site or in a facility. We follow Russian industry safety standards applicable to each of our operations. For instance, all our equipment is certified by the Russian authorities for compliance with work safety requirements under Russian law. We also conduct our own inspections upon installation of any equipment in order to ensure proper installation and safety. We believe that we comply in all material respects with all safety laws and regulations applicable to our business. We also maintain an occupational health and safety policy and use our own safety index based on building information modelling (BIM) technology for monitoring and maintaining a high degree of occupational health and safety at all of our properties. Although we believe our operations to have sufficient safety measures in place, the nature of our business is such that accidents may occur.

In 2014, we developed a unique Safety Index based on BIM technology for monitoring and maintaining a high degree of occupational health and safety at all of our properties. This tool uses BIM technology to calculate a Safety Index based on a variety of key parameters. Occupational health and safety (OHS) monitoring based on our Safety Index has been conducted regularly since 2015, at least once in every two weeks. Over the past three years, there has not been a single fatal accident at any of our construction sites, and our Safety Index has exceeded the target value of 75% and was equal to 81%, 83% and 86% in 2018, 2019 and 2020, respectively.

While we strive to reduce injuries and fatalities by implementing high safety standards at our facilities, there can be no assurance that serious accidents in the future will not occur. See “*Risk Factors — Risks Relating to Our Business — Our operations are subject to various risks and hazards associated with the nature of our production facilities and equipment*”.

ENVIRONMENTAL CONSIDERATIONS

We are subject to various environmental laws and regulations, which vary according to the location of our proposed developments as well as the environmental conditions and present and former uses of such sites. During the primary site analysis stage, we assess the risks and opportunities associated with local environmental conditions, compulsory environmental requirements, suppliers and other external factors that could affect the organisation’s activities. The preliminary design specifications for each of our developments must be approved by various federal, regional and local bodies, including relevant environmental protection authorities. Any environmental issues arising during the course of development are addressed with the appropriate environmental authority.

We also are required to carry out soil testing, among other things, in order to obtain a construction permit. We take into account possible environmental risks throughout the design and construction process, monitoring and taking measures to protect the environment for the duration of the construction period. Our projects must also be inspected to obtain a construction permit, including against a “List of measures to ensure environmental protection” during which specific environmental engineering surveys are carried out.

Before being delivered, our residential complexes must undergo an environmental inspection of the site and obtain relevant documentation in order to ensure that we are in compliance with necessary project and environmental requirements. To date, no significant violations of any environmental regulations have been detected with respect to our construction projects.

In addition, each of our divisions has a set of documents regulating environmental issues related to our production activities, including limits of permitted emissions of different types (issued by the Federal Service for the Supervision of Environment, Technology and Nuclear Management (Rostekhnadzor)), standards for waste (issued by Rostekhnadzor) and production controls for regulated sanitary zones (approved by the Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor)). For the purposes of a facility’s construction, certain initial environmental documentation must be submitted.

We regularly monitor the environmental impact of our operations at each of our facilities. Our quality control systems include environmental protection procedures such as controls for observance of standards for waste with respect to each production unit and controls for water contamination, noise pollution and air pollution in regulated sanitary zones.

We are confident that we are in material compliance with all environmental laws and regulations to which we are subject. We currently are not subject to any material environmental claims, lawsuits, penalties or other actions.

See “Risk Factors — Risks Relating to Our Business — More stringent environmental laws and regulations or more stringent enforcement of existing environmental laws and regulations in the Russian regions where we operate may have a material adverse effect on our results of operations, and we may be subject to environmental liabilities in connection with certain properties owned and/or leased by us”.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

We pay special attention to maintaining and continuously improving our high standards in areas like corporate culture, safety, environmental impact and information disclosure. In the past year, we increased the scope of non-financial metrics that we disclose, such as electricity and fuel consumption for companies in the production unit, and we partially applied the GRI reporting framework in our disclosure. Currently, we are working to further develop our ESG practices. We have already selected six United Nations Sustainable Development Goals as the pillars of our sustainable development priorities. As we move forward, Etalon Group will focus on contributing to Good Health and Well-Being, Affordable and Clean Energy, Industry, Innovation and Infrastructure, Sustainable Cities and Communities, Responsible Consumption and Production and Climate Action.

Based on these goals, we plan to further improve internal policies and regulations, implement new management processes and procedures and increase the scope of quantitative ESG metrics that we track and report. In the following years we also plan to develop an ESG strategy and set specific ESG targets for the Group.

INTELLECTUAL PROPERTY

We place significant emphasis on developing our brand image and engage in trademark registration to protect all aspects of our brand image. We have a variety of registered and valid trademarks, including the blue-black “Etalon” logos, which are the most important of our intellectual property and are widely used by our Group companies.

We have also registered the domain name of www.etalongroup.com for the website of our Group on the Internet, as well as a number of other domain names, including those relating to particular development projects.

INSURANCE

Our development companies maintain some other types of insurance policies with leading Russian insurance companies, such as JSC Alfastrakhovanie and JSC SOGAZ, including:

- civil liability insurance for damages to third parties;

- civil liability insurance for damages resulting from deficiencies that may affect the safety of construction facilities;
- civil liability insurance for damages caused by deficiencies in the preparation of project documentation;
- mandatory civil liability insurance for hazardous workplaces;
- property insurance, including insurance for common spaces of apartment buildings maintained by our management companies;
- insurance for damages caused by defects in work; and
- mandatory and voluntary vehicle insurance.

In addition, in accordance with the project financing terms agreed with our lenders, we are required to have insurance coverage for risks related to death, loss, non-delivery, damages for pledged property and construction works, including liability resulting from construction works. To cover these insurance requirements, we have entered into insurance contracts with Strakhovoi Dom VSK, LLC IC Sberbank Insurance and JSC Sogaz.

We also provide insurance coverage for our employees from JSC Metlife, LLC Renaissance Insurance, JSC Alfastrakhovanie, LLC Rosgosstrakh and other insurance providers. Below is a summary of such insurance programs:

Type of insurance	Provider	Number of people insured
Health insurance	LLC Rosgosstrakh, JSC Alfastrakhovanie	2,054
Life insurance (providing payment to relatives in case of death due to illness or accident)	JSC Metlife	2,182
COVID-19 insurance (payment upon diagnosis and in case of death)	LLC Renaissance Insurance	1,200
Insurance from accidents for workers working directly on construction sites for the duration of their official duties (payment received in case of injury or death)	LLC Renaissance Insurance	800

We have also maintained directors and officers (D&O) liability insurance since 2011. The last covered period expiring on 14 April 2022 has been insured with a limit of USD 150 million by a number of international companies. We plan to extend our D&O liability insurance policies for the future.

LEGAL PROCEEDINGS

From time to time, we are involved in litigation in the ordinary course of our business activities, such as disputes with contractors and third parties.

Neither we nor any member of the Group is aware of or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which we are aware) during the 12 months preceding the date of this Prospectus that may have, or have had, a significant effect on our business, financial position or profitability.

REGULATION OF REAL ESTATE IN RUSSIA

Below we briefly describe certain key provisions of the Russian legislation relating to real estate construction and development. This description, however, is not comprehensive and is qualified in its entirety by reference to applicable Russian law.

OVERVIEW DEFINITION OF REAL PROPERTY

Russian legislation defines real estate as land plots, subsoil plots, buildings and structures, undeveloped constructions, and everything that is closely connected with land (i.e., objects that cannot be moved without disproportionate damage to their use), including residential and non-residential premises and parts of buildings or structures used for car parking with identified boundaries, as well as other facilities which are not connected with land but referred to as real estate by Russian law.

Russian federal real estate legislation is primarily based on:

- the Civil Code,
- the Land Code,
- the Town-Planning Code of the Russian Federation (the “**Town-Planning Code**”),
- the Housing Code of the Russian Federation,
- the Federal Law “On State Registration of Real Property”, which replaced the Federal Law “On State Registration of Rights to Real Estate and Transactions Therewith”,
- the Federal Law “On Mortgages (Pledges of Real Estate)” (the “**Mortgage Law**”), and
- the Federal Law “On Cadastral Activities”.

The foregoing core legislation is also supplemented by the Federal Law “On Turnover of Agricultural Land”, the Federal Law “On Reclassification of Land or Land Plots”, the Federal Law “On Environmental Expertise”, the Federal Law “On Environmental Protection”, the Water Code of the Russian Federation, the Forestry Code of the Russian Federation, the Federal law “On Insolvency (Bankruptcy)” and other federal and regional laws which contain provisions regulating real estate in Russia.

Regional legislation generally should not contradict Russian federal law; in practice, however, certain aspects of Russian regional legislation may sometimes contradict federal law.

STATE REGISTRATION OF RIGHTS TO REAL PROPERTY

From 1998 until 2016, ownership rights to, and certain transactions with, real estate were registered with the Unified State Register of Rights to and Transactions with Real Estate. Further, from 2008 until 2016, there was also a separate state database, the real estate cadastre, which contained records concerning the physical characteristics of real estate, such as measurements and boundaries of land plots. With effect from 1 January 2017, the old real estate rights register and the real estate cadastre were merged into the Register. The merger was aimed, among other things, at eliminating the duplication and inconsistency of information contained in the two databases, which existed previously.

Rights and transactions that are subject to state registration in the Register generally include, but are not limited to, the following: ownership and other *in rem* rights to real estate, transfers of title to real estate through sale and purchase and other transactions or by operation of law, certain encumbrances over real estate (including mortgages and easements, save for easements in relation to parts of publicly owned land plots for the term less than three years) and lease rights with respect to real estate for the term of one year or more. Rights to real property and transactions therewith are registered by the department of Rosreestr in the relevant territory where the property is located. *In rem* rights to real property are legally created upon the relevant registration with the Register, and, absent such registration, transactions with real property have no legal effect for third parties and rights to real property are deemed non-existent for third parties. The only legal confirmation of a registered title is an entry in the Register, which may only be challenged in court.

The Register contains information about the registered real property, including, among other things, a description of the real property, the owner's name and registered encumbrances on, and restrictions for the use of, the real property. State registration with the Register is evidenced by an extract from the Register issued by the Rosreestr. Information from the Register is publicly available for a fee and anyone may request information on specific real estate in the form provided by law. In addition, certain information regarding real estate (in particular, information on its area and cadastral value) is available on the website of the Rosreestr free of charge. However, certain information on real estate (in particular, aggregated information on all real estate owned by a certain entity or individual, chain of past transactions with real estate or copies of the title documents filed with the Rosreestr) may only be provided to the owner of such real estate or to other persons in certain cases provided by law.

Ownership or other rights that were acquired before 31 January 1998, prior to the requirement for state registration, are deemed valid without such registration and may be evidenced by various title documents as provided by law. Therefore, the Register is not comprehensive, as ownership or other rights acquired before 31 January 1998 may not be included in the Register. At the same time, ownership or other rights acquired before 31 January 1998 may be voluntarily registered at the discretion of the owner. In addition, such rights will be subject to obligatory state registration in some cases; for example, in the event that a transaction with respect to such rights is entered into.

With respect to buildings, state registration is usually only carried out on a completed building. Although it is possible to register a building under construction as an unfinished construction, in practice this is cumbersome and very rarely happens, not least because subsequent state registration of the completed building is still required. Only when state registration is completed a building (or unfinished construction, as the case may be) may be disposed of, mortgaged or leased. Any transfer of ownership must also be registered to be effective.

As a general rule, the state registration shall normally be completed within 7 business days (if an application is filed with the Rosreestr) or 9 business days (if it is filed with a Multifunctional Center for the Provision of Public Services) of the filing of an application and requisite documents and payment of the state fee. However, in practice, the state registration may take longer. In addition, if the Rosreestr doubts whether there are sufficient grounds for such registration, it may suspend the registration and demand supplemental documents. The maximum suspension period varies depending upon the grounds for the suspension, but in any case shall not exceed 3 months. If during such suspension the obstacles for the state registration have not been cleared, the state registration may be rejected. The applicant is entitled to challenge actions and (or) decisions of the Rosreestr in court.

In addition to the state registration, certain transactions with real property require certification by a notary public, and, absent such registration, are deemed null and void. Such transactions include, among other things, disposal or mortgaging of shares in joint shared ownership of real property.

OWNERSHIP OF REAL ESTATE

Russian law recognises the right to own, to use and to dispose of real estate, such as buildings and underlying land. Russian law makes an important legal distinction between lands and buildings, which are treated as separate legal interests.

Both the Civil Code and the Land Code permit private land ownership and the transfer of land from one person to another. The Land Code generally provides that foreign individuals and legal entities may own land on the same terms as Russian individuals and legal entities, save for certain exceptions. The most notable exception is a prohibition on foreigners owning land near Russia's borders and in certain other territories specified by federal law. In addition, Russian law prohibits foreign individuals and legal entities, as well as Russian companies with more than 50% foreign charter capital, from acquiring ownership title to agricultural lands in Russia.

Only land plots included into the Register may be traded in accordance with sale and purchase agreements or other transactions.

Under Russian law, state-owned land may be owned by the Russian Federation or constituent entities of the Russian Federation, whereas local lands may be owned by local municipalities. Historically, state-owned lands were not registered in the name of a particular authority. However, in 2001, the Russian Federation began a registration process whereby state-owned lands are to be registered in the name of a particular authority, either federal, regional or municipal. This registration procedure has yet to be completed.

The Land Code and the Federal Law "On Privatisation of State-Owned and Municipally-Owned Property" establish the procedure for privatising both state- and municipally-owned land. The purchase of such land should generally be carried out by means of an auction or, in certain cases, without an auction at a price determined in accordance with applicable laws.

Under the Land Code, legal entities may generally have a right of ownership or lease with respect to land plots. Legal entities may also have a right of a private easement. Public easements may be imposed and upheld by federal or local authorities. Russian law also provides for other types of rights to land such as a right of perpetual use and a right of free of charge temporary use, which may be granted in a limited number of cases. Generally, legal entities holding a right of perpetual use (excluding state and municipal agencies, certain state- and municipally-owned enterprises and certain other entities) were required to convert such right into a right of ownership or lease by 1 July 2012.

Although private ownership of land plots is increasing countrywide, the public authorities in St. Petersburg, Moscow, the Leningrad Region and the Moscow Region, own the majority of the underlying land in the respective regions, and owners of buildings typically enter into lease agreements with such authorities. Most of the land earmarked for private development is currently held by investors who have acquired a lease from the relevant state or municipal authorities.

In general, everyone may own a building without any discriminatory restrictions, including foreign companies. An owner of a building is generally allowed to sell or lease it without any requirement to obtain state consent unless such sale falls within the remit of the FAS, in which case consent is required.

Under Russian law, the ownership of a facility, such as a building, can be separate from the ownership of the underlying land on which the facility is located. However, as a general rule, the owner of a building and the underlying land plot may not sell the building without the underlying land plot and vice versa. Moreover, the sale of a building automatically gives the purchaser a right to use the underlying land on the same conditions and to the same extent as the previous owner of the building. In such a case, the owner of the building may formally establish the right to use the land plot by entering into contractual arrangements with the land owner. In addition, the owner of a building located on another party's private land has a pre-emptive right to buy or lease such underlying land in accordance with procedures provided by law.

The law of the city of Moscow "On Land Use in the City of Moscow", enacted on 19 December 2007, provides that the land operated by the Moscow government may be granted to persons and legal entities on a lease or free of charge temporary use basis. In practice, developers generally become owners of the buildings/facilities on the land in Moscow, but do not become owners of the land on which such buildings/facilities are located. At the same time, there is also private ownership to the land in Moscow, which, however, remains relatively rare. Russian and non-Russian persons and legal entities may acquire ownership or lease rights to land held by federal, regional or municipal authorities for the development and construction of new buildings by way of an auction or without such auction in cases provided by federal law. The Land Code stipulates grounds for refusal by state or local authorities to grant ownership or lease rights to land plots without an auction held. For example, in cases when certain land plots have been specifically withdrawn from circulation and thus are prohibited from being leased or sold. Any such refusal may be appealed in the Russian courts.

Russian law provides that private land or buildings may be expropriated for "state or municipal needs". The owner of expropriated real estate is entitled to an advance notice together with payment of the full market value determined by agreement with the respective state or municipal authority or by decision of a court and compensation for any other losses suffered.

LEASES

It is generally possible for anyone to lease land throughout Russia in accordance with the Civil Code and the Land Code. Russian legislation provides no general limit on the term of a lease. However, certain limits exist for specific types of leases or for leases of specific types of real estate. For instance, a lease agreement with respect to a state or municipal land plot for development and reconstruction (unless otherwise provided by law) must be entered into for a term of 3 to 10 years; a lease agreement with respect to a state or municipal land plot underlying a building owned by the tenant may be for up to 49 years. Under the Civil Code, if a real estate lease agreement does not stipulate a term, the lease is deemed to have been concluded for an indefinite period and may be terminated by either party subject to a three months' prior notice (unless the law or the lease agreement provide otherwise). Any lease agreement of real estate, including land, for a term of one year or more must be registered in the Register.

As a default rule, the tenant, which has properly performed its obligations under a lease agreement, has a statutory pre-emptive right to renew a lease upon its expiry on the terms and conditions to be agreed upon between the parties. However, the tenant of state or municipal land plots needs to win an auction to obtain such right. As a

general rule, the owner of a building has an exclusive right to lease or acquire the underlying state or municipal land plot.

Rental rates for private land are not restricted by law. Where, however, the land is owned by the state or a municipality, in practice, the rates may be unilaterally determined by the owner on an annual basis. The transfer of ownership of land will not change the terms of a lease granted over it.

Under the Civil Code, both the landlord and the tenant may terminate the lease agreement in a limited number of cases provided under the Civil Code (through a court procedure) or in cases set out in the lease agreement itself (through a court or out-of-court procedures). The Land Code provides for additional grounds for termination of a lease by the landlord, including, among other things, using the land in a way inconsistent with its category and permitted use and expropriation of the land for state or municipal needs. With respect to state or municipal land, the Land Code restricts a landlord's rights to early terminate a lease with a term of more than five years (the landlord may early terminate such lease only by way of court proceedings provided that the tenant commits a material breach of the terms and conditions of such lease agreement, unless otherwise provided by law).

MORTGAGES

Under Russian law, a mortgage is a form of security taken over real estate to ensure due performance of a monetary obligation. A mortgage is generally granted with respect to ownership rights to real estate but lease rights may be mortgaged as well. Mortgages are mainly regulated by the Civil Code and the Mortgage Law.

A mortgage must be registered with the Register and takes effect as of the date of such registration. If the debtor defaults, the mortgagee can generally enforce the mortgage in a court or, provided that the parties have agreed so in the mortgage agreement, the agreement creating a mortgage by operation of law or in a mortgage certificate, as applicable, in an out-of-court procedure as well. A mortgage is generally enforced by sale of the mortgaged real property from an auction but a mortgage may also be enforced by a sale to third parties or repossession by the mortgagee if the parties so agree. In the event of bankruptcy of a mortgagor, the mortgagee will have preferential rights before other creditors of the mortgagee to satisfy its claims from the value of the mortgaged real property subject to certain statutory limitations.

As a general rule, a mortgage of lease rights requires the landlord's consent. However, a mortgage of lease rights in relation to the land plot requires only a notification of the landlord, if a lease agreement does not provide otherwise.

Under the Mortgage Law, a mortgage granted over a land plot also extends to the buildings or structures located on such land plot and owned by the mortgagor. In addition, if a land plot is acquired using debt finance provided for the specific purpose of financing such acquisition, then such land plot is deemed to be mortgaged in favour of the lender upon registration of the ownership to the land plot by the borrower, unless otherwise provided by law or by agreement of the parties. Likewise, if buildings or structures located on a land plot are acquired or constructed using debt finance provided for the specific purpose of financing such acquisition or construction, then such land plot is deemed to be mortgaged in favour of the lender upon registration of the ownership to the buildings or structures by the borrower, unless otherwise provided by law or by agreement of the parties.

The Russian Government has historically been and remains supportive of the country's residential mortgage lending. For instance, in 2020, during the COVID-19 pandemic, the Russian government developed a programme of preferential mortgages with interest rates at 6.5% *per annum*. According to the Regulation No. 566 dated 23 April 2020 issued by the Government of the Russian Federation, the participating banks shall provide mortgages at a reduced rate for the purchase of primary housing in the amount of up to RUB 12 million in Moscow, the Moscow region, St. Petersburg and the Leningrad region, and in the amount of up to RUB 6 million in the other regions. Initially effective until 1 November 2020, the programme was subsequently extended until 1 July 2021.

LIABILITIES OF PERSONS HOLDING RIGHTS TO LAND AND BUILDINGS

Persons holding rights to land plots and buildings are required to comply with federal, regional and local legislation, which includes, among others, environmental, public health, fire, residential, construction and town-planning rules and regulations. The owner of a building generally bears all liabilities that may arise in connection with the building. Persons holding rights to land plots are required to use the land plot in accordance with its permitted use (i.e., as provided by zoning requirements), not cause harm to the environment, assume the liability and financial costs relating to compliance with various land use standards and not allow the pollution of, littering on or degradation of the land plot. Regional or local legislation, or a lease contract or another type of contract, such as urban development contract, entered into with the regional or local authorities, may also subject the owner

of real estate or the developer as the future owner of the buildings to be constructed on a land plot to various financial obligations, such as the financing of local engineering services, transportation and social infrastructure, as well as reimbursing certain expenses to the previous tenants of the land plot.

CONSTRUCTION AND DEVELOPMENT

GENERAL PROVISIONS

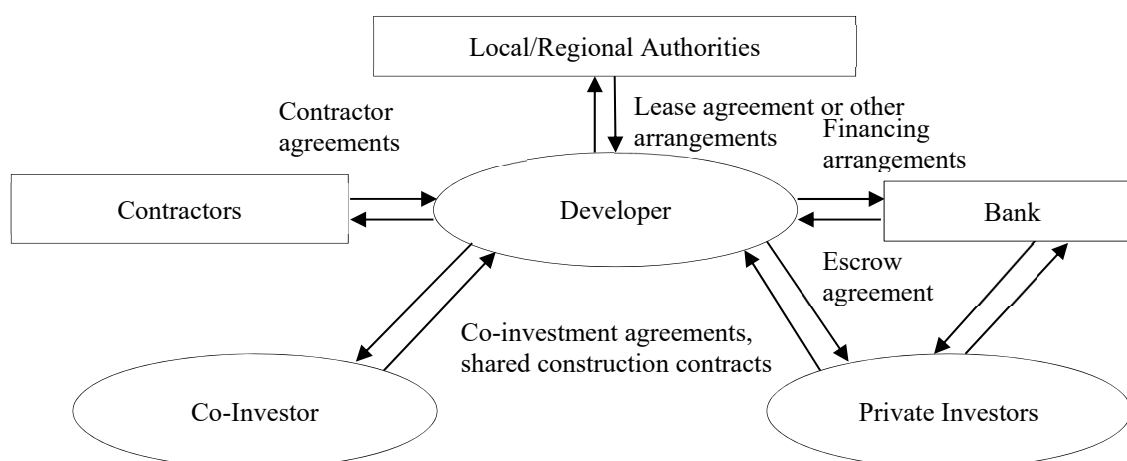
Construction and development in Russia is a complex multi-stage process, which involves compliance with many regulatory requirements, and obtaining authorisations from a large number of authorities at the federal, regional and local levels. Development in Russia is primarily governed by the Town-Planning Code, the Civil Code, the Land Code, and other federal laws and regulatory acts. In addition, construction activity is subject to regional and local regulation. The basic steps required for commencement of construction projects are (i) approval of town-planning documentation, which defines the functional zoning and town-planning rules for the organisation and use of the territory, (ii) engineering research and preparation of the design documentation, (iii) expert examination and approval of the results of engineering research and the design documentation, and (iv) issuance of a construction permit. Such steps must be exercised in the listed sequence. For example, design documentation is developed on the basis of the results of engineering research, while a construction permit can only be issued once the design documentation and the results of engineering research have been approved. In addition to the above basic approvals, a developer must have rights to the land in order to begin construction.

LICENSING

A developer may perform engineering research, prepare design documentation, engage in construction, reconstruction, overhaul and demolition of capital construction projects if it is a member of a relevant self-regulated organization. In addition, other legal entities may perform such activities under a contract with a developer or a technical customer if they are members of a relevant self-regulated organization, unless otherwise provided by law. A technical customer is an entity authorised by the developer to, among other things, enter into contractual arrangement necessary for construction on behalf of the developer and must also be a member of a relevant self-regulated organization, unless otherwise provided by law. In addition, any construction activity on a particular development project may generally be performed only under the construction permit issued by the competent governmental bodies pursuant to agreed and approved project documentation.

PARTICIPANTS IN THE CONSTRUCTION PROCESS

The construction process in Russia involves, among others, the local or regional authority, a developer (investor), a contractor (including the general contractor and sub-contractors), co-investors, private investors and, following the recent amendments to the legislation on shared construction (*dolevoye stroitelstvo*), in certain cases a bank. The chart below sets forth an example of the structure of legal relations between such participants when the shared construction model is used.



STAGES OF CONSTRUCTION

The main stages of the building construction process typically include the following:

- obtaining rights to the land plot and lifting encumbrances (if any) over the land plot;
- approval of town-planning documentation and changing the type of the permitted use of the land plot to allow for the development (if needed);
- conducting engineering research and preparing project documentation;
- obtaining approval of the results of engineering research and project documentation;
- obtaining a construction permit;
- performing construction works;
- obtaining a statement on conformity of construction with the applicable rules;
- conducting cadastral measurements and obtaining a technical plan;
- obtaining an operational permit; and
- cadastral registration and registration of title to the new building with the Register.

Some of these key stages are described in more detail below.

As a general rule, title to a building and premises inside the building is first conferred on the developer once the building is constructed. Furthermore, as a general rule, the owner of the building has an exclusive right to lease or acquire the underlying state or municipal land plot.

However, in case of shared construction, title to the premises is conferred directly on private investors. In addition, according to the Housing Code, owners of apartments are deemed joint owners of the land underlying the apartment building required for its use regardless by operation of law.

INVESTMENT CONTRACTS AND INTEGRATED DEVELOPMENT OF TERRITORIES

In the past, public authorities in the Moscow Metropolitan Area often entered into investment contracts with developers. Generally, an investment contract defines the principal terms of proposed construction of a property by the developer and formalises a development opportunity and the general approval by the governmental bodies of a specific development project. An investment contract typically provides for a certain “share of the city (region)” in the property to be constructed in exchange for rights to the land plot. However, over time the practice of entering into investment agreements has become rare.

In addition, since 30 December 2020, the Town-Planning Code provides for special regulation of IDT. Developers may obtain land plots in the course of IDT under the auction procedure set forth by the Town-Planning Code, which allows a developer to acquire a project on market terms, or initiate IDT within the land plots which they hold on an ownership or lease basis. The IDT is carried out by a developer based on an IDT agreement entered into with the authorised local government entity. The terms of an IDT agreement are generally set out by the Town-Planning Code.

Under the terms of IDT agreements, a developer is granted a land lease in respect of the target land plot primarily for the purpose of carrying out construction on the relevant land plot. Under an IDT agreement, a developer may be required to build certain objects of social infrastructure, such as schools and hospitals, ownership to which will be then transferred to the state or municipal authorities, or participate in the development and upgrade of city utility systems.

OBTAINING LAND RIGHTS

A developer must have land rights in order to begin construction. Land in the Russian Federation is divided into the following specific categories depending on the designated purpose of such land: (i) agricultural land; (ii) settlement land; (iii) industry, energetics, transport, communications, radio, television and information technology lands, lands for support of space activities, defence, security and other special-purpose lands; (iv) protected land; (v) forestry land; (vi) water front land; and (vii) reserve land. In addition, under the Town-Planning Code, the rules for land use and development determine, among other things, the type of the permitted use for each particular land plot. The use of each land plot shall comply with its category and the type of the permitted use.

Normally, to carry out a commercial or residential development, property developers need to have the land plots (on which their buildings/structures are located) designated as settlement or industrial land. The main procedures for changing the designated purpose of land are set forth in the Land Code and the Federal Law “On Reclassification of Land or Land Plots”. The procedure for changing the type of permitted use is set forth in the Town-Planning Code.

As a general rule, land rights for development purposes may be obtained through a lease agreement or a sale and purchase agreement (either with respect to a land plot or a legal entity holding an ownership or a lease right with respect to a land plot) or other types of arrangements, such as agreements for integrated development of territory. On the basis of a lease agreement, the land lease is granted for the purpose of carrying out the construction as well as exploitation of the constructed property on the relevant land plot. State and municipal land leases for residential construction should generally be granted by an auction. As an exception, among other things, state or municipal land lease may in certain cases be granted to the developer without an auction to complete an unfinished construction located on such land.

CONSTRUCTION PERMIT

Construction on an allocated land plot may only be carried out after the developer has obtained a construction permit. A construction permit is a document confirming that the design documentation complies with the requirements imposed by the town-planning documentation and that it is permitted to locate the relevant real estate on the land plot according to the permitted use of the land plot and restrictions imposed by law. A construction permit entitles the developer to construct the relevant real estate on a land plot and, therefore, such permit needs to be obtained before construction commences. Obtaining a construction permit is a multistage process, which includes, among other things, expert examination and obtaining an approval (“a positive expert conclusion”) for the design documentation and the results of engineering research from an authorised expert agency or a competent state authority or institution, as well as obtaining approvals from a number of governmental bodies including architectural and urban development agencies, environmental management and protection agencies and governmental bodies that oversee public health issues. A construction permit may be issued for the entire construction or a certain stage of construction. A construction permit is issued for a set period and may be extended. Change in the scope and nature of the project may in certain cases require the construction permit to be amended. The construction permit may be withdrawn before its expiration date in cases set out in the Town-Planning Code, mainly due to significant violations by a developer of construction rules and regulations.

Certain preparation works that are not considered materially harmful for the environment, including demolition of certain existing structures, removal of trees located on the land plot and preparation of the worksite, may be commenced on the site of future construction before obtaining the construction permit. The developer may commence such works after the project documentation has been submitted for expert examination and only on certain types of land plots, including state- or municipally-owned land plots.

OPERATIONAL PERMIT

Upon completion of construction, the building must be examined by an authority responsible for supervision over construction. If the building complies with the design documentation and all applicable rules and standards, including those adopted for the protection of the environment, public health and industrial safety, such authority will issue a statement of conformity (the “ZOS”).

In addition, the building has to be measured by a cadastral engineer. Such measurements are reflected in a technical plan.

On the basis of a construction permit, the ZOS, the technical plan, evidence of title to the land and other documents, an operational permit is issued to the developer. An operational permit confirms, inter alia, that the real estate was constructed in full compliance with the construction permit and the design documentation. Once the operational permit is issued, the rights to the completed property may be registered with the Register.

RESTRICTIONS IN THE ST. PETERSBURG PRESERVATION ZONE

Pursuant to legislation, the historical centre of St. Petersburg has been divided into several “preservation zones”, each governed by specific regulations. All projects within these zones are subject to special requirements established by federal and local legislation, which are designed to preserve the existing system of city planning and the surroundings of the historical buildings, to prevent increased pollution levels and fire risks around historical buildings, to remove industrial enterprises and to renovate workshops and storage facilities which have a negative physical or aesthetic impact on historical buildings.

Under these local laws, the Committee for the State Preservation of Historical and Cultural Monuments must approve the project documentation for any development located within a preservation zone. In addition, the demolition, replacement, or alteration of an historical building, or part of a building, such as a facade, which has been declared historical under heritage laws, is prohibited within the preservation zone, unless carried out in strict compliance with approved project documentation. For example, if only the facade of a building is protected for heritage purposes, we may be permitted to completely redevelop the property so long as the facade remains intact.

In the most heavily regulated preservation zone, new construction is prohibited, except for projects aimed at the conservation and/or restoration of old culturally significant objects. In other preservation zones construction is permitted, but regulations governing the construction of high-rise buildings must be complied with. Demolition of historical buildings (built before 1917) is prohibited within all preservation zones.

CONSTRUCTION IN THE CITY OF MOSCOW

Construction in the city of Moscow is governed principally by the Moscow law “On Land Use in the City of Moscow”, the Moscow law “Town-Planning Code of the City of Moscow” and the Resolution of the Government of Moscow “On the Approval of Land Use and Development Regulations”.

The Moscow authorities own the majority of the land plots in Moscow, and owners of buildings typically enter into lease agreements with the Moscow authorities. Many land plots earmarked for private development in Moscow are currently held by investors who acquired a lease from the Moscow authorities.

Generally, in practice, a developer may obtain land lease rights for three to ten years (*i.e.*, for the period of construction) from the city of Moscow through an auction, typically in exchange for periodic lease payments. Subject to the successful development of the land plot, the investor receives land lease rights for a term of up to 49 years.

On 1 August 2017, following the amendments to the Law of the Russian Federation “On the Status of the Capital City of the Russian Federation”, the Moscow authorities adopted a housing renovation program providing for the demolition of residential buildings up to nine-floors constructed in accordance with standard projects drafted between 1957 and 1968, as well as buildings with similar design. The Moscow authorities expect to build up to 30 million square meters of housing with a view to relocating residents whose homes are subject to the renovation program and selling the remaining premises to cover relocation costs.

RESIDENTIAL CONSTRUCTION KEY FEATURES

Until the early 1990s, most apartments in the Russian Federation were state- or municipally-owned. However, since that time many apartments have been privatized or constructed by investors, and are now in private ownership. Generally, a land plot for residential construction may be granted only through an auction. Once a developer has obtained land rights allowing for development, it needs to prepare the requisite documentation to begin construction, which consists of applications for various approvals and permits from various federal and local authorities, including environmental, architectural, land, sanitary, geological and other authorities. Project documentation for residential construction is subject to expert examination and approval by an authorised expert agency or a competent state authority or institution.

In order to obtain the operational permit, the developer should, upon completion of construction, file an application with the state authority that issued the construction permit and present the documents confirming that the development has complied with the construction permit and project documentation.

The operational permit along with the technical plan reflecting the measurements of the building by a cadastral engineer and certain other documents serve as the basis for the state registration of the ownership rights to the constructed building and its cadastral registration with the Register.

In most cases, rights of individuals to apartments in the constructed building arise at the moment of the state registration on the Register. Upon such registration, the owner of an apartment additionally receives the right to a share in the ownership of the common areas of the building, including halls, stairs and elevators, as well as electric and engineering equipment located outside or inside the apartment that is used by more than one apartment.

FINANCING AND SALE

Residential construction may be financed both by funds provided by the developer and third parties. Funds may be raised, among other ways, through borrowing or direct investment in the construction by outside investors.

Raising funds from future owners of apartments at various stages of construction was historically one of the principal ways of financing residential construction in Russia.

In 2004, the Shared Construction Law was adopted. The Shared Construction Law is primarily aimed at protecting the rights and interests of individuals in shared construction projects.

Since 1 July 2019, under the 2019 Shared Construction Law Amendments, developers that sell properties using shared construction agreements, as a general rule and subject to certain temporary provisions, are required to keep funds received from their customers in escrow accounts. The developer has no access to these funds until the relevant construction project is commissioned. Until such commissioning, the developer is expected to fund construction from own or borrowed funds (project financing) from the bank where customers' escrow accounts are opened.

As an exception, a developer may in certain cases avoid using the escrow account model, provided that the developer makes contributions to the special compensation fund for the protection of private investors, which is used for paying compensation to private investors in the event of the developer's bankruptcy and for financing the completion of unfinished construction.

The Shared Construction Law prohibits developers from raising funds prior to (i) obtaining a construction permit, (ii) publishing a project declaration (summary information on the developer and its project), and (iii) having registered its rights (either ownership or lease) to the land plot intended for the construction. The Shared Construction Law also requires shared construction contracts to be registered with the Rosreestr and developers' funds are secured against the developer's default by mortgage over the project under construction and the underlying land plot (or the lease to such land plot), and individual investors are entitled to an increased level of statutory interest payable by the developer in default on sums owing.

The Shared Construction Law and other legislative acts relating to shared construction projects have been subject to a number of significant amendments with a view to further protecting private investors. Among others, the following requirements are applicable to developers:

- a developer must have the following experience to be able to engage in construction projects: it (or its parent or any subsidiary of such parent) should have engaged for not less than three years in the construction of residential buildings totalling at least 5,000 square meters as a developer and/or a technical customer and/or a general contractor, provided requisite operational permits with respect to the relevant buildings have been obtained;
- a developer's own funds, calculated in accordance with a procedure adopted by the Government, shall constitute at least 10% of the estimated cost of the construction under the project declaration (the "**Estimated Cost of Construction**");
- a developer shall hold an amount of at least 10% of the Estimated Cost of Construction at a bank authorised by the CBR or have a credit facility with a bank authorised by the CBR for an amount of at least 40% of the Estimated Cost of Construction at the time of the filing of the project declaration with the competent authorities;
- a developer shall not have any outstanding debt obligations other than those related to the funding of the project under the relevant construction permit or permits;
- a developer shall not issue any securities other than shares;
- a developer's obligations, other than those related to the raising of funds under shared construction contracts and to the construction under the relevant construction permit or permits, shall not exceed 1% of the Estimated Cost of Construction at the time of the filing of the project declaration with the competent authorities;
- a developer shall not secure third parties' obligations and developer's assets shall not be used as security for any third parties' obligations or for the developer's obligations, other than those related to the raising of funds under shared construction contracts and to the construction under the relevant construction permit or permits;
- a person acting as a CEO, member of a management board, or a chief accountant of a developer, as well as a person controlling more than 5% of the charter capital of a developer, should comply with certain requirements;

- a developer shall obtain a certificate confirming the compliance of the developer and the project declaration with the Shared Construction Law from the competent authority; and
- a developer shall have a single bank account opened at a bank authorised by the CBR, with operations with respect to this bank account being subject to strict regulations (in particular, the funds on such accounts may only be used for the purposes set out by applicable law, and developers must submit supporting documents to the bank).

REAL PROPERTY TAXATION CORPORATE PROPERTY TAX

The corporate property tax is established by the Tax Code. Entities subject to the tax are legal entities, including foreign legal entities and organisations, owning certain types of property including real estate located in the territory of the Russian Federation. The tax rate is established by regional authorities, but cannot be higher than 2.2%. As of the date of this Prospectus, the base tax rate in most major regions, including St. Petersburg and Moscow Metropolitan Area, is 2.2%, with a number of exceptions depending on the type of property. Generally, the taxable base is the average annual net book value (generally calculated as the historical cost per statutory accounts less statutory depreciation) of the property or, in certain cases, its cadastral value. In general, the taxable property includes assets qualified as fixed assets under Russian financial accounting rules. However, land and certain other types of property are specifically excluded. The tax is payable in the order set out by the applicable regional legislation. For example, in Moscow the tax is paid on an annual basis while advance tax payments are paid on a quarterly basis.

LAND TAX

The land tax is also established by the Tax Code. Those subject to the tax include individuals and legal entities possessing land plots by rights of ownership, permanent use and lifetime inheritable possession. The tax rate is established by the municipal authorities (except for the cities of federal importance, including Moscow and St. Petersburg, where the tax rate is established by the city authorities), but may not be higher than (i) 0.3% for land plots categorised as land for agricultural use, land under housing facilities and land under personal subsidiary plots, horticulture, cattle breeding and summer cottages and certain other types of land plots, and (ii) 1.5% for other land plots. The land tax is calculated based on the cadastral value of the land plot. The tax is paid on an annual basis while advance tax payments are paid by legal entities on a quarterly basis.

LAND RENT

The rules for determining the amount and the order of rent payments for land owned by the Russian Federation, Russian regions or municipalities are imposed by the relevant public authority. In addition, local authorities are empowered to require payment of a separate fee by the lessee for the right to conclude a lease agreement.

TAX ON RESIDENTIAL PROPERTIES

Currently, individuals pay an annual property tax on real estate property (other than land plots) of which they are the legal owner, at rates between 0.1% and 2.0% of the cadastral value of the property adjusted in the manner set out in the Tax Code. The tax is paid on an annual basis.

DIRECTORS, MANAGEMENT AND CORPORATE GOVERNANCE

OVERVIEW

According to our articles of association, our business and affairs are mainly managed by the Board of Directors. A brief description of the Board of Directors is set out below.

BOARD OF DIRECTORS

Our Board of Directors currently consists of eleven directors. Two directors are executive directors and nine directors are non-executive directors, six of whom are also independent directors.

The following table sets out the name, age, year of appointment and position on the Board of Directors for each director.

Name	Age	Position	Date of Birth	First Year Appointed
Sergey Egorov ⁽¹⁾	38	Chairman of the Board of Directors	11 Dec 1982	2019
Oleg Mubarakshin ⁽¹⁾	52	Non-Executive Director	13 Sep 1968	2019
Denis Vinokurov ⁽¹⁾	52	Non-Executive Director	27 May 1969	2018
Gennadii Shcherbina	66	Executive Director	17 Feb 1955	2021
Maksim Berlovich	34	Executive Director	9 Jul 1987	2018
Marina Ogloblina	63	Independent Non-Executive Director	15 Oct 1957	2019
Ganna Khomenko	43	Independent Non-Executive Director	27 Dec 1977	2019
Martin Robert Cocker	61	Independent Non-Executive Director	19 Sep 1959	2010
Boris Svetlichny	60	Independent Non-Executive Director	17 Jun 1961	2013
Charalampos Avgousti	39	Independent Non-Executive Director	7 Apr 1982	2016
Alexander Voloshin	65	Independent Non-Executive Director	3 Mar 1956	2021

(1) Sistema representatives

Upon Sistema becoming a shareholder of the Company, on 19 February 2019, Oleg Mubarakshin and Sergey Egorov joined the Board of Directors as representatives of Sistema, and Ganna Khomenko and Marina Ogloblina joined the Board of Directors as independent directors. In 2021, Gennadii Shcherbina and Alexander Voloshin joined the Board of Directors, Gennadii Shcherbina as executive director and Alexander Voloshin as independent director. The other directors had been appointed to the Board of Directors previously at different times, and Denis Vinokurov (who had been appointed to the Board of Director as an independent director in 2018) became a Sistema representative on 26 April 2021. Each director has been appointed to his position for an undefined period subject to removal in accordance with the Company's articles of associations and Cypriot laws.

Sergey Egorov — Chairman of the Board of Directors, Chairman of the Remuneration and Nomination Committee, Non-Executive Director

Sergey Egorov was born in 1982. He graduated from the Kyrgyz State National University in 2004 with a degree in finance. Since 2012 he has worked at Sistema, currently as a Managing Partner and before that as the Director of Special Projects. Sergey also sits on the boards of directors of certain Sistema portfolio companies. Before joining Sistema, Sergey was a Vice President at Intellect Telecom and he also has significant experience at several companies including Sberbank Capital, United Capital Partners and EY.

Oleg Mubarakshin — Non-Executive Director

Oleg Mubarakshin was born in 1968. He graduated from the Moscow State Academy of Law in 2000 with a degree in law, and from the Finance Academy under the Government of the Russian Federation in 2002 with a degree in Finance. Since 2013 he has worked at Sistema, currently as a Managing Partner and before that as a Senior Vice President and the Head of the Legal Function. Before joining Sistema he was the head of legal at EastOne Investment and Consulting Group, and before that he spent more than a decade at InBev FMCG Group, where he rose to the position of Vice President for Legal Affairs for Western Europe.

Gennadii Shcherbina — Chief Executive Officer of the Group, Executive Director

Gennadii Shcherbina was born in 1955. He graduated from the St. Petersburg State University for Architecture and Construction in 2009 with a degree in industrial and civic construction, economics and management of

construction business, as well as PhD in Economics in 2014. He also graduated from the Balashov military aviation high school in 1976 and Marshal A. A. Grechko Naval Academy in 1990 with a degree in military sciences. Gennadii began his career in construction in 2003 and has 18 years of experience in the industry. He served as the Head of Etalon Group's St Petersburg Regional Division from 2007 and was appointed Chief Executive Officer of Etalon Group in 2018.

Maksim Berlovich— Head of Moscow Operations, Chairman of the Strategy Committee, Executive Director

Maksim Berlovich was born in 1987. He graduated from the Peter the Great St Petersburg Polytechnic University in 2009 with a degree in world economy and from the Vlerick Business School in 2013 with an MBA degree. Before joining Etalon Group in 2014, Maksim was a deputy CEO of one of the largest power grid construction companies in Russia. From 2017 to 2019, he served as the head of the Company's construction and maintenance division. In 2019 Maksim became the Head of Moscow Operations.

Marina Ogloblina— Independent Non-Executive Director

Marina Ogloblina was born in 1957. She graduated from the Moscow Finance University in 1980 with a degree in finance. Most recently, she served as a Minister for Construction and Residential and Utility Sector of the Moscow region, before being appointed an advisor for construction (with ministerial rank) to the regional governor. Prior to that, she worked for 20 years in economic planning roles in the Moscow city administration, eventually becoming the Minister and the Head of the Economic Planning and Development Department, and also heading the city's Main Supervision Department. Marina began her career at the State Bank of the USSR before being appointed a senior auditor for two districts of Moscow at the Russian SFSR Finance Ministry's Audit Directorate. She also served as a professor and the head of the Department of Finance, Accounting and Audit at the Moscow government's Moscow State University of Administration.

Ganna Khomenko — Independent Non-Executive Director

Ganna Khomenko was born in 1977. She graduated from the Keele University in 1999 with a degree in law and international politics. She also completed a Legal Practice Course in College of Law in Chester. She currently acts as a consultant providing services in trust and corporate administration, accounting and financial management, and international tax planning, and also sits on the boards of Ros Agro and Interpipe. Ganna previously held a number of senior legal and management positions.

Martin Robert Cocker — Chairman of the Audit Committee, Independent Non-Executive Director

Martin Robert Cocker was born in 1959. He graduated from the University of Keele in 1981 with a joint honours degree in mathematics and economics. From 1981 to 1992, he served as an auditor and later as an audit manager and senior audit manager at Ernst & Young (United Kingdom). From 1992 to 1995, he worked in the oil industry with Amerada Hess before returning to the audit profession in 1996 as a partner with Ernst & Young in Moscow Russia. Between 1998 and 2007, Mr Cocker occupied various management positions, including the posts of audit director in Deloitte & Touche (United Kingdom), managing audit partner in KPMG Kazakhstan (Almaty, Kazakhstan), managing audit partner Central Asia in Deloitte & Touche (Almaty, Kazakhstan) and managing partner in Deloitte & Touche (St. Petersburg). He runs his own development business in Portugal. Since 2010, Mr Cocker has been an independent non-executive director on the Company's Board of Directors and chairman of the audit committee.

Boris Svetlichny — Independent Non-Executive Director

Boris Svetlichny was born in 1961. He graduated from the University of Massachusetts in 1985 with a degree in accounting, and from the Carnegie-Mellon University in 1992 with an MBA degree. He brings to the Company 29 years of international financial and senior management experience. He held various senior finance positions at Orange Business Services in Russia, VimpelCom and Golden Telecom. From March 2014 to August 2016 Mr Svetlichny served as the CFO of the Company.

Denis Vinokurov — Independent Non-Executive Director

Denis Vinokurov was born in 1969. He graduated from the Moscow State Institute of International Relations in 1993 with a degree in law with highest honours, the Central European University with a Master of Laws degree, the New York University with a Master of Laws degree and the Stern Business School with an MBA degree. He has held senior investment roles at VI Holding Development, Russian Direct Investment Fund and East Capital. He started his career as a corporate lawyer with White & Case.

Charalampos Avgousti— Independent Non-Executive Director

Charalampos Avgousti was born in 1982. He graduated from the Democritus University of Thrace in 2007 with a degree in law, and the Northumbria University Newcastle with a degree of Master of Laws in 2010. He is the Founder and Managing Director of Ch. Avgousti & Partners LLC (Advocates & legal consultants). Previously he worked at several law firms, including E&G Economides LLC – Totalserve Group and Nasos A. Kyriakides & Partners Advocates. Mr Avgousti is a board member at CYTA - Cyprus Telecommunication Authority, member of the Advisory council of Limassol for the Central Cooperative Bank, and until February 2016 he was a board member of Periferiaki Cooperative Credit Society Nicosia Limited.

Alexander Voloshin — Independent Non-Executive Director

Alexander Voloshin was born in 1956. He graduated from the Moscow State University of Railway Engineering and All-Russian Academy of Foreign Trade of the Ministry of Economic Development of the Russian Federation. He brings to the Company 30 years of experience in the fields of economics, investment and asset management. He has spearheaded a number of investment funds and brokerage companies: in 1997–1998, he was a member of the Exchange Council of Moscow Exchange. Alexander later held high-ranking posts in Russia’s Presidential Administration: Aide (1997–1998), Deputy Head of the Presidential Administration (1998–1999) and Head of the Presidential Administration (1999–2003). Alexander has served as the Chairman of the Board of Directors of RAO UES, Norilsk Nickel, Uralkali and Freight One. He is a partner and co-owner of the venture capital fund Genome Ventures.

Powers of the Board of Directors

The Board of Directors is responsible for the general management of the Company. The Board of Directors organises and manages operations of the Company.

Our articles of association provide that the number of directors shall not be subject to any maximum but shall generally not be less than two.

The members of the Board of Directors can be appointed by the Board of Directors itself without sanction of the Company in general meeting, either to fill a casual vacancy or as an additional director. The directors can be appointed and removed by the Company by ordinary resolution. A person can be appointed as a director only after consenting to it in writing. A director may resign by giving a notice to the Company.

For more details, see “*Description of Share Capital and Certain Requirements of Cypriot Law — Powers of Directors*”.

SENIOR MANAGEMENT

The following table sets forth the name, age, position and first date of appointment of each of our senior managers (“**Senior Managers**”):

Name	Age	Position	First Year Appointed
Gennadii Shcherbina	66	Chief Executive Officer	2018
Ilya Kosolapov	38	Chief Financial Officer	2020

Gennadii Shcherbina— Chief Executive Officer of the Group

Gennadii Shcherbina was born in 1955. He graduated from the St. Petersburg State University for Architecture and Construction in 2009 with a degree in industrial and civic construction, economics and management of construction business, as well as PhD in Economics in 2014. He also graduated from the Balashov military aviation high school in 1976 and Marshal A. A. Grechko Naval Academy in 1990 with a degree in military sciences.

Ilya Kosolapov — Chief Financial Officer of the Group

Ilya Kosolapov was born in 1983. He graduated from the Plekhanov Russian University of Economics in 2006 with a degree in finance. Ilya has over 15 years of experience in financial management. Prior to joining Etalon Group, Ilya worked as executive director responsible for finance and development, and as a member of the

investment committee of Sistema Asia Capital management company, which runs the Sistema Asia Fund (SAF) venture capital fund. Starting in 2015, Ilya served for three years as Chief Financial Officer of the Indian telecommunications operator Sistema Shyam Teleservices Limited (MTS India). Prior to that, Ilya held various positions in the fields of corporate finance, investment and treasury at Sistema and its portfolio companies, such as MTS and Segezha Group.

INTERESTS OF MEMBERS OF OUR BOARD OF DIRECTORS AND SENIOR MANAGERS

On 8 June 2018, the Company granted 5,500,000 GDRs under the Company's management incentive plan to senior management team employees and executive directors. There were no vesting conditions in the share based payment, but a restriction (lock up period) of 7 years, during which the participants were not entitled to sell, transfer or otherwise dispose any respective GDRs received from the Company, unless such sale, transfer or disposal has been approved by the Company. Following the share based payment dated 8 June 2018, the Company has no share-based payment arrangements in place. As of the date of this Prospectus, senior management team employees currently employed by the Group, continue holding the granted GDRs.

As at the date of this Prospectus, the following members of our Board of Directors and our Senior Managers owned GDRs in the following percentages:

Name of Directors and Senior Managers	Number of GDRS held	Percentage of Ordinary Shares
Sergey Egorov ⁽¹⁾	974,801	0.25%
Oleg Mubarakshin ⁽²⁾	491,770	0.13%
Gennadii Shcherbina ⁽³⁾	2,364,266	0.62%

(1) GDRs held by Sergey Egorov were acquired as a result of purchase outside a trading venue.

(2) GDRs held by Oleg Mubarakshin were acquired as a result of purchase outside a trading venue.

(3) GDRs held by Gennadii Shcherbina were acquired under the Company's management incentive plan.

Three members of the Board of Directors of the Company have potential conflicts of interest: Sergey Egorov and Oleg Mubarakshin are managing partners at Sistema, Denis Vinokurov holds a position of Chief Investment Officer and as of the date of this Prospectus, Sistema is a beneficial owner of 29.8% of the Ordinary Shares of the Company. By virtue of Sergey Egorov, Oleg Mubarakshin and Denis Vinokurov holding positions within Sistema, a potential conflict of interest may arise between these directors' duties owed to the Company and their duties owed to Sistema. However, pursuant to the Relationship Agreement between the Company and Sistema (through its subsidiary Capgrowth Investments Limited), the representatives of Sistema at the Company's Board of Directors, including Sergey Egorov, Oleg Mubarakshin and Denis Vinokurov, do not vote on any transaction or arrangement between any member of the Group and Sistema. See "*Principal Shareholders.*"

Other than the potential conflicts of interest described above, we are not aware of any other potential conflicts of interest between any duties owed by members of our Board of Directors or our Senior Managers to us and their private interests and/or other duties.

CORPORATE GOVERNANCE

There are no corporate governance codes applicable to the Company under Cyprus law.

STRATEGY COMMITTEE

The strategy committee's role is to assist the Board of Directors in fulfilling its oversight responsibilities relating to the medium- and long-term strategic direction and development of the Company. The strategy committee provides advice and expertise so that strategic options may be explored fully before being tabled at Board of Directors meetings for deliberation and approval. The strategy committee was established in 2012 and currently consists of Maksim Berlovich, Sergey Egorov, Oleg Mubarakshin, Gennadii Shcherbina, Marina Ogloblina, Denis Vinokurov and Artyom Zasursky, Vice President and Head of Strategy at Sistema. The strategy committee is chaired by Maksim Berlovich.

AUDIT COMMITTEE

The audit committee is responsible for monitoring the financial reporting process and the integrity of the Company's financial statements. It is also responsible for reviewing internal controls, overseeing how management monitors compliance with the Company's risk management policies and procedures, the effectiveness of the Company's internal audit function and the independence, objectivity and the effectiveness of the external audit process. The audit committee is also responsible for considering the terms of appointment and remuneration of the external auditor. The audit committee was established in 2010 and currently consists of Martin Robert Cocker, Boris Svetlichny and Ganna Khomenko. The audit committee is chaired by Martin Robert Cocker.

REMUNERATION AND NOMINATION COMMITTEE

The remuneration and nomination committee advises the Board of Directors on the remuneration of executive management and other senior employees, and reviews the terms and conditions of employment agreements for all senior appointments. The Committee is also responsible for drafting the selection criteria and appointment of members of the Board of Directors and for reviewing its structure, size and composition on a regular basis. In undertaking this role, the remuneration and nomination committee considers the skills, knowledge and experience required for different positions at the Company and the requirements of current legislation, and makes recommendations to the Board of Directors as to any changes. The remuneration and nomination committee also considers and makes recommendations regarding the membership of the audit and strategy committees and of the investor relations and information disclosure committee. The remuneration and nomination committee was established in 2012 to replace separate nominations committee and remunerations committee existing at the time. The remuneration and nomination committee currently consists of Sergey Egorov, Oleg Mubarakshin, Ganna Khomenko, Martin Robert Cocker, Charalampos Avgousti. The remuneration and nomination committee is chaired by Sergey Egorov.

INVESTOR RELATIONS AND INFORMATION DISCLOSURE COMMITTEE

The key objective of the investor relations and information disclosure committee is to develop a unified investor relations and information disclosure strategy, facilitate an effective dialogue between the investment community and the Board of Directors and further strengthen the investment appeal of the Company's securities. The investor relations and information disclosure committee was established in 2020 as a result of transformation of the information disclosure committee. It currently consists of Denis Vinokurov, Petr Kryuchkov, director for corporate investments of the Company, and Nikolai Minashin, Managing Director for Investor Relations at Sistema. The investor relations and information disclosure committee is chaired by Petr Kryuchkov.

COMPENSATION

In 2020, the aggregate amount of remuneration paid by us to key management was RUB 312 million in salaries and bonuses and the remuneration of the Board of Directors of the Company amounted to RUB 28 million.

LETTERS OF APPOINTMENT

Each member of our Board of Directors has entered into a letter of appointment with the Company, which regulates, among other things, the directors' duties, his obligations with respect to confidentiality, outside interest and return of documents, as well as insurance and independent professional advice arrangements.

D&O LIABILITY INSURANCE

We have maintained directors and officers (D&O) liability insurance since 2011. The last covered period expiring on 14 April 2022 has been insured with a limit of USD 150 million by a number of international companies. We plan to extend our D&O liability insurance policies for the future.

EMPLOYMENT CONTRACTS WITH SENIOR MANAGERS

Each of our Senior Managers is entitled to the statutory termination benefits required by Russian law, which in effect amounts to three months' salary upon termination. If the person concerned has been dismissed on any of the grounds set out below, no termination benefits are payable.

We do not provide pension, retirement or similar benefits to our Senior Managers.

Our Chief Executive Officer may resign by giving us one month's written notice, and the other Senior Managers two weeks' written notice. We may terminate the employment of any of these persons without any termination benefits with immediate effect and without notice if, among other things, such person:

- commits a serious or persistent breach of his or her duties;
- is subject to any criminal sanction or restriction, as a result of which he or she can no longer perform their duties;
- becomes disqualified or otherwise prohibited on administrative grounds from performing their duties;
- divulges the Company's commercial secret of which he became aware due to performance of his employment duties; or
- becomes incapable of performing their duties in any other circumstances as provided for under Russian law.

LITIGATION STATEMENT ABOUT DIRECTORS AND OFFICERS

At the date of this Prospectus, none of the members of our Board of Directors or our Senior Managers for at least the previous five years:

- has had any convictions in relation to fraudulent offences; nor
- has held an executive function in the form of a senior manager or a member of the administrative, management or supervisory bodies, of any company, or a partner in any partnership, at the time of or preceding any bankruptcy, receivership or liquidation; nor
- has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

RELATED PARTY TRANSACTIONS

The following is a summary of our transactions with related parties for the years ended 31 December 2018, 2019 and 2020. For further details, see Note 31 to the 2019 Consolidated Financial Statements and Note 31 to the 2020 Consolidated Financial Statements.

GENERAL MATTERS

Parties are considered to be related if one party has the ability to control the other party, is under common control with, or exercises significant influence over, the other party's financial or operational decisions. In determining each possible related party relationship, one must consider the substance of the relationship and not merely the legal form. The Group's related party transactions are priced at market rates.

We are, and have been, a party to various agreements and other arrangements with certain related parties and interested parties, the most significant of which are described below. See *"Risk Factors — Risks Relating to Our Business — We have engaged and may continue to engage in transactions with related parties"*.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions for the years ended 31 December 2018, 2019 and 2020 consisted of the following:

	For the year ended 31 December		
	2018	2019	2020
	mln RUB		
Transactions with management			
Short-term employee benefits - salaries and bonuses	879	1,599	312
Termination benefit paid to member of key management personnel	115	57	3
Current accounts in banks – related parties	-	(469)	262
(Returns)/sales of apartments and premises	2	-	-
Proceeds from investments in associates	-	117	12
Interest payable	-	(51)	157
Transactions with other related parties			
<i>Revenue:</i>			
Other related parties	45	113	409
Total	45	113	409
<i>Expenses:</i>			
Other related parties	135	(123)	(178)
Total	135	(123)	(178)
<i>Loans:</i>			
Loans given	-	4	(5)
Loans received	-	(298)	(1,210)
Total	-	(294)	(1,215)

Note:

- (1) The information is provided for transactions which exceed RUB 100 million in either 2018, 2019 or 2020.

Remuneration of the Members of the Board of Directors

Remuneration of the members of the Board of Directors amounted to RUB 213 million, RUB 48 million and RUB 28 million in the years ended 31 December 2018, 2019 and 2020, respectively.

Relationship with Sistema

During the year ended 31 December 2020, the Group paid out the consideration in the amount of RUB 143 million, which was recognised within net other expenses. The payment was made to Sistema in accordance with terms of acquisition of JSC "Leader-Invest".

Relationship with PJSC MTS Bank

We have several accounts at PJSC MTS Bank, a subsidiary of Sistema, our associated company. As at 31 December 2019 and 2020, total cash balances of our and our subsidiaries' accounts at PJSC MTS Bank were RUB 14 million and RUB 276 million, respectively. As at 20 July 2021 total cash balances of our and our subsidiaries'

accounts at PJSC MTS Bank were RUB 1,422 million.

As at 31 December 2019 and 2020, the outstanding principal amount under facility agreements entered into by the Company or our subsidiaries with PJSC MTS Bank was RUB 2,902 million and RUB 4,195 million respectively. As at 20 July 2021, the outstanding principal amount under facility agreements entered into by the Company or our subsidiaries with PJSC MTS Bank was RUB 4,148 million.

Relationship with Sistema Capital

A substantial part of bonds issued by JSC “Leader-Invest” is held by funds managed by Sistema Capital Asset Management, a subsidiary of Sistema. As at 31 December 2019 and 2020, outstanding balance of bonds held by subsidiaries of Sistema were RUB 991 million and RUB 977 million, respectively. As at 20 July 2021, the outstanding balance of bonds was RUB 1,007 million.

Relationship with Cosmos OG

As at 20 July 2021 the outstanding principal amount under loan facility agreement entered into by the Company or our subsidiaries with LLC Cosmos OG, a subsidiary of Sistema, was RUB 158 million.

Services provided to related parties

In 2019 and 2020, the Group provided general contractor’s services to LLC Kompleks Serebryaniy Bor, a subsidiary of Sistema. In connection with these services, we recorded revenue in the amount of RUB 25 million and RUB 281 million for the years ended 31 December 2019 and 2020, respectively. From 1 January to 20 July 2021 the Group provided general contractor’s services to LLC Kompleks Serebryaniy Bor in the amount of RUB 88 million.

MATERIAL CONTRACTS

The following contracts are, or may be, material or have been entered into at any time by any member of our Group and contain provisions under which any member of our Group has an obligation or entitlement which is, or may be, material to our Group as at the date of this Prospectus.

MAJOR CREDIT AGREEMENTS

For a description of the major credit agreements, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Major Credit Agreements*”.

OTHER AGREEMENTS

Agreement for purchase of the properties which will be constructed in future

In August 2019, our subsidiary, JSC Specialised Developer “Moscow business incubator” entered into an agreement with JSC “Raiffeisenbank” for purchase of the properties which will be constructed in future. Under the agreement (as amended), we undertake to develop a standing commercial building and sever a land plot for its construction from a larger track of land we are leasing from the Department of Municipal Property of Moscow. The commercial building has a total area of approximately 34,000 sqm and is located on Andropova prospect, Moscow.

In accordance with the agreement, the development is effected in several stages and the purchaser is due to make advance payments to the developer for each new stage upon provision of satisfactory evidence that developer’s obligations envisaged by the previous construction stage have been duly performed. For the duration of the agreement the building and the lease rights remain subject to a first-ranking pledge in favour of the purchaser and second-ranking pledge in favour of Sberbank. Upon completion scheduled for August 2022, the ownership of the building will be transferred to JSC “Raiffeisenbank” subject to the satisfaction of certain conditions (e.g., as to compliance of the commercial building with the design documentation, accessibility of the building and absence of encumbrances in respect of the building) as well as full payment of the purchase price which is estimated at RUB 5.5 billion.

As mentioned above, we hold lease rights in respect of the land plot underlying the building under agreement with the authorities of Moscow. The lease agreement was concluded for the term of 6 years from the registration of the respective agreements. We have been making rental payments to the administration of Moscow in the manner stipulated in the lease agreement.

The agreement for the purchase of the properties which will be constructed in future also provides for the right of each party to unilaterally and extra-judicially terminate the agreement in a limited number of circumstances. For example, JSC “Raiffeisenbank” is entitled to do so where, *inter alia*, the developer deviates from terms for completion of construction stages, Sberbank takes steps to enforce the pledges or any of the purchaser, developer or their affiliates become subject to international sanctions.

Agreement on mediation with respect to amending the terms of Agreement governing the sale and purchase of interest in LLC “Specialized Developer “ZIL-YUG” and exercise of rights of it participants

In May 2016, AMO ZIL and our subsidiary LLC “Razvitie” entered into an agreement for sale and purchase of 100% stake in LLC “ZIL-YUG” (further renamed to LLC “Specialized Developer “ZIL-YUG” in December 2020) following the failure of the tender announced by AMO ZIL. In accordance with the agreement the stake was to be acquired in portions over the period of 6 years, with LLC “Razvitie” being entitled to postpone the acquisition of further portions in case of discrepancies between technical metrics of the construction project agreed between the parties and technical metrics in the area planning design approved by Moscow authorities. In 2018, on this basis LLC “Razvitie” suspended acquisition of remaining portions of the stake in LLC “Specialized Developer “ZIL-YUG” which effectively triggered legal disputes between the parties and effectively blocked possibility for the implementation of the agreement. In connection with this impasse the parties initiated mediation procedure to reiterate the terms of the initial agreement.

The mediation agreement provides for the one-time transfer of the remaining interest of 88% which has been effected on 22 October 2020 whereas the purchase price is to be paid by installments with the last payment falling on March 2024. However, further disposal of interest in LLC “Specialized Developer “ZIL-YUG” by LLC “Razvitie” prior to the last payment date accelerates the purchase price repayment in full.

Performance of LLC “Razvitie” obligations under the mediation agreement is guaranteed by JSC “Etalon Group of Companies”, LLC “EtalonStroy” and JSC “Leader-Invest”.

PRINCIPAL SHAREHOLDERS

SHAREHOLDINGS OF THE PRINCIPAL SHAREHOLDERS

As of the date of this Prospectus, our issued share capital consists of: (i) 383,445,362 Ordinary Shares with a nominal value of GBP 0.00005 each, and (ii) 20,000 redeemable preference shares of the Company (the “**Preference Shares**”) with a nominal value of GBP 1.00 each, all of which have been issued on a fully paid-up basis.

In addition, as of the date of this Prospectus, the Company has no unissued but authorized Ordinary Shares with a nominal value of GBP 0.00005 each.

The following section sets forth our shareholders who own the Ordinary Shares, as of the date of this Prospectus, as they appear on our register of members and share ledger.

Name of Shareholder	Number of Ordinary Shares	Per cent of Ordinary Shares
BNY (Nominees) Limited ⁽¹⁾	294,251,042	76.74
PJSC "MTS-Bank" ⁽²⁾	88,487,390	23.08
Polunin Emerging Markets Small Cap LLC (USA)	669,464	0.18
Polunin Funds - Emerging Markets Small Cap Fund (Luxemburg)	37,462	0.01
Dehus Dolmen Nominees Limited ⁽³⁾	1	0.01
Sistema Management Cyprus Limited	2	0.01
Sistema Finance JSC	1	0.01

(1) The Ordinary Shares are held by BNY (Nominees) Limited as nominee for The Bank of New York Mellon, as custodian and depository for the Company's GDR facility. As of the date of this Prospectus, Sistema (through its subsidiary Capgrowth Investments Limited) owns 25,743,576 equity securities in the Company, in the form of GDRs.

(2) PJSC "MTS-Bank" holds 88,487,390 Ordinary Shares as custodian of Sistema Capital LLC which acts as an Asset Manager for and behalf of Capgrowth Investments Limited, Sistema's subsidiary.

(3) The Ordinary Share held by Dehus Dolmen Nominees Limited is beneficially owned by the Baring Vostok Funds.

The following table sets forth the holders of GDRs who, based on the information provided by IHS Markit, and available as of 10 June 2021, own at least 1% of the ordinary share capital, as of the dates specified in the respective column:

Name of Holder	Number of GDRs	Per cent of Ordinary Shares represented by GDRs	Information as of
Norges Bank Investment Management	11,318,840	3.0%	31 December 2020
East Capital Asset Management ...	5,232,509	1.4%	30 April 2021
Swedbank Robur Fonder AB	4,660,721	1.2%	31 May 2021
M&G Investment Management, ...	4,553,428	1.2%	30 April 2021

In addition, the following table sets forth the holders of GDRs that submitted to us notifications upon crossing certain ownership thresholds in accordance with Cypriot securities laws:

Name of Holder	Number of GDRs	Per cent of Ordinary Shares represented by GDRs	Information as of
Alfa Bank ³	64,143,016	16.7%	19 May 2021
Capgrowth Investments Limited (Sistema's subsidiary)	25,743,576	6.7%	04 June 2021
Mubadala Investment Company	24,083,239	6.3%	21 May 2021

³ According to PCA notification received by the Company

<u>Name of Holder</u>	<u>Number of GDRs</u>	<u>Per cent of Ordinary Shares represented by GDRs</u>	<u>Information as of</u>
Kopernik Global Investors	19,329,515	5.0%	21 July 2021
Prosperity Capital Management ...	15,741,295	4.1%	25 January 2021
GIC Private Limited	14,210,623	3.7%	8 June 2020
Baring Vostok.....	11,231,256	2.9%	22 July 2020

The following section sets forth our shareholders who own the Preference Shares, as of the date of this Prospectus, as they appear on our register of members and share ledger.

<u>Name of Shareholder</u>	<u>Immediately before the date of the Prospectus</u>		<u>Immediately after the date of the Prospectus</u>	
	<u>Number of Preference Shares</u>	<u>Per cent of Preference Shares</u>	<u>Number of Preference Shares</u>	<u>Per cent of Preference Shares</u>
Sistema Management Cyprus Limited.....	20,000	100	20,000	100

None of our shareholders has voting rights different from any other holders of our Ordinary Shares other than as stated above in respect of the Preference Shares. We are not aware of any arrangements that may result in a change of control.

RELATIONSHIP AGREEMENT WITH SISTEMA

Upon Sistema becoming the largest shareholder of the Company, on 19 February 2019, the Company and Sistema (through its subsidiary Capgrowth Investments Limited) signed a relationship agreement (the “**Relationship Agreement**”), which sets out key elements of the relationship between the two parties, with a focus on upholding high standards of corporate governance and ensuring that the parties continue to act in the interests of all shareholders of the Company.

In order to provide additional assurances to minority shareholders of the Company, it has been agreed, among other matters, the following:

- acknowledgement by the parties that the Company will be managed in accordance with the principles of good governance set out in the corporate governance regime adopted by the Company and to continue to refine its transparency and disclosure practices;
- that all transactions or arrangements between Sistema and the Group will be conducted at arm’s length basis;
- that representatives of Sistema at the Company’s Board of Directors will not vote on any transaction or arrangement between Sistema and the Group;
- Sistema confirmed its intention to maintain the Company as a publicly-listed company; and

Sistema acknowledged and agreed that it shall use its commercially reasonable endeavours to procure that the Company executes its dividend policy as adopted by its Board of Directors and effective as of the date of the Relationship Agreement, unless otherwise approved by the Board of Directors.

DESCRIPTION OF SHARE CAPITAL AND CERTAIN REQUIREMENTS OF CYPRIOT LAW

The following is a summary of certain provisions of the articles of association of the Company (the “**Articles**”) and the Companies law of the statute laws of Cyprus, Cap 113 (the “**Companies Law**”) insofar as they relate to the material terms of our Ordinary Shares and Preference Shares. These summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the provisions of our Articles and the Companies Law. Prospective investors are urged to read the complete form of our Articles which can be found at: <https://www.etalongroup.com/corporate-governance/corporate-documents/>.

FORMATION AND DURATION

We were incorporated as a Guernsey limited company in Guernsey under The Companies (Guernsey) Law, 1994, as amended, with registration number 48002 on 8 November 2007. On 5 April 2017, we completed the procedure of moving our domicile from Guernsey to Cyprus and since then continue as a public company limited by shares in accordance with the laws of Cyprus and our Articles.

The GDRs will be issued pursuant to the Deposit Agreement between us and The Bank of New York Mellon, as depositary, and will represent ownership interests in the Ordinary Shares the Depositary receives and holds under the Deposit Agreement. The Depositary under the Deposit Agreement (or its Custodian or nominee) will be considered to be the sole record holder of any Ordinary Shares that are deposited under the Deposit Agreement and will be the only person that will be permitted to exercise any rights with respect to such Ordinary Shares or to receive reports as the holder of such Ordinary Shares. Accordingly, for the purposes of this description, references to shareholders generally do not include holders of GDRs, although such references do refer to the Depositary (or its Custodian or nominee) as the record holder of Ordinary Shares deposited under the Deposit Agreement. For a description of the rights of holders of GDRs under the Deposit Agreement, including procedures that GDR holders will be required to follow to instruct the Depositary to take actions with respect to Ordinary Shares deposited thereunder, see “*Terms and Conditions of the Global Depositary Receipts*.”

DESCRIPTION OF SHARE CAPITAL

Our share capital is divided into Ordinary Shares of GBP 0.00005 each and redeemable preference shares of GBP 1.00 each. The Ordinary Shares are all in registered form and freely transferable subject to the provisions of our Articles (for example, the Board of Directors may refuse to register the transfer of the share to a person they do not approve). Absent specific contractual undertakings by shareholders, our Ordinary Shares may be sold by their holders to any third parties without triggering any rights of first refusal or requiring any approvals on the part of other shareholders. As of the date of this Prospectus, we have 383,445,362 fully paid, issued and outstanding Ordinary Shares and 20,000 fully paid and issued redeemable Preference Shares.

SHARE CAPITAL

As of the date of this Prospectus, the authorised share capital of the Company is GBP 39,172.2681 (depicted to 3 decimals) divided into 383,445,362 Ordinary Shares of GBP 0.00005 each and 20,000 redeemable preference shares of GBP 1.00 each. The issued share capital of the Company is GBP 39,172.2681 (depicted to 3 decimals) divided into 383,445,362 Ordinary Shares of GBP 0.00005 each and 20,000 redeemable preference shares of GBP 1.00 each.

During 2011-2017, the Company acquired 8,216,378 GDRs under the GDRs repurchase programme. In 2018, the Company transferred 8,212,432 shares to certain members of its key management personnel as part of their remuneration.

On 24 January 2020, the Board of Directors of the Company authorised a buyback programme, aiming to purchase up to 10% of the Company’s issued capital in the form of GDRs until 14 April 2021. On 22 March 2020, the programme was approved by the extraordinary general meeting of shareholders. The term of the programme expired on 14 April 2021 and no GDRs were purchased thereunder.

As at 31 December 2020, the total number of GDRs owned by the Company was 3,946 or 0.001% of issued share capital.

On the 22 March 2021, the General Meeting of the Shareholders of the Company approved that the authorised share capital of the Company be increased by the creation of 88,487,391 ordinary shares of nominal value of GBP 0.00005 each.

At the general meeting of 22 March 2021, a majority resolution was additionally proposed for the shareholders of the Company to unconditionally waive and dis-apply any pre-emption rights which was not passed. The proposed disapplication of pre-emption rights was pursuant to section 60B of the Companies Law, as well as any other pre-emption rights or rights of first refusal howsoever arising, in connection with a share issue of up to 88,487,391 Ordinary Shares at par or premium, as the Board of Directors deem fit, for a period ending on the expiry of two years, until 22 March 2023. A related proposed ordinary resolution to give authority to the Board of Directors to allot and issue such shares for the same period was not passed either.

On 14 May 2021, the Company announced an offering of rights to subscribe for newly issued Ordinary Shares to the existing holders of the Company's equity securities. Eligible holders of GDRs subscribed for 23,339,732 new Ordinary Shares and 281,975 new GDRs in total. A rump offering was also completed on 14 May 2021 in which a total of 64,865,684 GDRs were purchased by investors.

Other than as stated above, there have been no changes in our share capital during the last three fiscal years.

MEMORANDUM AND ARTICLES OF ASSOCIATION

The Company's objects are set forth in full in Regulation 3 of our memorandum of association. The memorandum of association can be found at <https://www.etalongroup.com/corporate-governance/corporate-documents/>.

The Articles adopted pursuant to a special resolution dated 27 July 2017, contain provisions relating to the matters set out below.

The liability of our shareholders is limited. Under the Companies Law, a shareholder of a company is not personally liable for the acts of the company, except that a shareholder may become personally liable by reason of his or her own acts.

ORDINARY SHARES AND VOTING RIGHTS

At general meetings, resolutions put to the vote shall be decided on a poll.

Holders of our ordinary shares are entitled to one vote per share. A person entitled to vote need not use all his votes or cast all votes he used in the same way.

Each shareholder is entitled to attend general meetings, to address the meeting and to exercise any voting rights such shareholder may have.

A corporation which is a shareholder may, by resolution of its directors or other governing body, authorise a person to act as its representative at general meetings and that person may exercise the same powers as the corporate shareholder could exercise if it were an individual shareholder. Unless otherwise determined by the board of directors, no shareholder is entitled to vote at any general meeting unless all calls and other amounts payable by such shareholder in respect of shares have been fully paid.

Shareholders may attend meetings in person or be represented by proxy authorised in writing.

The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or, if the appointer is a corporation, either under seal, or under the hand of an officer or attorney duly authorised. A proxy does not need to be a shareholder.

The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarial certified copy of that power or authority, shall be deposited at our registered office or at such other place as is specified for that purpose in the notice convening the meeting at least 48 hours before the time for holding the meeting or adjourned meeting, at which the person named in the instrument proposes to vote, or, if given by electronic method to the address of the Company specified in the notice convening the meeting or in the instrument of proxy issued at least 48 hours before the time for holding the meeting or adjourned meeting.

REDEEMABLE PREFERENCE SHARES

The redeemable shares have no voting rights and no rights to dividend but in the event of liquidation of the Company, they have the right to receive the par value of such redeemable shares after the holders of ordinary shares have received the par value paid on their ordinary shares.

20,000 redeemable shares have been issued, and any such redeemable share is liable to be redeemed by the Company at a price per redeemable preference share equal to the price that the redeemable share was issued, within 30 days of the Company giving notice to the holder of the redeemable share and otherwise on the terms and manner of redemption provided for in our Articles.

Although redeemable shares do not confer any other rights with respect to participation at general meetings of shareholders, voting or distribution of assets by the Company by way of dividends, return of capital or otherwise other than as stipulated above, any variation of rights conferred by the redeemable shares will require approval of holders of the redeemable shares in the manner provided below.

VARIATION OF RIGHTS

Whenever the capital of the Company is divided into different classes of shares the rights attached to any class of shares can (unless otherwise provided by the terms of issue) be varied or abrogated if approved by a separate vote of each class of shares affected by the change. Variation of class rights requires approval by a majority of two-thirds of the votes corresponding either to the represented securities or to the represented issued share capital if less than half of the issued share capital is represented and a simple majority when at least half of the issued share capital is represented. Members voting against the variation of that class, who between them hold or represent 15% of the issued shares of that class, may apply to the court to set aside the variation.

ALTERATION OF SHARE CAPITAL

The Company may from time to time and with an ordinary resolution of the general meeting of shareholders, increase its authorised share capital.

We may also, by special resolution of a general meeting of shareholders, (i) consolidate and divide any or all of our shares into shares representing a greater proportion of our share capital each, (ii) subdivide all or part of our shares and (iii) cancel any shares that have not been taken by any person at the date of the passing of the resolution.

By special resolution we may also reduce our share capital, any capital redemption reserve account or any share premium account. Following the adoption of a special resolution for the reduction of capital, a company must apply to the Cypriot court for sanction of such special resolution. The Cypriot court shall take into account the position of the creditors of the company in deciding whether to sanction the resolution. Once the court sanctions the reduction, the court order, together with the special resolution, are filed with the Cyprus Registrar of Companies.

DEPOSITARY INTERESTS

The directors shall, subject always to any applicable laws and regulations and requirements of any relevant system concerned and the Articles, have power to implement and/or approve any arrangement they may think fit in relation to the evidencing of title to and transfer of interest in shares in the capital of the Company in the form of depositary interest or similar interests, instruments or securities.

DIVIDENDS

Under Cyprus law, we are not allowed to make distributions if the distribution would reduce our net assets below the total sum of the issued share capital and the reserves that we must maintain under Cyprus law and our Articles.

Interim dividends can only be paid if interim accounts are drawn up showing that funds available for distribution are sufficient and the amount to be distributed may not exceed the total profits made since the end of the financial year for which the annual accounts have been drawn up, plus any profits transferred from the last financial year, and the withheld funds made of the reserves available for this purpose, minus any losses of the previous financial years and funds which must be put in reserve pursuant to the requirements of the law and our Articles.

Subject to the provisions of the Companies Law and the Articles, the Company may in a general meeting declare dividends, but no dividend shall exceed the amount recommended by the Directors. The Directors may, from time to time, pay to the shareholders such interim dividends as appear to the Directors to be justified by the Company's profits but no dividend will be paid otherwise than out of profits.

All dividends shall be apportioned and paid proportionately to the amounts paid up on the ordinary shares.

A general meeting declaring a dividend, may upon the recommendation of the directors direct that it shall be satisfied wholly or partly by the distribution of assets.

Any dividend payable in respect of a share shall be paid by electronic transfer to a bank account provided to the Company by the person or persons entitled to the payment or by cheque sent by post to the registered address of the person entitled.

PRE-EMPTION RIGHTS

Under the Companies Law, each existing registered shareholder holding ordinary shares has a right of pre-emption to subscribe for any new shares to be issued by us in cash in proportion to the aggregate number of the ordinary shares of such shareholder, except that there are no obligatory pre-emption rights with respect to shares issued for non-cash consideration. Under our Articles the board of the Company has the general authority to allot and issue shares from the unissued authorised share capital of the Company.

We are required to notify all shareholders in writing of the number of shares which the shareholders are entitled to acquire and the time period within which the offer, if not accepted, shall be deemed to have been rejected.

Each shareholder will have no less than 14 days following its receipt of the notice of the offer to notify us of its desire to exercise its pre-emption right on the same terms and conditions proposed in the notice. If all the shareholders do not fully exercise all their pre-emption rights, the board of directors may decide to offer and sell the remaining shares to third parties.

Shareholders' pre-emption rights may be waived by a resolution adopted by a majority of two-thirds of the votes corresponding either to the represented securities or to the represented issued share capital if less than half of the issued share capital is represented and a simple majority when at least half of the issued share capital is represented. In connection with such waiver, the board of directors must present a written report indicating the reasons why the right of pre-emption should be waived and justifying the proposed issue price. The restriction or exclusion of the pre-emption right may be special for a particular proposed issuance of shares or general provided that reference is made to the maximum number of shares and the maximum period for which the relevant shares may be issued.

The shareholders at the general meeting of the Company held on 22 March 2021 did not pass the proposed resolutions related to the waiver of pre-emption rights and corresponding authority to the Board of Directors to allot and issue the shares on a non-pre-emptive basis in connection with the then proposed offering.

BUY-BACK OF SHARES

We may, subject to certain statutory requirements, terms and conditions, buy back our own shares with the aggregate nominal value not exceeding 10% of our entire issued share capital. The relevant provisions regarding the buyback of shares under the Companies Law are vague and their practical implication is unclear. As the Companies Law is drafted, these relevant provisions apply to shares only and do not clearly apply to GDRs. As of the date of this Prospectus, the Company holds 3,946 GDRs in treasury which were bought back for the purpose of an employee scheme. At the time shareholder approval was not sought. Whilst the number of GDRs held in treasury represents only a 0.001 % of the issued ordinary share capital, the Company intends to dispose of such GDRs in the near future. Given that the GDRs represent interests in Ordinary Shares, we have more recently applied the statutory requirements, even though not necessarily applicable, to share buybacks in connection with buybacks of GDRs and sought and obtained authorisation from the general meeting for a buyback of GDRs during 2020 within such parameters. The term of the buy-back programme approved in 2020 expired on 14 April 2021 and no GDRs were purchased thereunder.

TRANSFER OF SHARES

Any shareholder may transfer all or any of his shares by an instrument of transfer in any usual form or in any other form which the directors may approve, which shall be executed by or on behalf of the transferor and the transferee.

The instrument of transfer shall be lodged at the registered office or such other place as the directors may determine accompanied by the certificate for the shares to which it relates.

The directors may refuse to register the transfer of any share if the Company has a lien on the share or if the share is not fully paid or in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred exceeds four.

GENERAL MEETINGS

We are required to hold an annual general meeting of shareholders each year on such day and at such place as the directors may determine. The directors may, whenever they think fit, decide to convene an extraordinary general meeting. Under the Companies Law, extraordinary general meetings can also be convened by the request of shareholders holding at the date of the deposit of the requisition at least 10% of such of the paid in capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company.

Annual general meetings and meetings where a special resolution will be proposed can be convened by the board of directors by issuing a notice in writing specifying the matters to be discussed at least 21 days prior to the meeting. All other general meetings may be convened by the board by issuing a written notice at least 14 days prior to the meeting. Meetings may be called by shorter notice and shall be deemed to have been duly called if it is so agreed:

- in the case of an annual general meeting, by all the shareholders entitled to attend and vote; and
- in the case of any other meeting, by shareholders representing a majority in number of the shareholders entitled to attend and vote at the meeting and that hold at least 95% in nominal value of the shares entitled to vote at the meeting.

The quorum for a general meeting will consist of at least three shareholders representing at least one-third of the ordinary shares of the Company and present in person or by proxy. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of shareholders, shall be dissolved; in any other case it shall stand adjourned to such other day and at such other time and place as the chairman may determine or as otherwise determined in the original notice of the meeting and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the shareholders present in person or by proxy and entitled to vote, shall constitute a quorum.

At any general meeting, a resolution put to the vote of the meeting shall be decided on a poll in accordance with the provisions of the Articles and it shall not be permitted for a vote to be decided on a show of hands.

RESOLUTIONS

There are three types of resolutions under the Companies Law that can be presented at the general meeting: ordinary resolutions, extraordinary resolutions and special resolutions.

There is no clear definition in the Companies Law of what an ordinary resolution is. An ordinary resolution must be approved by a majority vote of shareholders having voting rights present at the meeting, voting in person or through a proxy and the company must provide at least 14 days' advance notice of such meeting to shareholders.

The Companies Law defines extraordinary resolutions and special resolutions as follows:

- An extraordinary resolution must be approved by at least 75% of shareholders having voting rights present at the meeting, voting in person or through a proxy of which advance notice of at least 14 days has been duly given, and specifies the intention to propose the resolution as an extraordinary resolution.
- A special resolution must be approved by at least 75% of shareholders having voting rights present at the meeting, voting in person or through a proxy and the company must provide at least 21 advance notice of such meeting to shareholders.

A special resolution is required, among other things, to sanction the amendment of our Articles, to change the name of the Company, to reduce Company's share capital and to amend the objects of the Company (the latter two also requiring confirmation by the court).

As mentioned below, certain resolutions such as a resolution waiving pre-emption rights in respect of a fresh issue of shares for a cash consideration or a resolution altering our share capital require a majority of two-thirds of the votes corresponding either to the represented securities or to the represented issued share capital if less than half

of the issued share capital is represented and a simple majority when at least half of the issued share capital is represented.

APPOINTMENT OF DIRECTORS AND REMUNERATION

Until otherwise determined by ordinary resolution, the number of directors shall not be subject to any maximum but shall not be less than two. The directors shall have power at any time to appoint any person to be a director either to fill a casual vacancy or as an additional director. The Company may by ordinary resolution appoint any person to office as a director and under Cyprus Law, notwithstanding any provision in our Articles a director may be removed by an ordinary resolution of the general shareholders' meeting, which must be convened with at least 28 days' notice.

The directors shall be remunerated for their services at such rate as the directors shall determine. The directors may be paid all reasonable travelling, hotel and other out of pocket expenses properly incurred by them in connection with their attendance at meetings of the directors or any committee of the directors or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

POWERS OF DIRECTORS

The management of the business and the conduct of the affairs of the Company, including but not limited to all and/or any matters in relation to the acquisition and/or disposal of and/or any other dealings with the GDRs are vested in the directors who may exercise all the powers which are not required by the Companies Law or the Articles to be exercised by the general meeting.

PROCEEDINGS OF THE DIRECTORS

Subject to the Articles, the directors may regulate their proceedings as they determine and questions arising at any meeting shall be decided by a simple majority of votes present at the meeting.

The quorum for the transaction of the business of the directors shall, unless the directors determine otherwise, be such number which from time to time constitutes a majority of the directors, provided that not less than two persons shall be present at any meeting.

Any director enabled to participate in the proceedings of a meeting by means of a communication device (including a telephone) which allows all of the other directors present at such meeting to hear or read what is said or communicated by such director at all times and such director to hear or read what is said or communicated by all other directors present at such meeting at all times (in each case whether in person or by means of such type of communication device) shall be deemed to be present at such meeting and shall be counted when reckoning a quorum.

The directors may elect one of their number as chairman of their meetings and may at any time remove him from office. In the case of an equality of votes the chairman shall have a second or casting vote.

Subject to the provisions of the Companies Law, a resolution in writing signed by a majority of the directors entitled to receive notice of a meeting shall be as valid and effective as if the same had been passed at a board meeting duly convened and held provided that a copy of the proposed resolution is sent to each director.

DIRECTORS' INTERESTS

A director who is in any way directly or indirectly interested in a contract or proposed contract with us shall declare the nature of his interest at a meeting of the directors in accordance with the Companies Law. Directors who have an interest in any contract or arrangement shall not have the right to vote (but shall be counted in the quorum).

Subject to the Companies Law and provided that he has disclosed to the Board of Directors the nature and extent of any interests of his, a director:

- may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of director;

- may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested;
- may be a director, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested;
- shall not, by reason of his office, be accountable to the Company for any remuneration or benefit which he derives from such interest, and no transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit;
- may act by himself or his firm in a professional capacity for the Company and be entitled to remuneration for professional services as though he were not a director; and
- may be counted in the quorum present at any meeting where he or any other director is appointed to hold any such office or place of profit under the Company, or where the terms of appointment are arranged, and he may vote on any such appointment or arrangement other than his own appointment or the terms thereof.

ALTERNATE DIRECTORS

Any director (other than an alternate director) may by notice to the Company appoint any other director or any other person to be an alternate director to attend and vote in his place at any meeting of the directors at which he is not present in person or to undertake and perform such duties and functions and to exercise such rights as he would in person.

INDEMNITY

Subject to the Companies Law, every director or other officer of the Company shall be indemnified out of the assets of the Company against any liability incurred by him/her in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under section 383 of the Companies Law in which relief is granted to him by the Court.

BORROWING POWERS

Subject to the Articles, the directors may exercise all the powers of the Company to borrow or raise money, to secure any debt or obligation of or binding on the Company in any manner and to secure the repayment of any money borrowed or owing by mortgage, charge, pledge or lien upon the whole or any part of the Company's undertaking, property or assets, and also by a similar mortgage, charge, pledge or lien to guarantee the performance of any obligation or liability undertaken by the Company or any third party.

WINDING UP

If the Company shall be wound up, the Company may with the sanction of a special resolution and any other sanction required by the Companies Law divide among the shareholders provided their shares are fully paid up in specie the whole or any part of the assets of the Company in the following priority for distribution:

- (a) First payment to the holder of ordinary shares in the capital of the sum equal to the nominal amount paid up thereon;
- (b) Second in payment to the holders of redeemable preference shares a sum equal to the nominal amount paid up thereon;
- (c) Thirdly in payment to the holders of ordinary shares in the capital of the Company of any balance remaining in proportion of the number of such shares held; and
- (d) with the like sanction, may vest the whole or any part of the assets in trustees upon such trusts for the benefit of shareholders but so that no shareholder shall be compelled to accept any assets in respect of which there is any outstanding liability.

REPORTS, RECORDS AND ACCOUNTS

The directors shall cause proper books of account and records to be kept which are deemed necessary for the preparation of financial statements in accordance with the Companies Law and which shall correctly explain all the transactions, assets and liabilities of the Company in accordance with the Companies Law.

Subject to the Companies Law, shareholders shall be entitled to inspect the register of members, the minutes of proceedings at general meetings, the register of directors, the register of secretaries, the index of members (if any) and copies of all resolutions of the members passed otherwise than at general meetings during ordinary business hours.

No shareholder shall have any right to inspect any accounting records or other the book except as conferred by the Companies Law or authorised by the directors or the Articles.

MANDATORY BIDS, SQUEEZE-OUT AND SELL-OUT RULES

As none of our securities are listed on a regulated market in Cyprus or the European Union, the Law to Make Provision for Public Takeover Bids for the Acquisition of Securities of Companies and Related Matters Law of 41(I)/2007 as amended, which implements the EU Takeover Bids Directive 2004/25/EC does not apply to purchases of our shares and GDRs.

Neither the Companies Law, nor the Company's Articles of Association contain any requirement for a mandatory offer to be made by a person acquiring shares or GDRs of a Cypriot company even if such an acquisition confers on such person control over us.

The Companies Law contains provisions in respect of squeeze-out and sell-out rights. The effect of these provisions is that, where a company makes a takeover bid for all the shares or for the whole of any class of shares of another company, and the offer is accepted by the holders of 90% of the shares concerned, the offeror can upon the same terms acquire the shares of shareholders who have not accepted the offer, unless such persons can persuade the Cyprus courts not to permit the acquisition. If the offeror company already holds more than 10% of the value of the shares concerned, additional requirements need to be met before the minority can be squeezed out. If the company making the takeover bid acquires sufficient shares to aggregate, together with those which it already holds, more than 90%, then within one month of the date of the transfer which gives the 90%, it must give notice of the fact to the remaining shareholders and such shareholders may, within three months of the notice, require the bidder to acquire their shares and the bidder shall be bound to do so upon the same terms as in the offer or as may be agreed between them or upon such terms as the court may order.

TERMS AND CONDITIONS OF THE GLOBAL DEPOSITARY RECEIPTS

The following terms and conditions (subject to completion and amendment and excepting sentences in italics) will apply to the Global Depositary Receipts, and will be endorsed on each Global Depositary Receipt certificate.

On 12 April 2021, the Company and the Depositary entered into a supplemental agreement amending and restating the Deposit Agreement (the “Supplemental Agreement”). The following terms and conditions are set out as amended by the Supplemental Agreement. However, the amendments made by the Supplemental Agreement in relation to Conditions 1.1, 1.7, 1.10, 4, 6, 8, 11.1, 12, 14.7, 17, 20.4 and 29.1 below shall only take effect from on the date which is 37 calendar days from the date of the Supplemental Agreement.

The Global Depositary Receipts (“GDRs”) represented by this certificate are issued in respect of ordinary shares (the “Shares”) in ETALON GROUP PLC (the “Company”) pursuant to and subject to an agreement dated 15 April 2011, and made between the Company and The Bank of New York Mellon in its capacity as depositary (the “Depositary”) for the “Regulation S Facility” and for the “Rule 144A Facility” (such agreement, as amended from time to time, being hereinafter referred to as the “Deposit Agreement”). Pursuant to the provisions of the Deposit Agreement, The Bank of New York Mellon, in New York, in its capacity as Custodian (the “Custodian”) will receive and hold on its behalf any relevant documentation respecting certain Shares (the “Deposited Shares”) and all rights, interests and other securities, property and cash deposited with the Custodian which are attributable to the Deposited Shares (together with the Deposited Shares, the “Deposited Property”). The Depositary shall hold Deposited Property for the benefit of the Holders (as defined below) as bare trustee (other than any cash comprised in the Deposited Property which is held as banker pursuant to Condition 25) in proportion to their holdings of GDRs. In these terms and conditions (the “Conditions”), references to the “Depositary” are to The Bank of New York Mellon and/or any other depositary which may from time to time be appointed under the Deposit Agreement, references to the “Custodian” are to The Bank of New York Mellon, in New York, in its capacity as custodian or any other custodian from time to time appointed under the Deposit Agreement and references to the “Main Office” mean, in relation to the relevant Custodian, its head office in the city of New York or such other location of the head office of the Custodian in Cyprus as may be designated by the Custodian with the approval of the Depositary, or the head office of any other custodian from time to time appointed under the Deposit Agreement.

The GDRs will upon issue be represented by interests in a Regulation S Master GDR, evidencing Regulation S GDRs, and by interests in a Rule 144A Master GDR, evidencing Rule 144A GDRs (as each such term is defined in the Deposit Agreement). The GDRs are exchangeable in the circumstances set out in “Summary of Provisions Relating to the GDRs while in Master Form” for a certificate in definitive registered form in respect of GDRs representing all or part of the interest of the holder in the Master GDR.

References in these Conditions to the “Holder” of any GDR shall mean the person or persons registered on the books of the Depositary maintained for such purpose (the “Register”) as holder. These Conditions include summaries of, and are subject to, the detailed provisions of the Deposit Agreement, which includes the forms of the certificates in respect of the GDRs. Copies of the Deposit Agreement are available for inspection at the specified office of the Depositary and each Agent (as defined in Condition 17) and at the Main Office of the Custodian. Terms used in these Conditions and not defined herein but which are defined in the Deposit Agreement have the meanings ascribed to them in the Deposit Agreement. **Holders of GDRs are not party to the Deposit Agreement and thus, under English Law, have no contractual rights against, or obligations to, the Company or Depositary. However, the Deed Poll executed by the Company in favour of the Holders provides that, if the Company fails to perform the obligations imposed on it by certain specified provisions of the Deposit Agreement, any Holder may enforce the relevant provisions of the Deposit Agreement as if it were a party to the Deposit Agreement and was the “Depositary” in respect of that number of Deposited Shares to which the GDRs of which he is the Holder relate. The Depositary is under no duty to enforce any of the provisions of the Deposit Agreement on behalf of any Holder of a GDR or any other person.**

1. Withdrawal of Deposited Property and Further Issues of GDRs

- 1.1 Any Holder may request withdrawal of, and the Depositary shall, provided that the Depositary shall not be required to accept surrenders of GDRs for the purpose of withdrawal to the extent that it would require the Depositary to procure the delivery of a fraction of a Deposited Share (or of any other security constituting Deposited Property), thereupon relinquish, the Deposited Property attributable to any GDR

upon production of such evidence of the entitlement of the Holder to the relative GDR as the Depositary may reasonably require, at the specified office of the Depositary or any Agent accompanied by:

- (a) a duly executed order (in a form approved by the Depositary) requesting the Depositary to cause the Deposited Property being withdrawn to be delivered at the Main Office of the Custodian, or (at the request, risk and expense of the Holder, and only if permitted by applicable law from time to time) at the specified office located in New York, London or Cyprus of the Depositary or any Agent, or to the order in writing of, the person or persons designated in such order;
- (b) the payment of such fees, taxes, duties, charges, costs, expenses (including currency conversion expenses, tested telex, cable (including SWIFT) and facsimile transmission fees and expenses) and governmental charges as may be required under these Conditions or the Deposit Agreement;
- (c) the surrender (if appropriate) of GDR certificates in definitive registered form properly endorsed in blank or accompanied by proper instruments of transfer satisfactory to the Depositary to which the Deposited Property being withdrawn is attributable; and
- (d) the delivery to the Depositary of a duly executed and completed certificate substantially in the form set out in Schedule 4, Part B to the Deposit Agreement (or as amended by the Depositary in accordance with Clause 3.10 of the Deposit Agreement and Condition 1.7), if Deposited Property is to be withdrawn or delivered in respect of surrendered Rule 144A GDRs.

1.2 Upon production of such documentation and the making of such payment as aforesaid for withdrawal of the Deposited Property in accordance with Condition 1.1, the Depositary will direct the Custodian, by tested telex, cable (including SWIFT) or facsimile, within a reasonable time after receiving such direction from such Holder, to deliver at its Main Office to, or to the order in writing of, the person or persons designated in the accompanying order:

- (a) a certificate (if any) for, or other appropriate instrument of title (if any) to or evidence of a book-entry transfer in respect of the relevant Deposited Shares, registered in the name of the Depositary or its nominee and accompanied by such instruments of transfer in blank or to the person or persons specified in the order for withdrawal and such other documents, if any, as are required by law for the transfer thereof; and
- (b) all other property forming part of the Deposited Property attributable to such GDR, accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof; **provided however that** the Depositary may make delivery at its specified office in New York of any Deposited Property which is in the form of cash;

PROVIDED THAT the Depositary (at the request, risk and expense of any Holder so surrendering a GDR):

- (i) will direct the Custodian to deliver the certificates for, or other instruments of title to, or book-entry transfer in respect of, the relevant Deposited Shares and any document relative thereto and any other documents referred to in sub-paragraphs 1.2(a) and (b) of this Condition (together with any other property forming part of the Deposited Property which may be held by the Custodian or its agent and is attributable to such Deposited Shares); and/or
- (ii) will deliver any other property forming part of the Deposited Property which may be held by the Depositary and is attributable to such GDR (accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof);

in each case to the specified office located in New York or London of the Depositary (if permitted by applicable law from time to time) or at another address specified by the surrendering Holder.

1.3 Delivery by the Depositary, any Agent and the Custodian of all certificates, instruments, dividends or other property forming part of the Deposited Property as specified in this Condition will be made subject to any laws or regulations applicable thereto.

- 1.4 The Depositary may, in accordance with the terms of the Deposit Agreement and upon delivery of a duly executed order (in a form reasonably approved by the Depositary) and a duly executed certificate substantially in the form of (a) Schedule 3 of the Deposit Agreement (*which is described in the following paragraph*) (or as amended by the Depositary in accordance with Clause 3.10 of the Deposit Agreement and Condition 1.7) by or on behalf of any investor who is to become the beneficial owner of the Regulation S GDRs or (b) Schedule 4, Part A of the Deposit Agreement (*which is described in the second following paragraph*) (or as amended by the Depositary in accordance with Clause 3.10 of the Deposit Agreement and Condition 1.7) by or on behalf of any investor who is to become the beneficial owner of Rule 144A GDRs from time to time execute and deliver further GDRs having the same terms and conditions as the GDRs which are then outstanding in all respects (or the same in all respects except for the first dividend payment on the Shares represented by such further GDRs) and, subject to the terms of the Deposit Agreement, the Depositary shall accept for deposit any further Shares in connection therewith, so that such further GDRs shall form a single series with the already outstanding GDRs. References in these Conditions to the GDRs include (unless the context requires otherwise) any further GDRs issued pursuant to this Condition and forming a single series with the already outstanding GDRs.

The certificate to be provided in the form of Schedule 3 of the Deposit Agreement certifies, among other things, that the person providing such certificate is located outside the United States and that the Shares being deposited are not restricted securities.

The certificate to be provided in the form of Schedule 4, Part A, of the Deposit Agreement certifies, among other things that the person providing such certificate is a qualified institutional buyer (as defined in Rule 144A under the Securities Act ("QIB")) or is acting for the account of another person and such person is a QIB and, in either case, will comply with the restrictions on transfer set forth under "Transfer Restrictions".

- 1.5 Any further GDRs issued pursuant to Condition 1.4 which (i) represent Shares which have rights (whether dividend rights or otherwise) which are different from the rights attaching to the Shares represented by the outstanding GDRs, or (ii) are otherwise not fungible (or are to be treated as not fungible) with the outstanding GDRs, will be represented by a GDR certificate in definitive registered form or a separate temporary Regulation S Master GDR and/or temporary Rule 144A Master GDR. Upon becoming fungible with outstanding GDRs, such further GDRs shall be evidenced by a Regulation S Master GDR and/or a Rule 144A Master GDR (by increasing the total number of GDRs evidenced by the relevant Regulation S Master GDR or Rule 144A Master GDR by the number of such further GDRs, as applicable).
- 1.6 The Depositary may issue GDRs against rights to receive Shares from the Company (or any agent of the Company recording Share ownership).
- 1.7 The Depositary may make such amendments to the certificates contained in the Deposit Agreement in Schedule 3 and in Schedule 4 Parts A and B as it may determine are required in order for the Depositary to perform its duties under the Deposit Agreement, or to comply with any applicable law or with the rules and regulations of any securities exchange, market or automated quotation system upon which the GDRs may be listed or traded, or to comply with the rules or requirements of any book entry system by which the GDRs may be transferred, or to confirm compliance with any special limitations or restrictions to which any particular GDRs are subject.
- 1.8 Notwithstanding any other provisions of the Deposit Agreement or these Conditions, the Depositary may, with (to the extent reasonably practicable) prior notice to the Company and the Holders, cancel a number of the GDRs then outstanding, sell (either by public or private sale and otherwise in its discretion, subject to all applicable laws and regulations) the Deposited Property formerly represented by such GDRs and distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto, and thereby reduce the Depositary's holdings of any class of Deposited Property below an amount that the Depositary determines to be necessary or advisable if (i) the Depositary or its agent(s) receives any notice from any governmental or regulatory authority that the existence or operation of a facility or the holding by the Depositary (or the Custodian or any of their respective nominees) of the Deposited Property violates any applicable law or regulation, or that the Depositary (or the Custodian or any of their respective nominees) is required to make any filing or obtain any consent, approval or licence to operate that Regulation S Facility or Rule 144A Facility or to own or exercise any rights with respect to the Deposited Shares or other Deposited Property (other than such filings, consents, approvals or

licences which the Depositary in its reasonable discretion considers to be of a routine administrative nature required in the ordinary course of business) or (ii) the Depositary or the Custodian receives advice from recognised local counsel that the Depositary (or the Custodian or any of their respective nominees) is reasonably likely to be subject to criminal, civil or administrative liabilities as a result of the existence or operation of a Regulation S Facility or Rule 144A Facility or the holding or exercise by the Depositary (or the Custodian or any of their respective nominees) of any rights with respect to the Deposited Shares or other Deposited Property. If the Depositary cancels GDRs and sells Deposited Property under the preceding sentence, the Depositary shall allocate the cancelled GDRs converted under the preceding sentence and the net proceeds of the sale of the Deposited Property previously represented thereby among the Holders pro rata to their respective holdings of GDRs immediately prior to the cancellation, except that the allocations may be adjusted by the Depositary in its sole discretion so that no fraction of a cancelled GDR is allocated to any Holder. Any payment pursuant to this Condition 1.8 in connection with a GDR in definitive registered form shall be made to the relevant Holder only after surrender to the Depositary of the GDR certificate by such Holder for cancellation of the relevant number of GDRs. The Depositary shall also cancel GDRs and sell Deposited Property in accordance with this Condition 1.8 if the Depositary receives written instructions from the Company to do so and such cancellation and sale is necessary to enable the Company to comply with any applicable law or regulation.

- 1.9 In order to comply with any applicable laws and regulations, the Depositary may from time to time request each Holder of GDRs to, and each Holder shall upon receipt of such request, provide to the Depositary information relating to: (a) the capacity in which such Holder and/or any owner holds GDRs; (b) the identity of any owners of GDRs or other person or persons then or previously interested in such GDRs; (c) the nature of any such interests in the GDRs; and (d) any other matter where disclosure of such matter is required to enable compliance by the Depositary with applicable laws or the constitutional documents of the Company. Each Holder consents to the disclosure by the Depositary of all information received by the Depositary in response to a request made pursuant to this Condition. The Depositary may charge the Company a fee and its expenses relating to any request made under this Condition 1.9.
- 1.10 In order to comply with any applicable laws and regulations, the Depositary may from time to time request Euroclear, Clearstream and DTC to: provide the Depositary with (a) details of the accountholders within such settlement systems that hold interests in GDRs and the number of GDRs recorded in the account of each such accountholder, and each Holder or owner of GDRs, or intermediary acting on behalf of such Holder or owner, hereby authorises each of Euroclear, Clearstream and DTC to disclose such information to the Depositary as issuer of the GDRs; and (b) provide and consent to the collection and processing by the Depositary of, any authorizations, waivers, forms, documentation and other information, relating to such settlement or clearing system's status (or the status of such settlement or such clearing system's direct or indirect owners or accountholders) or otherwise required to be reported, under FATCA.
- 1.11 To allow the Depositary to comply with FATCA, each Holder shall provide to the Depositary such information as the Depositary may reasonably require, and each Holder consents to the disclosure, transfer and reporting of such information to any relevant governmental or tax authority or as is otherwise reasonably required, including to any person making payments to the Depositary and including transfers to jurisdictions which do not have strict data protection or similar laws, to the extent that the Depositary reasonably determines that such disclosure, transfer or reporting is necessary or warranted to facilitate compliance with FATCA. For the purposes of these Conditions, "FATCA" means (i) sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended or any associated regulations or other official guidance, (ii) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the United States and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (i), (iii) any agreement pursuant to the implementation of paragraphs (i) or (ii) with the U.S. Internal Revenue Service, the U.S. government or any governmental authority or tax authority in any other jurisdiction or (iv) any arrangements with a similar effect or intent as (i) to (iii) (including, for the avoidance of doubt any agreement implementing any similar arrangements) involving any jurisdiction.

2. **Suspension of Issue of GDRs and of Withdrawal of Deposited Property**

The Depositary shall be entitled, at its reasonable discretion, at such times as it shall determine, to suspend the issue or transfer of GDRs (and the deposit of Shares) generally or in respect of particular Shares. In particular, to the extent that it is in its opinion practicable for it to do so, the Depositary will

refuse to accept Shares for deposit, to execute and deliver GDRs or to register transfers of GDRs if it has been notified by the Company in writing that the Deposited Shares or GDRs or any depositary receipts representing Shares are listed on a U.S. Securities Exchange or quoted on a U.S. automated inter dealer quotation system unless accompanied by evidence satisfactory to the Depositary that any such Shares are eligible for resale pursuant to Rule 144A under the United States Securities Act of 1933, as amended (the “**Securities Act**”). Further, the Depositary may suspend the withdrawal of Deposited Property during any period when the Register, or the register of shareholders of the Company is closed or, generally or in one or more localities, suspend the withdrawal of Deposited Property or deposit of Shares if deemed necessary or desirable or advisable by the Depositary in good faith at any time or from time to time, in order to comply with any applicable law or governmental or stock exchange regulations or any provision of the Deposit Agreement or for any other reason. The Depositary shall (unless otherwise notified by the Company) restrict the withdrawal of Deposited Shares where the Company notifies the Depositary in writing that such withdrawal would result in ownership of Shares exceeding any limit under any applicable law, government resolution or the Company's constitutive documents or would otherwise violate any applicable laws.

3. **Transfer and Ownership**

The GDRs are in registered form. Title to the GDRs passes by registration in the Register and accordingly, transfer of title to a GDR is effective only upon such registration. The Depositary will refuse to accept for transfer any GDRs if it reasonably believes that such transfer would result in violation of any applicable laws and may refuse to register a transfer of GDRs until all payments due to the Depositary from the Holder of such GDRs have been made. The Holder of any GDR will (except as otherwise required by law) be treated by the Depositary and the Company as its beneficial owner for all purposes (whether or not any payment or other distribution in respect of such GDR is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or theft or loss of any certificate issued in respect of it) and no person will be liable for so treating the Holder.

Interests in Rule 144A GDRs represented by the Rule 144A Master GDR may be transferred to a person whose interest in such Rule 144A GDRs is subsequently represented by the Regulation S Master GDR only upon receipt by the Depositary of written certifications (in the forms provided in the Deposit Agreement) from the transferor and the transferee to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.

4. **Cash Distributions**

Whenever the Depositary shall receive from the Company any cash dividend or other cash distribution on or in respect of the Deposited Shares (including any amounts received in the liquidation of the Company) or otherwise in connection with the Deposited Property, the Depositary shall, as soon as practicable, convert the same into United States dollars in accordance with Condition 8. The Depositary shall, if practicable in the opinion of the Depositary, give notice to the Holders of its receipt of such payment in accordance with Condition 22, specifying the amount per Deposited Share payable in respect of such dividend or distribution and the earliest date, determined by the Depositary, for transmission of such payment to Holders and shall as soon as practicable distribute any such amounts to the Holders in proportion to the number of Deposited Shares represented by the GDRs so held by them respectively, subject to and in accordance with the provisions of Conditions 9 and 11; **PROVIDED THAT:**

- (a) in the event that the Depositary is aware that any Deposited Shares are not entitled, by reason of the date of issue or transfer or otherwise, to such full proportionate amount, the amount so distributed to the relative Holders shall be adjusted accordingly; and
- (b) the Depositary will distribute only such amounts of cash dividends and other distributions as may be distributed without attributing to any GDR a fraction of the lowest integral unit of currency in which the distribution is made by the Depositary, and any balance remaining shall be retained by the Depositary beneficially as an additional fee under Condition 16.1(d).

If a cash distribution would represent a return of all or substantially all the value of the Deposited Property underlying the GDRs, the Depositary may (i) require payment of or deduct the fee for cancellation of GDRs (whether or not it is also requiring cancellation of GDRs) as a condition of making that cash distribution or (ii) sell all Deposited Property other than the subject cash distribution and add

any net cash proceeds of that sale to the cash distribution, call for surrender of all those GDRs and require that surrender as a condition of making that cash distribution. If the Depositary acts under (i) or (ii) above, that action shall be a Termination Option Event.

5. **Distributions of Shares**

Whenever the Depositary shall receive from the Company any distribution in respect of Deposited Shares which consists of a dividend or free distribution of Shares, the Depositary shall cause to be distributed to the Holders entitled thereto, in proportion to the number of Deposited Shares represented by the GDRs held by them respectively, additional GDRs representing an aggregate number of Shares received pursuant to such distribution. Such additional GDRs shall be distributed by an increase in the number of GDRs represented by the Master GDRs or by an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; **PROVIDED THAT**, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall (either by public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) sell such Shares so received and distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

6. **Distributions other than in Cash or Shares**

Whenever the Depositary shall receive from the Company any dividend or distribution in securities (other than Shares) or in other property (other than cash) on or in respect of the Deposited Property, the Depositary shall distribute or cause to be distributed such securities or other property to the Holders entitled thereto, in proportion to the number of Deposited Shares represented by the GDRs held by them respectively, in any manner that the Depositary may deem equitable and practicable for effecting such distribution; **PROVIDED THAT**, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall deal with the securities or property so received, or any part thereof, in such way as the Depositary may determine to be equitable and practicable, including, without limitation, by way of sale (either by public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) and shall (in the case of a sale) distribute the resulting net proceeds as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

If a distribution to be made under this Condition 6 would represent a return of all or substantially all the value of the Deposited Property underlying the GDRs, the Depositary may (i) require payment of or deduct the fee for cancellation of GDRs (whether or not it is also requiring cancellation of GDRs) as a condition of making that distribution, or (ii) sell all Deposited Property other than the subject distribution and add any net cash proceeds of that sale to the distribution, call for surrender of all those GDRs and require that surrender as a condition of making that distribution. If the Depositary acts under (i) or (ii) above, that action shall be a Termination Option Event.

7. **Rights Issues**

If and whenever the Company announces its intention to make any offer or invitation to the holders of Shares to subscribe for or to acquire Shares, securities or other assets by way of rights, the Depositary shall as soon as practicable give notice to the Holders, in accordance with Condition 22, of such offer or invitation, specifying, if applicable, the earliest date established for acceptance thereof, the last date established for acceptance thereof and the manner by which and time during which Holders may request the Depositary to exercise such rights as provided below or, if such be the case, specifying details of how the Depositary proposes to distribute the rights or the proceeds of any sale thereof. The Depositary will deal with such rights in the manner described below:

- (a) if and to the extent that the Depositary shall, at its discretion, deem it to be lawful and reasonably practicable, the Depositary shall make arrangements whereby the Holders may, upon payment of the subscription price in EUR or other relevant currency together with such fees, taxes, duties,

charges, costs and expenses (including cable (including SWIFT) and facsimile transmission fees and expenses) as may be required under the Deposit Agreement and completion of such undertakings, declarations, certifications and other documents as the Depositary may reasonably require, request the Depositary to exercise such rights on their behalf with respect to the Deposited Shares and to distribute the Shares, securities or other assets so subscribed or acquired to the Holders entitled thereto by an increase in the numbers of GDRs represented by the Master GDRs or an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; or

- (b) if and to the extent that the Depositary shall at its discretion, deem it to be lawful and reasonably practicable, the Depositary will distribute such rights to the Holders entitled thereto in such manner as the Depositary may at its discretion determine; or
- (c) if and to the extent that the Depositary deems any such arrangement and distribution as is referred to in paragraphs (a) and (b) above to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) and/or to be unlawful, the Depositary (i) will, **PROVIDED THAT** Holders have not taken up rights through the Depositary as provided in (a) above, sell such rights (either by public or private sale and otherwise at its discretion subject to all applicable laws and regulations) or (ii) may, if such rights are not transferable, in its discretion, arrange for such rights to be exercised and the resulting Shares or securities sold and, in each case, distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.
 - (i) Notwithstanding the foregoing, in the event that the Depositary offers rights pursuant to Condition 7(a) (the “**Primary GDR Rights Offering**”), if authorised by the Company to do so, the Depositary may, in its discretion, make arrangements whereby in addition to instructions given by a Holder to the Depositary to exercise rights on its behalf pursuant to Condition 7(a), such Holder is permitted to instruct the Depositary to subscribe on its behalf for additional rights which are not attributable to the Deposited Shares represented by such Holder's GDRs (“**Additional GDR Rights**”) if at the date and time specified by the Depositary for the conclusion of the Primary GDR Rights Offering (the “**Instruction Date**”) instructions to exercise rights have not been received by the Depositary from the Holders in respect of all their initial entitlements. Any Holder's instructions to subscribe for such Additional GDR Rights (“**Additional GDR Rights Requests**”) shall specify the maximum number of Additional GDR Rights that such Holder is prepared to accept (the “**Maximum Additional Subscription**”) and must be received by the Depositary by the Instruction Date. If by the Instruction Date any rights offered in the Primary GDR Rights Offering have not been subscribed by the Holders initially entitled thereto (“**Unsubscribed Rights**”), subject to Condition 7(d)(iii) and receipt of the relevant subscription price in EUR or other relevant currency, together with such fees, taxes, duties, charges, costs and expenses (including cable (including SWIFT) and facsimile transmission fees and expenses) as it may deem necessary, the Depositary shall make arrangements for the allocation and distribution of Additional GDR Rights in accordance with Condition 7(d)(ii).
 - (ii) Holders submitting Additional GDR Rights Requests shall be bound to accept the Maximum Additional Subscription specified in such Additional GDR Rights Request but the Depositary shall not be bound to arrange for a Holder to receive the Maximum Additional Subscription so specified but may make arrangements whereby the Unsubscribed Rights are allocated *pro rata* on the basis of the extent of the Maximum Additional Subscription specified in each Holder's Additional GDR Rights Request.
 - (iii) In order to proceed in the manner contemplated in this Condition 7(d), the Depositary shall be entitled to receive such opinions from Cyprus counsel and US counsel as in its discretion it deems necessary which opinions shall be in a form and provided by counsel satisfactory to the Depositary and at the expense of the Company and may be requested in addition to any other opinions and/or certifications which the Depositary

shall be entitled to receive under the Deposit Agreement and these Conditions. For the avoidance of doubt, save as provided in these Conditions and the Deposit Agreement, the Depositary shall have no liability to the Company or any Holder in respect of its actions or omissions to act under this Condition 7(d) and, in particular, the Depositary will not be regarded as being negligent, fraudulent, or in wilful default if it elects not to make the arrangements referred to in Condition 7(d)(i).

The Company has agreed in the Deposit Agreement that it will, unless prohibited by applicable law or regulation, give its consent to, and if requested use all reasonable endeavours (subject to the next paragraph) to facilitate, any such distribution, sale or subscription by the Depositary or the Holders, as the case may be, pursuant to Conditions 4, 5, 6, 7 or 10 (including the obtaining of legal opinions from counsel reasonably satisfactory to the Depositary concerning such matters as the Depositary may reasonably specify).

If the Company notifies the Depositary that registration is required in any jurisdiction under any applicable law of the rights, securities or other property to be distributed under Conditions 4, 5, 6, 7 or 10 or the securities to which such rights relate in order for the Company to offer such rights or distribute such securities or other property to the Holders or owners of GDRs and to sell the securities corresponding to such rights, the Depositary will not offer such rights or distribute such securities or other property to the Holders or sell such securities unless and until the Company procures the receipt by the Depositary of an opinion from counsel reasonably satisfactory to the Depositary that a registration statement is in effect or that the offering and sale of such rights or securities to such Holders or owners of GDRs are exempt from registration under the provisions of such law. Neither the Company nor the Depositary shall be liable to register such rights, securities or other property or the securities to which such rights relate and they shall not be liable for any losses, damages or expenses resulting from any failure to do so.

If at the time of the offering of any rights, at its discretion, the Depositary shall be satisfied that it is not lawful or practicable (for reasons outside its control) to dispose of the rights in any manner provided in paragraphs (a), (b), (c) and (d) above, the Depositary shall permit the rights to lapse. The Depositary will not be responsible for any failure to determine that it may be lawful or feasible to make such rights available to Holders or owners of GDRs in general or to any Holder or owner of a GDR or Holders or owners of GDRs in particular.

8. Conversion of Foreign Currency

Whenever the Depositary shall receive any currency other than United States dollars by way of dividend or other distribution or as the net proceeds from the sale of securities, other property or rights, and if at the time of the receipt thereof the currency so received can in the judgement of the Depositary be converted on a reasonable basis into United States dollars and distributed to the Holders entitled thereto, the Depositary or one of its agents or affiliates or the Custodian shall as soon as practicable convert or cause to be converted, by sale or in any other manner that it may reasonably determine, the currency so received into United States dollars. If such conversion or distribution can be effected only with the approval or licence of any government or agency thereof, the Depositary may make reasonable efforts to apply, or procure that an application be made, for such approval or licence, if any, as it may deem desirable. If at any time the Depositary shall determine that in its judgement any currency other than United States dollars is not convertible on a reasonable basis into United States dollars and distributable to the Holders entitled thereto, or if any approval or licence of any government or agency thereof which is required for such conversion is denied or, in the opinion of the Depositary, is not obtainable, or if any such approval or licence is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute such other currency received by it (or an appropriate document evidencing the right to receive such other currency) to the Holders entitled thereto to the extent permitted under applicable law, or the Depositary may in its discretion hold such other currency without liability for interest for the benefit of the Holders entitled thereto. If any conversion of any such currency can be effected in whole or in part for distribution to some (but not all) Holders entitled thereto, the Depositary may at its discretion make such conversion and distribution in United States dollars to the extent possible to the Holders entitled thereto and may distribute the balance of such other currency received by the Depositary to, or hold such balance for the account of, the Holders entitled thereto, and notify the Holders accordingly.

The Depositary will be entitled to make currency conversions under the Deposit Agreement or under these Conditions from time to time by itself or through any of its agents, affiliates, or otherwise through customary banking channels, or the Custodian or the Company may convert currency and pay United States dollars to the Depositary. To the extent conversions are executed by the Depositary, the Custodian or the Depositary's other agents or affiliates (in such cases, the “**FX Counterparty**”), the FX Counterparty shall act as principal for its own account, and not as agent, adviser, broker or fiduciary on behalf of any other persons, and earns revenue, including without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the Deposit Agreement or these Conditions and the rate that the FX Counterparty received when buying or selling foreign currency for its own account. The Depositary makes no representation that the exchange rate used or obtained by it or any other FX Counterparty in any currency conversion under the Deposit Agreement or these Conditions will be the most favourable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favourable to Holders, subject to the Depositary's obligations in Clause 9 of the Deposit Agreement. The methodology used to determine exchange rates used in currency conversions made by the Depositary is available upon request.

Where the Custodian converts currency, the Custodian has no obligation to obtain the most favourable rate that could be obtained at the time or to ensure that the method by which that rate will be determined will be the most favourable to Holders, and the Depositary makes no representation that the rate is the most favourable rate and will not be liable for any direct or indirect losses associated with the rate.

In certain instances, the Depositary may receive dividends or other distributions from the Company in United States dollars that represent the proceeds of conversion of a foreign currency or translation from foreign currency at a rate that was obtained or determined by or on behalf of the Company and, in such cases, the Depositary will not engage in, or be responsible for, any foreign currency transactions and neither it nor the Company makes any representation that the rate obtained or determined by the Company is the most favourable rate and neither it nor the Company will be liable for any direct or indirect losses associated with the rate.

9. Distribution of any Payments

- 9.1 Any distribution of cash under Conditions 4, 5, 6, 7 or 10 will be made by the Depositary to Holders on the record date established by the Depositary for that purpose (such date to be as close to the record date set by the Company as is reasonably practicable) and, if practicable in the opinion of the Depositary, notice shall be given promptly to Holders in accordance with Condition 22, in each case subject to any laws or regulations applicable thereto and (subject to the provisions of Condition 8) distributions will be made in United States dollars by cheque drawn upon a bank in New York City or, in the case of the Master GDRs, according to usual practice between the Depositary and Clearstream, Euroclear or DTC, as the case may be. The Depositary or the Agent, as the case may be, may deduct and retain from all moneys due in respect of such GDR in accordance with the Deposit Agreement all fees, taxes, duties, charges, costs and expenses (including cable (including SWIFT) and facsimile transmission fees and expenses) which may become or have become payable under the Deposit Agreement or under applicable law or regulation (including, for the avoidance of doubt, any taxes imposed pursuant to FATCA) in respect of such GDR or the relative Deposited Property.
- 9.2 Delivery of any securities or other property or rights other than cash shall be made as soon as practicable to the Holders on the record date established by the Depositary for that purpose (such date to be as close to the record date set by the Company as is reasonably practicable), subject to any laws or regulations applicable thereto. If any distribution made by the Company with respect to the Deposited Property and received by the Depositary shall remain unclaimed at the end of three years from the first date upon which such distribution is made available to Holders in accordance with the Deposit Agreement, all rights of the Holders to such distribution or the proceeds of the sale thereof shall be extinguished and the Depositary shall (except for any distribution upon the liquidation of the Company when the Depositary shall retain the same) return the same to the Company for its own use and benefit subject, in all cases, to the provisions of applicable law or regulation.

10. **Capital Reorganisation**

Upon any change in the nominal or par value, sub-division, consolidation or other reclassification of Deposited Shares or any other part of the Deposited Property or upon any reduction of capital, or upon any reorganisation, merger or consolidation of the Company or to which it is a party (except where the Company is the continuing corporation), the Depositary shall as soon as practicable give notice of such event to the Holders and at its discretion may treat such event as a distribution and comply with the relevant provisions of Conditions 4, 5, 6 and 9 with respect thereto, or may execute and deliver additional GDRs in respect of Shares or may require the exchange of existing GDRs for new GDRs which reflect the effect of such change.

11. **Withholding Taxes and Applicable Laws**

- 11.1 Payments to Holders of dividends or other distributions on or in respect of the Deposited Shares will be subject to deduction of Cyprus and other withholding taxes (including any taxes imposed pursuant to FATCA), if any, at the applicable rates. Services that may permit Holders or owners of GDRs to obtain reduced rates of withholding tax at source, or to reclaim excess tax withheld, and the fees and costs associated with using services of that kind, are not provided under or covered by, and are outside the scope of, these Conditions and the Deposit Agreement. Each Holder agrees to indemnify the Company, the Depositary and the Custodian and their respective directors, employees, agents and affiliates for, and hold each of them harmless against, any claim by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced withholding tax at source or other tax benefit received by it.
- 11.2 If any governmental or administrative authorisation, consent, registration or permit or any report or notification to any governmental or administrative authority is required under any applicable law in Cyprus or pursuant to FATCA in order for the Depositary to receive from the Company Shares or other securities to be deposited under these Conditions, or in order for Shares, other securities or other property to be distributed under Condition 4, 5, 6 or 10 or to be subscribed under Condition 7 or to offer any rights or sell any securities represented by such rights relevant to any Deposited Shares, the Company has agreed, to the extent possible and permissible under applicable laws and regulation, to apply for such authorisation, consent, registration or permit or file such report or notification on behalf of the Holders within the time required under such laws. In this connection, the Company has undertaken in the Deposit Agreement to the extent reasonably practicable to take such action as may be required in obtaining or filing the same. The Depositary shall not be obliged to distribute GDRs representing such Shares, Shares, other securities or other property deposited under these Conditions or make any offer of any such rights or sell any securities corresponding to any such rights with respect to which (as notified to the Depositary by the Company) such authorisation, consent, registration or permit or such report or notification has not been obtained or filed, as the case may be, and shall have no duties to obtain any such authorisation, consent, registration or permit, or to file any such report or notification.

12. **Voting Rights**

- 12.1 Holders will have voting rights with respect to the Deposited Shares. The Company has agreed to provide the Depositary with a copy of any notice containing resolutions to be proposed at a meeting of the Company and any materials with respect to the meeting to be distributed to Holders not less than 30 calendar days prior to such meeting date, and the Depositary will vote or cause to be voted the Deposited Shares in the manner set out in this Condition 12.

The Company has agreed with the Depositary that it will promptly provide to the Depositary sufficient copies, as the Depositary may reasonably request, of notices of meetings of the shareholders of the Company and the agenda therefor as well as any proposed written resolution of the Company and written requests containing voting instructions by which each Holder may give instructions to the Depositary to vote for or against each and any resolution specified in the agenda for the meeting or specified in any written resolutions, which the Depositary shall send (together with confirmation of the last date on which the Depositary will accept voting instructions from Holders (the “**Instruction Cutoff Date**”)) to any person who is a Holder on the record date established by the Depositary for that purpose (which shall be the same as the corresponding record date set by the Company or as near as practicable thereto) as soon as practicable after receipt of the same by the Depositary in accordance with Condition 22. The Company

has also agreed to provide to the Depositary appropriate proxy forms to enable the Depositary to appoint a representative to attend the relevant meeting and vote on behalf of the Depositary.

- 12.2 In order for each voting instruction to be valid, the voting instructions form must be completed and duly signed by the respective Holder (or in the case of instructions received from the settlement systems should be received by authenticated SWIFT message) in accordance with the written request containing voting instructions and returned to the Depositary by such record date as the Depositary may specify.
- 12.3 The Depositary will exercise or cause to be exercised the voting rights in respect of the Deposited Shares so that, as relevant, a portion of the Deposited Shares will be voted for and a portion of the Deposited Shares will be voted against any resolution specified in the agenda for the relevant meeting in accordance with the voting instructions it has received.
- 12.4 If the Depositary is advised in the opinion referred to in Condition 12.7 below that it is not permitted by Cyprus law to exercise the voting rights in respect of the Deposited Shares differently (so that a portion of the Deposited Shares may be voted for a resolution and a portion of the Deposited Shares may be voted against a resolution), the Depositary shall in no circumstances give a discretionary proxy to a person designated by the Company in accordance with Condition 12.5(a), and the Depositary shall, if the opinion referred to in Condition 12.7 below confirms it to be permissible under Cyprus law, calculate from the voting instructions that it has received from all Holders (x) the aggregate number of votes in favour of a particular resolution and (y) the aggregate number of votes opposed to such resolution and cast or cause to be cast in favour of or opposed to such resolution the number of votes representing the net positive difference between such aggregate number of votes in favour of such resolution and such aggregate number of votes opposed to such resolution.
- 12.5 The Depositary will only endeavour to vote or cause to be voted the votes attaching to Shares in respect of which voting instructions have been received, except that if no voting instructions are received by the Depositary from a Holder (either because no voting instructions are returned to the Depositary or because the voting instructions are incomplete, illegible or unclear) with respect to any or all of the Deposited Shares represented by such Holder's GDRs on or before the record date specified by the Depositary:
- (a) unless the Depositary has been advised in accordance with Condition 12.4 that it is not permitted by Cyprus law to exercise the voting rights in respect of the Deposited Shares differently, such Holder shall be deemed to have instructed the Depositary to give a discretionary proxy to a person designated by the Company with respect to such Deposited Shares, and the Depositary shall give a discretionary proxy to a person designated by the Company to vote such Deposited Shares, PROVIDED THAT no such instruction shall be deemed given, and no such discretionary proxy shall be given, unless the Depositary has received from the Company, by the Instruction Cutoff Date, a written confirmation that (x) the Company wishes such proxy to be given, (y) the Company reasonably does not know of any substantial opposition to the matter and (z) the matter is not materially adverse to the interests of holders of the Shares; or
 - (b) if the Depositary has been advised in accordance with Condition 12.4 that it is not permitted by Cyprus law to exercise the voting rights in respect of the Deposited Shares differently, the Depositary shall have no obligation to and shall not procure the exercise of any votes (whether by way of discretionary proxy as set out in Condition 12.5(a) or otherwise) in respect of which voting instructions have not been received by the Depositary.
- 12.6 If and to the extent the Depositary is advised in the opinion referred to in Condition 12.7 below that it is not permissible under Cyprus law or the Depositary determines that it is not reasonably practicable to vote or cause to be voted such Deposited Shares in accordance with Conditions 12.3, 12.4 or 12.5 the Depositary shall not to such extent vote or cause to be voted such Deposited Shares.
- 12.7 Where the Depositary is to vote in respect of each and any resolution in the manner described in Conditions 12.3 or 12.4 above the Depositary shall notify the chairman of the board of directors of the Company and appoint a person designated by him as a representative of the Depositary to attend such meeting and vote the Deposited Shares in the manner required by this Condition. The Depositary is entitled to request the Company to provide to the Depositary, and where such request has been made shall not be required to take any action required by this Condition 12 unless it shall have received, an opinion from the Company's legal counsel (such counsel being reasonably acceptable to the Depositary)

at the expense of the Company to the effect that such voting arrangement is valid and binding on Holders under Cyprus law and the constitutional documents of the Company and that the Depositary is permitted to exercise votes in accordance with the provisions of this Condition 12 but that in doing so the Depositary will not be deemed to be exercising voting discretion. The Company has agreed to inform the Depositary of any circumstances which may affect whether the voting arrangements under this Condition 12 are valid and binding on Holders under Cyprus law and the statutes of the Company, or whether the Depositary is permitted to exercise votes in accordance with the provisions of this Condition 12 and in doing so will not be deemed to be exercising voting discretion.

12.8 By continuing to hold GDRs, all Holders shall be deemed to have agreed to the provisions of this Condition as it may be amended from time to time in order to comply with applicable Cyprus law.

12.9 The Depositary shall not, and the Depositary shall ensure that the Custodian and its nominees do not, vote or attempt to exercise the right to vote that attaches to the Deposited Shares, other than in accordance with instructions given, or deemed given, in accordance with this Condition.

13. Recovery of Taxes, Duties and Other Charges, and Fees and Expenses due to the Depositary

The Depositary shall not be liable for any taxes (including any taxes imposed pursuant to FATCA), duties, charges, costs or expenses (including cable (including SWIFT) and facsimile transmission fees and expenses) which may become payable in respect of the Deposited Shares or other Deposited Property or the GDRs, whether under any present or future fiscal or other laws or regulations, and such part thereof as is proportionate or referable to a GDR (the “**Charges**”) shall be payable by the Holder thereof to the Depositary at any time on request or may be deducted from any amount due or becoming due on such GDR in respect of any dividend or other distribution. The Depositary may sell (whether by way of public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) for the account of the Holder an appropriate number of Deposited Shares or amount of other Deposited Property and may require the Holder on a mandatory basis to surrender for cancellation the GDRs which represent such Deposited Property and will discharge out of the proceeds of such sale any Charges, and any fees or expenses due to the Depositary from the Holder pursuant to Condition 16, and subsequently pay any surplus to the Holder, but the Holder shall remain liable to the Depositary to the extent such Charges, fees and expenses exceed the sale proceeds. Any request by the Depositary for the payment of Charges shall be made by giving notice pursuant to Condition 22.

14. Liability

14.1 In acting hereunder the Depositary shall have only those duties, obligations and responsibilities expressly specified in the Deposit Agreement and these Conditions and, other than holding the Deposited Property for the benefit of Holders as bare trustee, does not assume any relationship of trust for or with the Holders or owners of GDRs or any other person.

14.2 Neither the Depositary, the Custodian, the Company, any Agent, nor any of their agents, officers, directors, employees or affiliates shall incur any liability to any other of them or to any Holder or owner of a GDR or any other person with an interest in any GDRs if by reason of: (A) any provision of any present or future law or regulation or other act of the government of the United States, any State of the United States or any other state or jurisdiction or of any governmental or regulatory authority, or stock exchange, or the interpretation or application of any such present or future law or regulation or any change therein, or by reason of any other circumstances beyond their control; or (B) (in the case of only the Depositary, the Custodian, any Agent, or any of their agents, officers, directors, employees or affiliates) any provision, present or future, of the constitutive documents of the Company, or any provision of any securities issued or distributed by the Company, or any offering or distribution thereof; or (C) any event or circumstance, whether natural or caused by a person or persons, that is beyond the ability of the Depositary or the Company, as the case may be, to prevent or counteract by reasonable care or effort (including, but not limited to earthquakes, floods, severe storms, fires, explosions, war, terrorism, civil unrest, labour disputes or criminal acts; interruptions or malfunctions of utility services, Internet or other communications lines or systems; unauthorized access to or attacks on computer systems or websites; or other failures or malfunctions of computer hardware or software or other systems or equipment), the Depositary, the Custodian, the Company, any Agent, or any of their agents, officers, directors, employees or affiliates, shall be, directly or indirectly, prevented, delayed or forbidden from doing or performing, or could be subject to any civil or criminal penalty on account of doing or

performing and therefore does not do or perform, any act or thing which the terms of the Deposit Agreement or these Conditions provide shall or may be done or performed; nor shall any of them incur any liability to any Holder or owner of GDRs or any other person with an interest in any GDRs for any exercise of, or failure to exercise, any voting rights attached to the Deposited Shares or any of them or any other discretion or power provided for in the Deposit Agreement. Any such party may rely on, and shall be protected in acting upon, any written notice, request, direction or other document believed by it to be genuine and to have been duly signed or presented (including a translation which is made by a translator believed by it to be competent or which appears to be authentic).

- 14.3 Neither the Depositary nor any Agent shall be liable (except for its own wilful default, negligence or fraud or that of its agents, officers, directors or employees) to the Company or any Holder or owner of GDRs or any other person by reason of having accepted as valid or not having rejected any certificate for Shares or GDRs or any signature on any transfer or instruction purporting to be such and subsequently found to be forged or not authentic or for its failure to perform any obligations under the Deposit Agreement or these Conditions.
- 14.4 The Depositary and its agents may engage or be interested in any financial or other business transactions with the Company or any of its subsidiaries or affiliates, or in relation to the Deposited Property (including without prejudice to the generality of the foregoing, the conversion of any part of the Deposited Property from one currency to another), may at any time hold or be interested in GDRs for its own account, and shall be entitled to charge and be paid all usual fees, commissions and other charges for business transacted and acts done by it as a bank, and not in the capacity of Depositary, in relation to matters arising under the Deposit Agreement (including, without prejudice to the generality of the foregoing, fees, commissions and charges on the conversion of any part of the Deposited Property from one currency to another and on any sales of property) without accounting to Holders or any other person for any profit arising therefrom.
- 14.5 The Depositary shall endeavour to effect any such sale as is referred to or contemplated in Conditions 5, 6, 7, 10, 13 or 20 or any such conversion as is referred to in Condition 8 in accordance with the Depositary's normal practices and procedures but shall have no liability (in the absence of its own wilful default, negligence or fraud or that of its agents, officers, directors or employees) with respect to the terms of such sale or conversion or if such sale or conversion shall not be reasonably practicable.
- 14.6 The Depositary shall not be required or obliged to monitor, supervise or enforce the observance and performance by the Company of its obligations under or in connection with the Deposit Agreement or these Conditions.
- 14.7 The Depositary shall have no responsibility whatsoever to the Company, any Holders or any owner of GDRs or any other person as regards any deficiency which might arise because the Depositary is subject to any tax in respect of the Deposited Property or any part thereof or any income therefrom or any proceeds thereof, including for any tax imposed pursuant to FATCA. The Depositary shall not be liable for the inability or failure of a Holder or owner to obtain the benefit of a foreign tax credit, reduced rate of withholding tax or refund of amounts withheld in respect of tax or any other tax benefit.
- 14.8 In connection with any proposed modification, waiver, authorisation or determination permitted by the terms of the Deposit Agreement, the Depositary shall not, except as otherwise expressly provided in Condition 21, be obliged to have regard to the consequence thereof for the Holders or the owners of GDRs or any other person.
- 14.9 Notwithstanding anything else contained in the Deposit Agreement or these Conditions, the Depositary may refrain from doing anything which could or might, in its opinion, be contrary to any law of any jurisdiction or any directive or regulation of any agency or state or which would or might otherwise render it liable to any person and the Depositary may do anything which is, in its opinion, necessary to comply with any such law, directive or regulation.
- 14.10 The Depositary may, in relation to the Deposit Agreement and these Conditions, act or take no action on the advice or opinion of, or any certificate or information obtained from, any lawyer, valuer, accountant, banker, broker, securities company or other expert whether obtained by the Company, the Depositary or otherwise, and shall not be responsible or liable for any loss or liability occasioned by so acting or

refraining from acting or relying on information from persons presenting Shares for deposit or GDRs for surrender or requesting transfers thereof.

- 14.11 Any such advice, opinion, certificate or information (as discussed in Condition 14.10 above) may be sent or obtained by letter or facsimile transmission and the Depositary shall not be liable for acting on any advice, opinion, certificate or information purported to be sent or obtained by any such letter or facsimile transmission although (without the Depositary's knowledge) the same shall contain some error or shall not be authentic.
- 14.12 The Depositary may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing, a certificate, letter or other communication, whether oral or written, signed or otherwise communicated on behalf of the Company by a director of the Company or by a person duly authorised by a director of the Company or such other certificate from persons specified in Condition 14.10 above which the Depositary considers appropriate and the Depositary shall not be bound in any such case to call for further evidence or be responsible for any loss or liability that may be occasioned by the Depositary acting on such certificate.
- 14.13 The Depositary shall have no obligation under the Deposit Agreement or these Conditions except to perform its obligations as are specifically set out therein without wilful default, negligence or fraud.
- 14.14 Any liability of the Depositary arising out of the Deposit Agreement, the GDRs or the Conditions shall be limited to the amount of actual loss suffered (such loss shall be determined as at the date of default of the Depositary or, if later, the day on which the loss arises as a result of such default) but without reference to any special conditions or circumstances known to the Depositary at the time of entering into the Deposit Agreement, the GDRs or the Conditions, or at the time of accepting any relevant instructions, which increases the amount of the loss. In no event shall the Depositary be liable for any loss of profits, goodwill, reputation, business opportunity or anticipated saving, or for special, punitive, indirect or consequential damages, whether or not foreseeable, even if the Depositary has been advised of the possibility of such loss or damages and regardless of whether the claim for loss or damage is made in negligence, breach of contract, duty or otherwise.
- 14.15 The Depositary may delegate by power of attorney or otherwise to any person or persons or fluctuating body of persons, whether being a joint Depositary of the Deposit Agreement or not and not being a person to whom the Company may reasonably object, all or any of the powers, authorities and discretions vested in the Depositary by the Deposit Agreement and such delegation may be made upon such terms and subject to such conditions, including power to sub-delegate and subject to such regulations as the Depositary may in the interests of the Holders think fit, **provided that** no objection from the Company to any such delegation as aforesaid may be made to a person whose financial statements are consolidated with those of the Depositary's ultimate holding company. Any delegation by the Depositary shall be on the basis that the Depositary is acting on behalf of the Holders and the Company in making such delegation. The Company shall not in any circumstances and the Depositary shall not (**provided that** it shall have exercised reasonable care in the selection of such delegate) be bound to supervise the proceedings or be in any way responsible for any loss, liability, cost, claim, action, demand or expense incurred by reason of any misconduct or default on the part of any such delegate or sub-delegate. However, the Depositary shall, if practicable, and if so requested by the Company, pursue (at the Company's expense and subject to receipt by the Depositary of such indemnity and security for costs as the Depositary may reasonably require) any legal action it may have against such delegate or sub-delegate arising out of any such loss caused by reason of any such misconduct or default. The Depositary shall, within a reasonable time of any such delegation or any renewal, extension or termination thereof, give notice thereof to the Company. Any delegation under this Condition which includes the power to sub-delegate shall provide that the delegate shall, within a specified time of any sub-delegation or amendment, extension or termination thereof, give notice thereof to the Company and the Depositary.
- 14.16 The Depositary may, in the performance of its obligations hereunder, instead of acting personally, employ and pay an agent, whether a solicitor or other person, to transact or concur in transacting any business and do or concur in doing all acts required to be done by such party, including the receipt and payment of money.

- 14.17 The Depositary may, in performing its duties hereunder, appoint and employ brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the Depositary and that may earn or share fees, spreads or commissions.
- 14.18 The Depositary shall be at liberty to hold or to deposit the Deposit Agreement and any deed or document relating thereto in any part of the world with any banking company or companies (including itself) whose business includes undertaking the safe custody of deeds or documents or with any lawyer or firm of lawyers of good repute, and the Depositary shall not (in the case of depositing with itself, in the absence of its own negligence, wilful default, or fraud or that of its agents, directors, officers or employees) be responsible for any losses, liability or expenses incurred in connection with any such deposit.
- 14.19 Notwithstanding anything to the contrary contained in the Deposit Agreement or these Conditions, the Depositary shall not be liable in respect of any loss or damage which arises out of or in connection with its performance or non-performance, or the exercise or attempted exercise of (or the failure to exercise any of) its powers or discretions, under the Deposit Agreement, except to the extent that such loss or damage arises from the wilful default, negligence or fraud of the Depositary or that of its agents, officers, directors or employees. Without prejudice to the generality of the foregoing, in no circumstances shall the Depositary have any liability for any act or omission of any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of Deposited Shares or otherwise.
- 14.20 No provision of the Deposit Agreement or these Conditions shall require the Depositary to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.
- 14.21 For the avoidance of doubt, the Depositary shall be under no obligation to check, monitor or enforce compliance with any ownership restrictions in respect of GDRs or Shares under any applicable Cyprus law as the same may be amended from time to time. Notwithstanding the generality of Condition 3, the Depositary shall refuse to register any transfer of GDRs or any deposit of Shares against the issuance of GDRs if notified by the Company, or the Depositary becomes aware of the fact, that such transfer or issuance would result in a violation of the limitations set forth above.
- 14.22 No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement.
- 14.23 The Depositary shall be under no obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Property or in respect of any GDRs on behalf of any Holder or any other person.

15. Issue and Delivery of Replacement GDRs and Exchange of GDRs

Subject to the payment of the relevant fees, taxes, duties, charges, costs and expenses (including cable (including SWIFT) and facsimile transmission fees and expenses) and such terms as to evidence and indemnity as the Depositary may require, replacement GDRs will be issued by the Depositary and will be delivered in exchange for or replacement of outstanding lost, stolen, mutilated, defaced or destroyed GDRs upon surrender thereof (except in the case of the destruction, loss or theft) at the specified office of the Depositary or (at the request, risk and expense of the Holder) at the specified office of any Agent.

16. Depositary's Fees, Costs and Expenses

- 16.1 The Depositary shall be entitled to charge the following remuneration and to receive the following remuneration and reimbursement (such remuneration and reimbursement being payable on demand) from the Holders in respect of its services under the Deposit Agreement:
- (a) for the issue of GDRs or the cancellation of GDRs: U.S.\$5.00 or less per 100 GDRs (or portion thereof) issued or cancelled, including for the avoidance of doubt, but not limited to, transfers between the Regulation S Master GDR and the Rule 144A Master GDR which transfers shall be treated as cancellations of GDRs represented by one Master GDR and issuances of GDRs represented by the other Master GDR;

- (b) for issuing GDR certificates in definitive registered form in replacement for mutilated, defaced, lost, stolen or destroyed GDR certificates: a sum per GDR certificate which is determined by the Depositary to be a reasonable charge to reflect the work, costs and expenses involved;
- (c) for issuing GDR certificates in definitive registered form (other than pursuant to (b) above): the greater of U.S.\$1.50 per GDR certificate (plus printing costs) or such other sum per GDR certificate which is determined by the Depositary to be a reasonable charge to reflect the work plus costs (including but not limited to printing costs) and expenses involved;
- (d) for receiving and paying any cash dividend or other cash distribution on or in respect of the Deposited Shares: a fee of U.S.\$0.02 or less per GDR for each such dividend or distribution;
- (e) in respect of any issue of rights or distribution of Shares (whether or not evidenced by GDRs) or other securities or other property (other than cash) upon exercise of any rights, any free distribution, stock dividend or other distribution: U.S.\$5.00 or less per 100 outstanding GDRs (or portion thereof) for each such issue of rights, dividend or distribution;
- (f) a fee of U.S.\$0.03 or less per GDR (or portion thereof) per calendar year for depositary services which shall be payable as provided in paragraph (h) below;
- (g) a fee of U.S. \$0.01 or less per GDR per annum for local share registry inspection and related services by the Depositary or the Custodian or their respective agents, which shall be payable as provided in paragraph (h) below; and
- (h) any other charge payable by the Depositary, any of the Depositary's agents, including the Custodian, or the agents of the Depositary's agents, in connection with the servicing of Deposited Shares or other Deposited Property (which charge shall be assessed against Holders as of the date or dates set by the Depositary and shall be payable at the sole discretion of the Depositary by billing such Holders for such charge or deducting such charge from one or more cash dividends or other cash distributions),

together with all fees and expenses (including currency conversion expenses, cable, SWIFT and facsimile transmission fees and expenses), transfer and registration fees, taxes, duties and charges payable by the Depositary, any Agent or the Custodian, or any of their agents, in connection with any of the above.

16.2 The Depositary is entitled to receive from the Company the fees, taxes, duties, charges costs and expenses as specified in a separate agreement between the Company and the Depositary. The Depositary may charge the Company a fee and its expenses relating to any request made under Condition 1.9.

16.3 From time to time, the Depositary may make payments to the Company to reimburse and / or share revenue from the fees collected from Holders of GDRs, or waive fees and expenses for services provided, generally relating to costs and expenses arising out of the establishment and maintenance of the GDR facilities established pursuant to the Deposit Agreement. Where the Company has been appointed by the Depositary to act as Custodian in connection with the Deposit Agreement, the Company in its capacity as the Custodian may earn fees and revenue, and such fees and revenue may be paid by the Depositary to the Company from fees collected by the Depositary from Holders. In performing its duties under the Deposit Agreement, the Depositary may use brokers, dealers or other service providers that are affiliates of the Depositary and that may earn or share fees and commissions.

17. **Agents**

17.1 The Depositary shall be entitled to appoint one or more agents (the “**Agents**”) for the purpose, *inter alia*, of making distributions to the Holders.

18. **The Custodian**

The Depositary has agreed with the Custodian that the Custodian will receive and hold (or appoint agents approved by the Depositary to receive and hold) all Deposited Property for the account and to the order of the Depositary in accordance with the applicable terms of the Deposit Agreement which include a requirement to segregate the Deposited Property from the other property of, or held by, the Custodian

PROVIDED THAT the Custodian shall not be obliged to segregate cash comprised in the Deposited Property from cash otherwise held by the Custodian. The Custodian shall be responsible solely to the Depositary **PROVIDED THAT**, if and so long as the Depositary and the Custodian are the same legal entity, references to them separately in these Conditions and the Deposit Agreement are for convenience only and that legal entity shall be responsible for discharging both functions directly to the Holders and the Company. Upon the removal of or receiving notice of the resignation of the Custodian (where upon the effectiveness of that resignation or removal there would be no Custodian acting under the Deposit Agreement), the Depositary shall as promptly as practicable appoint a substitute Custodian or Custodians, which shall thereafter, become the Custodian under the Deposit Agreement. The Depositary shall require any Custodian that resigns or is removed to deliver all Deposited Property held by such Custodian to another Custodian. The Depositary in its discretion may appoint a substitute or additional custodian or custodians, which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement. The Depositary shall notify Holders of such change in accordance with Condition 22. Notwithstanding the foregoing, the Depositary may temporarily deposit the Deposited Property in a manner or a place other than as therein specified; **PROVIDED THAT**, in the case of such temporary deposit in another place, the Company shall have consented to such deposit, and such consent of the Company shall have been delivered to the Custodian. In case of transportation of the Deposited Property under this Condition, the Depositary shall obtain appropriate insurance at the expense of the Company if and to the extent that the obtaining of such insurance is reasonably practicable and the premiums payable are of a reasonable amount.

19. **Resignation and Removal of the Depositary**

- 19.1 The Company may remove the Depositary under the Deposit Agreement by giving at least 120 days' prior notice in writing to the Depositary to become effective upon the later of (i) the 120th day after receipt of such notice by the Depositary and (ii) the appointment of a successor depositary and its acceptance of appointment. The Depositary may resign as Depositary by giving notice in writing to the Company to become effective upon the appointment of a successor depositary and its acceptance of that appointment as provided in Condition 19.2. The effect of the removal or resignation of the Depositary if a successor depositary is not appointed is set out in Condition 20.
- 19.2 If the Depositary resigns or is removed, the Company shall use its best endeavours to appoint a successor depositary. Every successor depositary shall execute and deliver to the Company an instrument in writing accepting its appointment under the Deposit Agreement in accordance with the terms thereof and these Conditions. If the Depositary receives notice from the Company that a successor depositary has been appointed following its resignation or removal, the Depositary, upon receipt of payment of all sums due to it from the Company, shall deliver to its successor as depositary sufficient information and records to enable such successor efficiently to perform its obligations under the Deposit Agreement and shall deliver and pay to such depositary, or to its order, all property and cash held by it under the Deposit Agreement. When the Depositary has taken the actions specified in the preceding sentence (i) the successor shall become the Depositary and shall have all the rights and shall assume all the duties of the Depositary under the Deposit Agreement and (ii) the predecessor depositary shall cease to be the Depositary and shall be discharged and released from all obligations under the Deposit Agreement, except for its duties under Clause 10.5 of the Deposit Agreement with respect to the time before that discharge. A successor Depositary shall notify the Holders of its appointment as soon as practical after assuming the duties of Depositary.

20. **Termination of Deposit Agreement**

- 20.1 The Company may terminate the Deposit Agreement by written notice to the Depositary. The Depositary may terminate the Deposit Agreement if (a) the Company has failed to appoint a replacement Depositary within 60 days of the date on which the Company or the Depositary has given notice pursuant to Clause 12 of the Deposit Agreement and Condition 19, (b) an Insolvency Event (as defined below) occurs with respect to the Company or (c) a Termination Option Event has occurred or will occur. If the Deposit Agreement is to be terminated, the Depositary shall give a notice of termination in accordance with Condition 22 to the Holders of GDRs then outstanding setting a date for termination (the “**Termination Date**”), which shall be at least 90 days after the date of that notice, and the Deposit Agreement shall terminate on that Termination Date.

- 20.2 At any time prior to the Termination Date, the Depositary may accept surrenders of GDRs for the purpose of withdrawal of Deposited Property in accordance with Clause 3 of the Deposit Agreement and Condition 1.
- 20.3 At any time after the Termination Date, the Depositary may sell the Deposited Property then held under the Deposit Agreement and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it hereunder, unsegregated and without liability for interest, for the pro rata benefit of the Holders of GDRs that remain outstanding, and those Holders will become general creditors of the Depositary with respect to those net proceeds. After making that sale, the Depositary shall be discharged from all obligations under the Deposit Agreement, except (i) to account to Holders for the net proceeds and other cash (after deducting, in each case, the fee of the Depositary for the surrender of GDRs, any expenses for the account of the Holder of such GDRs in accordance with the terms and conditions of the Deposit Agreement and any applicable taxes or governmental charges) and (ii) for its liabilities accrued prior to the date of termination of appointment or resignation or any liabilities stipulated in relevant laws or regulations and (iii) to act as provided in the Condition 20.4 below, and after selling the Deposited Property and satisfying (i) and (ii) above, the Depositary may cancel the outstanding GDRs.
- 20.4 After the Termination Date, the Depositary shall continue to receive dividends and other distributions pertaining to Deposited Property (that have not been sold), may sell rights and other property as provided in the Deposit Agreement and shall deliver Deposited Property (or sale proceeds) upon surrender of GDRs (after payment or upon deduction, in each case, of the fee of the Depositary for the surrender of GDRs, any expenses for the account of the Holder of those GDRs in accordance with the terms and conditions of the Deposit Agreement and any applicable taxes or governmental charges). However, after the Termination Date, (i) the Depositary may refuse to accept surrenders of GDRs for the purpose of withdrawal of Deposited Property (that has not been sold) or may reverse previously accepted surrenders of that kind that have not settled if in its opinion the requested withdrawal would interfere with its efforts to sell the Deposited Property, (ii) the Depositary will not be required to deliver cash proceeds of the sale of Deposited Property until all Deposited Property has been sold and (iii) the Depositary may discontinue the registration of transfers of GDRs and suspend the distribution of dividends and other distributions on Deposited Property to the Holders and need not give any further notices or perform any further acts under the Deposit Agreement except as provided in this Condition 20.4.
- 20.5 For the purposes of this Condition 20, “**Insolvency Event**” means any of the following (i) the Company becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Company or the whole or any substantial (in the opinion of the Depositary) part of the undertaking, assets and revenues of the Company, (iii) the Company takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it, (iv) the Company ceases or threatens to cease to carry on all or any substantial part of its business, or (v) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Company.

21. **Amendment of Deposit Agreement and Conditions**

- 21.1 Subject to Condition 21.3, all and any of the provisions of the Deposit Agreement and these Conditions may at any time and from time to time be amended by written agreement between the Company and the Depositary in any respect which they may deem necessary or desirable. Notice of any amendment of these Conditions (except to correct a manifest error) shall be duly given to the Holders by the Depositary, and any amendment which shall increase or impose fees payable by Holders, which amends this Condition 21 or which, in the opinion of the Depositary, would be materially prejudicial to the interests of the Holders (as a class) shall not (unless such fees, amendment or material prejudice are the result of: governmental charges, registration fees, fees imposed by the Depositary in its discretion in connection with any cable, SWIFT, telex or facsimile transmission fees or costs, or delivery costs) become effective so as to impose any obligation on the Holders until the expiration of 30 calendar days after such notice shall have been given. During such period of 30 calendar days, each Holder shall be entitled to obtain, subject to and upon compliance with Condition 1, delivery of the Deposited Property relative to each GDR held by it upon surrender thereof, payment of the charge specified in Condition 16.1(a) for such delivery and surrender and otherwise in accordance with the Deposit Agreement and these Conditions.

Each Holder at the time when such amendment so becomes effective shall be deemed, by continuing to hold a GDR, to approve such amendment and to be bound by the terms thereof in so far as they affect the rights of the Holders. In no event shall any amendment impair the right of any Holder to receive, subject to and upon compliance with Condition 1, the Deposited Property attributable to the relevant GDR.

- 21.2 For the purposes of this Condition 21, an amendment shall not be regarded as being materially prejudicial to the interests of Holders if its principal effect is to permit the creation of GDRs in respect of additional Shares to be held by the Depositary which are or will become fully consolidated as a single series with the other Deposited Shares **PROVIDED THAT** temporary GDRs will represent such Shares until they are so consolidated.
- 21.3 The Company and the Depositary may at any time by agreement in any form amend the number of Shares represented by each GDR, provided that each outstanding GDR represents the same number of Shares as each other outstanding GDR, and at least 30 calendar days' notice of such amendment is given to the Holders, but in no circumstances shall any amendment pursuant to this Condition 21.3 be regarded as an amendment requiring 30 calendar days' notice in accordance with Condition 21.1.

22. Notices

- 22.1 Any and all notices to be given to any Holder shall be duly given if personally delivered, or sent by mail (if domestic, first class, if overseas, first class airmail) or air courier, or by facsimile transmission confirmed by letter sent by mail, air courier, or by email, addressed to such Holder at the address of such Holder as it appears on the transfer books for GDRs of the Depositary, or, if such Holder shall have filed with the Depositary a written request that notices intended for such Holder be mailed to some other address, at the address specified in such request.
- 22.2 Delivery of a notice sent by mail or air courier shall be effective three days (in the case of domestic mail or air courier) or seven days (in the case of overseas mail) after despatch, and any notice sent by facsimile transmission, as provided in this Condition, shall be effective when the intended recipient has confirmed by telephone to the transmitter thereof that the recipient has received such facsimile in complete and legible form. The Depositary or the Company may, however, act upon any facsimile transmission received by it from the other or from any Holder, notwithstanding that such facsimile transmission shall not subsequently be confirmed as aforesaid.

23. Reports and Information on the Company

- 23.1 The Company has undertaken in the Deposit Agreement (so long as any GDR is outstanding) to furnish the Depositary with one copy in the English language (and to make available to the Depositary, the Custodian and each Agent as many further copies as they may reasonably require to satisfy requests from Holders) of any reports and accounts publicly filed by the Company and sent to holders of Shares generally.
- 23.2 The Depositary shall upon receipt thereof give due notice to the Holders that such copies are available upon request at its specified office and the specified office of any Agent.
- 23.3 For so long as any of the GDRs or the Shares remain outstanding and are “**restricted securities**” within the meaning of Rule 144(a)(3) under the Securities Act, if at any time the Company is neither subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended, nor exempt from such reporting requirements by complying with the information furnishing requirements of Rule 12g3-2(b) thereunder, the Company has agreed in the Deposit Agreement to supply to the Depositary such information, in the English language and in such quantities as the Depositary may from time to time reasonably request, as is required to be delivered to any Holder or beneficial owner of GDRs or to any holder of Shares or a prospective purchaser designated by such Holder, beneficial owner or holder pursuant to a Deed Poll executed by the Company in favour of such persons and the information delivery requirements of Rule 144A(d)(4) under the Securities Act, to permit compliance with Rule 144A thereunder in connection with resales of GDRs or Shares or interests therein in reliance on Rule 144A under the Securities Act and otherwise to comply with the requirements of Rule 144A(d)(4) under the Securities Act. Subject to receipt, the Depositary will deliver such information, during any period in which the Company informs the Depositary it is subject to the

information delivery requirements of Rule 144(A)(d)(4), to any such holder, beneficial owner or prospective purchaser but in no event shall the Depositary have any liability for the contents of any such information.

24. **Copies of Company Notices**

The Company has undertaken in the Deposit Agreement to provide to the Custodian and the Depositary: (i) if the Company takes or decides to take any corporate action of a kind that is addressed in Conditions 4, 5, 6, 7, 10 or 12, or that effects or will effect a change in the name or legal structure of the Company, or that effects or will effect a change to the Shares, a notification of that action or decision as soon as it is lawful and practical to give that notification, which notification shall be in English and shall include all details that the Company is required to include in any notice to any governmental or regulatory authority or securities exchange or is required to make available generally to holders of Shares by publication or otherwise; and (ii) promptly, all notices and any other reports and communications which are made generally available by the Company to holders of its Shares (or such number of English translations of the originals if the originals were prepared in a language other than English as the Depositary may reasonably request). If any such notice is not furnished to the Depositary in English, either by the Company or the Custodian, the Depositary shall, at the Company's expense, arrange for an English translation thereof (which may be in such summarised form as the Depositary may deem adequate to provide sufficient information) to be prepared. The Depositary shall, as soon as practicable after receiving any such notice or (where appropriate) upon completion of translation thereof, give due notice to the Holders which notice may be given together with a notice pursuant to Condition 9.1, and shall make the same available to Holders in such manner as it may determine.

25. **Moneys held by the Depositary**

The Depositary shall be entitled to deal with moneys paid to it by the Company for the purposes of the Deposit Agreement in the same manner as other moneys paid to it as a banker by its customers and shall not be liable to account to the Company or any Holder or any other person for any interest thereon, except as otherwise agreed and shall not be obliged to segregate such moneys from other moneys belonging to the Depositary.

26. **Severability**

If any one or more of the provisions contained in the Deposit Agreement or in these Conditions shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained therein or herein shall in no way be affected, prejudiced or otherwise disturbed thereby.

27. **Governing Law**

- 27.1 The Deposit Agreement, the GDRs, and any non-contractual obligations arising from or connected with the Deposit Agreement and the GDRs, are governed by, and shall be construed in accordance with, English law except that the certifications set forth in Schedules 3 and 4 to the Deposit Agreement and any provisions relating thereto shall be governed by and construed in accordance with the laws of the State of New York. The rights and obligations attaching to the Deposited Shares will be governed by Cyprus law. The Company has submitted in respect of the Deposit Agreement and the Deed Poll to the jurisdiction of the English courts and the courts of the State of New York and any United States Federal Court sitting in the Borough of Manhattan, New York City. The Company has also agreed in the Deposit Agreement, and the Deed Poll that Disputes are resolved by arbitration.

28. **Jurisdiction**

- 28.1 The Company has irrevocably appointed Law Debenture Corporate Services Limited with offices at Fifth Floor, 100 Wood Street, London EC2V 7EX, as its agent in England to receive service of process which may be served in any suit, legal action or proceedings arising out of or related to the Deposited Property, the GDRs, these Conditions or the Deposit Agreement (“**Proceedings**”) and has agreed to receive service of process in any legal action or Proceedings in New York arising out of or relating to the Deposited Shares, the GDRs, these Conditions or the Deposit Agreement by mail at its registered office address in Cyprus. Any writ, judgment or other notice of legal process shall be sufficiently served on the Company

if delivered to such relevant agent at its address for the time being. The Company has irrevocably undertaken not to revoke the authority of such agent and if, for any reason the Depositary requests the Company to do so it shall promptly appoint another such agent with an address in England and notify the Depositary and the Holders accordingly. The Company has agreed that, if for any other reason it does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Holders and the Depositary of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

- 28.2 The courts of England shall have jurisdiction to settle any disputes which may arise out of or in connection with the GDRs (including any dispute relating to the existence, validity or termination of the GDRs, or any non-contractual obligation arising out of or in connection with the GDRs, or the consequences of the nullity of the GDRs) (each a “**Dispute**”), and accordingly any Proceedings may be brought in such courts. Without prejudice to the foregoing, the Depositary further irrevocably agrees that any Proceedings may be brought in any New York State or United States Federal Court sitting in the Borough of Manhattan, New York City. The Depositary irrevocably submits to the non-exclusive jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
- 28.3 These submissions are made for the benefit of each of the Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdictions (whether concurrently or not) to the extent permitted by law.
- 28.4 In the event that the Depositary is made a party to, or is otherwise required to participate in, any litigation, arbitration, or Proceedings (whether judicial or administrative) which arises from or is related to or is based upon any act or failure to act by the Company, or which contains allegations to such effect, upon notice from the Depositary, the Company has agreed to fully cooperate with the Depositary in connection with such litigation, arbitration or Proceedings.
- 28.5 The Depositary irrevocably appoints The Bank of New York Mellon, London Branch, (Attention: The Manager) of 49th Floor, One Canada Square, London E14 5AL as its agent in England to receive service of process in any Proceedings in England based on any of the GDRs. If for any reason the Depositary does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Holders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.
- 28.6 To the extent that the Company may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Company or its assets or revenues, the Company has agreed not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.
29. **Arbitration and Submission.**
- 29.1 Notwithstanding any other provision of these Conditions, the Depositary agrees that each Holder may elect, by notice in writing to the Depositary issued no later than the filing of a defence in any Proceedings, that the Dispute be resolved by arbitration and not litigation. In such case, the Dispute shall be referred to arbitration under the Rules of the London Court of International Arbitration (the “**Rules**”) and finally resolved by arbitration under the Rules which Rules are deemed to be incorporated by reference into this Condition. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.
- 29.2 If any Holder elects arbitration proceedings in accordance with Condition 29.1, the Depositary and the Holders agree that:
- (a) The number of arbitrators shall be three, appointed by the London Court of International Arbitration in accordance with its Rules;
 - (b) The place of the arbitration shall be London;

- (c) The language to be used in the arbitration proceedings shall be English; and
- (d) The decision and award of the arbitration shall be final and binding on the parties from the day it is made.
- 29.3 The governing law of this arbitration agreement shall be the substantive law of England, excluding conflict of law rules.
- 29.4 If Proceedings have been initiated by the Depositary in a court of competent jurisdiction at the time that any Holder elects to submit the matter to arbitration in accordance with Condition 29.1, then the Depositary agrees that it shall discontinue such Proceedings without delay unless the Holder is deemed to have waived such right by substantially participating in the Proceedings without having raised its right under this Condition.
- 29.5 If any Dispute raises issues which are substantially the same as or connected with issues raised in a Dispute which has already been referred to arbitration (an “**Existing Dispute**”), or arises out of substantially the same facts as are the subject of an Existing Dispute, or a dispute, controversy or claim, arising out of or in connection with the Deposit Agreement or the Deed Poll, whether in tort, contract, statute or otherwise, including any question regarding their existence, validity, interpretation, breach or termination (in any such case a “**Related Dispute**” provided that such Related Dispute has been or is to be submitted to arbitration), the arbitrators appointed or to be appointed in respect of any such Existing Dispute shall also be appointed as the arbitrators in respect of any Related Dispute, save where the arbitrators consider such appointment to be inappropriate.
- 29.6 The arbitrators, upon the request of one of the parties to a Dispute or Related Dispute or a Holder or the Depositary which itself wishes to be joined in any reference to arbitration proceedings in relation to a Dispute or Related Dispute, may join any Holder or any party to the Deposit Agreement, these Conditions or the Deed Poll to any reference to arbitration proceedings in relation to that Dispute or Related Dispute and may make a single, final award determining all Disputes and Related Disputes between them. Each of the Holders and the Depositary hereby consents to be joined to any reference to arbitration proceedings in relation to any dispute at the request of a party to that Dispute or Related Dispute, and to accept joinder of any party requesting to be joined in accordance with this Condition 29.6.
- 29.7 Where, pursuant to the above provisions, the same arbitrators have been appointed in relation to an Existing Dispute and one or more Related Disputes, the arbitrators may, with the agreement of all the parties concerned or upon the application of one of the parties, being a party to each of the Disputes, order that the whole or part of the matters at issue shall be heard together upon such terms or conditions as the arbitrators think fit.
- 29.8 The arbitrators shall have power to make such directions and any provisional, interim or partial awards as they consider just and desirable.
- 29.9 Nothing in these dispute resolution provisions shall be construed as preventing either party from seeking conservatory or similar interim relief in any court of competent jurisdiction.
- 29.10 The parties hereby agree to waive any right of appeal to any court of law or other judicial authority insofar as such waiver may be validly made.
- 29.11 Without prejudice to the powers of the arbitrators provided in the Rules, statute or otherwise, the arbitrators shall have power at any time, following the written request (with reasons) of any party at any time, and after due consideration of any written and/or oral response(s) to such request made within such time periods as the arbitrators shall determine, to make an award in favour of the claimant(s) (or the respondent(s) if a counterclaim) in respect of any claims (or counterclaims) if it appears to the arbitrators that there is no reasonably arguable defence to those claims (or counterclaims), either at all or except as to the amount of any damages or other sum to be awarded.
- 29.12 The Depositary and the Holders agree that in no circumstances will they request the arbitrators to, and the arbitrators shall have no authority to, exercise any power to award damages which are not calculated by reference to the party's actual costs or to award any loss of profit whatsoever or any consequential, special or punitive damages.

30. **Language**

- 30.1 Although the Deposit Agreement or these Conditions may be translated into the language of Cyprus, such version of the Deposit Agreement and these Conditions is for informational purposes only. In the event of any discrepancies between the English version and a translated version of the Deposit Agreement or these Conditions, or any dispute regarding the interpretation of any provision in the English version or other version of the Deposit Agreement or these Conditions, the English version of the Deposit Agreement and these Conditions shall prevail and questions of interpretation shall be addressed solely in the English language.

SUMMARY OF PROVISIONS RELATING TO THE GLOBAL DEPOSITARY RECEIPTS WHILST IN MASTER FORM

The GDRs will be represented by (i) the existing single Regulation S Master GDR in registered form and (ii) the existing single Rule 144A Master GDR in registered form. The Rule 144A Master GDR is held with The Bank of New York Mellon in New York as custodian for DTC and registered in the name of Cede & Co as nominee for DTC. The Regulation S Master GDR is held by The Bank of New York Mellon, London Branch as common depositary for Euroclear and Clearstream (and registered in the name of The Bank of New York Depository (Nominees) Limited as nominee for the common depositary).

The Regulation S Master GDR and the Rule 144A Master GDR contain provisions which apply to the GDRs while they are in master form, some of which modify the effect of the Conditions of the GDRs set out in this document. The following is a summary of certain of those provisions. Words and expressions given a defined meaning in the Conditions shall have the same meanings in this section unless otherwise provided in this section.

The Master GDRs will only be exchanged for certificates in definitive registered form representing GDRs in the circumstances described in (a), (b), (c) or (d) below in whole but not in part. The Depositary irrevocably undertakes in the Master GDRs to deliver certificates in definitive registered form representing GDRs in exchange for the relevant Master GDR to the Holders within 60 calendar days in the event that:

- (a) DTC, in the case of the Rule 144A Master GDR, or Euroclear or Clearstream, in the case of the Regulation S Master GDR, notifies the Company that it is unwilling or unable to continue as settlement system and a successor settlement system is not appointed within 90 calendar days;
- (b) Either DTC in the case of the Rule 144A Master GDR, or Euroclear or Clearstream in the case of the Regulation S Master GDR, is closed for business for a continuous period of 14 calendar days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, and, in each case, no alternative settlement system satisfactory to the Depositary is available within 45 calendar days;
- (c) in respect of the Rule 144A Master GDR, DTC or any successor ceases to be a “clearing agency” registered under the United States Securities Exchange Act of 1934, as amended; or
- (d) the Depositary has determined that, on the occasion of the next payment in respect of the Master GDRs, the Depositary or its agent would be required to make any deduction or withholding from any payment in respect of the Master GDRs which would not be required were the GDRs represented by certificates in definitive registered form, provided that the Depositary shall have no obligation to so determine or to attempt to so determine.

Any exchange shall be at the expense of the Holder.

A GDR evidenced by an individual definitive certificate will not be eligible for clearing and settlement through Euroclear, Clearstream or DTC. Upon any exchange of a Master GDR for GDRs in definitive registered form, or any exchange of interests between the Rule 144A Master GDR and the Regulation S Master GDR pursuant to Clause 4 of the Deposit Agreement, or any distribution of GDRs pursuant to Conditions 5, 7, and 10 or any reduction in the number of GDRs represented by a Master GDR following any withdrawal of Deposited Property pursuant to Condition 1 the relevant details will be entered by the Depositary on the Register maintained by the Depositary (which shall be maintained at all times outside the United Kingdom and Cyprus) whereupon the number of GDRs represented by the Master GDR will be reduced or increased (as the case may be) accordingly. If the number of GDRs represented by a Master GDR is reduced to zero such Master GDR shall continue in existence until the obligations of the Company under the Deposit Agreement and the obligations of the Depositary pursuant to the Deposit Agreement and the Conditions have terminated.

PAYMENTS, DISTRIBUTIONS AND VOTING RIGHTS

Payments of cash dividends and other amounts (including cash distributions) will, in the case of GDRs represented by the Regulation S Master GDR be made by the Depositary through Euroclear and Clearstream and, in the case of GDRs represented by the Rule 144A Master GDR, will be made by the Depositary through DTC, on behalf of persons entitled thereto upon receipt of funds therefor from the Company. A free distribution or rights issue of Shares to the Depositary on behalf of the Holders will result in the record maintained by the Depositary being marked up to reflect the enlarged number of GDRs represented by the relevant Master GDR.

Holders of GDRs will have voting rights as set out in the Conditions.

SURRENDER OF GDRS

Any requirement in the Conditions relating to the surrender of a GDR to the Depositary shall be satisfied by the production by Euroclear or Clearstream (in the case of GDRs represented by the Regulation S Master GDR), or by DTC (in the case of GDRs represented by the Rule 144A Master GDR), on behalf of a person entitled to an interest therein of such evidence of entitlement of such person as the Depositary may reasonably require, which is expected to be a certificate or other documents issued by Euroclear or Clearstream or DTC, as appropriate. The delivery or production of any such evidence shall be sufficient evidence, in favour of the Depositary, any Agent and the Custodian of the title of such person to receive (or to issue instructions for the receipt of) all money or other property payable or distributable and to issue voting instructions in respect of the Deposited Property represented by such GDRs.

NOTICES

For as long as the Regulation S Master GDR is registered in the name of a nominee for a common depository holding on behalf of Euroclear and Clearstream, and the Rule 144A Master GDR is registered in the name of DTC or its nominee, notices to Holders may be given by the Depositary by delivery of the relevant notice to Euroclear and Clearstream, or (as appropriate) DTC, for communication to persons entitled thereto in substitution for delivery of notices in accordance with Condition 22.

The Master GDRs are governed by and construed in accordance with English law.

TAXATION

The following summary of the principal U.S. federal income, United Kingdom, Cypriot and Russian tax consequences of ownership of the GDRs is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming. Any such changes or interpretations could affect the tax consequences to holders of the GDRs, possibly on a retroactive basis, and could alter or modify the statements and conclusions set forth herein. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of the GDRs. Each prospective holder is urged to consult its own tax advisor as to the particular tax consequences to such holder of the ownership and disposition of the GDRs, including the applicability and effect of any other tax laws or tax treaties, of pending or proposed changes in applicable tax laws as of the date of this prospectus, and of any actual changes in applicable tax laws after such date.

EACH PROSPECTIVE HOLDER IS URGED TO CONSULT ITS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF THE OWNERSHIP AND DISPOSITION OF GDRs, INCLUDING THE APPLICABILITY AND EFFECT OF ANY OTHER TAX LAWS OR TAX TREATIES, AND OF PENDING OR PROPOSED CHANGES IN APPLICABLE TAX LAWS AS OF THE DATE OF THIS PROSPECTUS, AND OF ANY ACTUAL CHANGES IN APPLICABLE TAX LAWS AFTER SUCH DATE.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain U.S. federal income tax considerations that are likely to be relevant to the purchase, ownership and disposition of Ordinary Shares or GDRs by a U.S. Holder (as defined below).

This summary is based on provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and regulations, rulings and judicial interpretations thereof, in force as of the date hereof. Those authorities may be changed at any time, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below.

This summary is not a comprehensive discussion of all of the tax considerations that may be relevant to a particular investor’s decision to purchase, hold or dispose of Ordinary Shares or GDRs. In particular, this summary is directed only to U.S. Holders that hold Ordinary Shares or GDRs as capital assets and does not address particular tax consequences that may be applicable to U.S. Holders who may be subject to special tax rules, such as banks, brokers or dealers in securities or currencies, traders in securities electing to mark to market, financial institutions, life insurance companies, tax-exempt entities, regulated investment companies, entities or arrangements that are treated as partnerships for U.S. federal income tax purposes (or partners therein), holders that own or are treated as owning 10% or more of our stock by vote or value, persons holding Ordinary Shares or GDRs as part of a hedging or conversion transaction or a straddle, or persons whose functional currency is not the U.S. dollar. Moreover, this summary does not address state, local or foreign taxes, the U.S. federal estate and gift taxes, the Medicare contribution tax applicable to net investment income of certain non-corporate U.S. Holders, or alternative minimum tax consequences of acquiring, holding or disposing of Ordinary Shares or GDRs.

For purposes of this summary, a “U.S. Holder” is a beneficial owner of Ordinary Shares or GDRs that is a citizen or resident of the United States or a U.S. domestic corporation or that otherwise is subject to U.S. federal income taxation on a net income basis in respect of Ordinary Shares or GDRs.

You should consult your own tax advisors about the consequences of the acquisition, ownership and disposition of Ordinary Shares or GDRs, including the relevance to your particular situation of the considerations discussed below and any consequences arising under foreign, state, local or other tax laws.

GDRs

In general, and this summary assumes that, if you are a U.S. Holder of GDRs, you will be treated, for U.S. federal income tax purposes, as the beneficial owner of the underlying Ordinary Shares that are represented by those GDRs. References to “shares” below refer to both Ordinary Shares and GDRs, unless the context indicates otherwise.

Taxation of Dividends

Subject to the discussion below under “Passive Foreign Investment Company Status,” the gross amount of any distribution of cash or property with respect to our shares that is paid out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) will generally be includible in your taxable income as ordinary dividend income on the day on which the depositary receives the dividends and will not be eligible for the dividends-received deduction allowed to corporations under the Code.

We do not expect to maintain calculations of our earnings and profits in accordance with U.S. federal income tax principles. U.S. Holders therefore should expect that distributions generally will be treated as dividends for U.S. federal income tax purposes.

If you are a U.S. Holder, dividends paid in a currency other than U.S. dollars generally will be includible in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the depositary receives the dividends. Any gain or loss on a subsequent sale, conversion or other disposition of such non-U.S. currency by such U.S. Holder generally will be treated as ordinary income or loss and generally will be income or loss from sources within the United States.

Dividend distributions with respect to our shares generally will be treated as “passive category” income from sources outside the United States for purposes of determining a U.S. Holder’s U.S. foreign tax credit limitation.

U.S. Holders that receive distributions of additional shares or rights to subscribe for shares as part of a pro rata distribution to all our shareholders generally will not be subject to U.S. federal income tax in respect of the distributions, unless the U.S. Holder has the right to receive cash or property, in which case the U.S. Holder will be treated as if it received cash equal to the fair market value of the distribution.

Taxation of Dispositions of Shares

Subject to the discussion below under “Passive Foreign Investment Company Status,” upon a sale, exchange or other taxable disposition of the shares, U.S. Holders will realize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized on the disposition and the U.S. Holder’s adjusted tax basis in the shares, as determined in U.S. dollars as discussed below. Such gain or loss will be capital gain or loss, and will generally be long-term capital gain or loss if the shares have been held for more than one year. Long-term capital gain realized by a U.S. Holder that is an individual generally is subject to taxation at a preferential rate. The deductibility of capital losses is subject to limitations.

Gain, if any, realized by a U.S. Holder on the sale or other disposition of the shares generally will be treated as U.S. source income for U.S. foreign tax credit purposes. Consequently, if a non-U.S. tax is imposed on the sale or disposition of the shares (including any Russian tax on capital gains, see “*Risk Factors—Risks Related to the Legal and Regulatory Environment in Russia—Capital gains from the sale of the Ordinary Shares or GDRs may be subject to Russian income tax*”), a U.S. Holder that does not receive significant foreign source income from other sources may not be able to derive effective U.S. foreign tax credit benefits in respect of such non-U.S. tax. U.S. Holders should consult their own tax advisors regarding the application of the foreign tax credit rules to their investment in, and disposition of, the shares

If a U.S. Holder sells or otherwise disposes of our shares in exchange for currency other than U.S. dollars, the amount realized generally will be the U.S. dollar value of the currency received at the spot rate in effect on the date of sale or other disposition (or, if the shares are traded on an established securities market at such time, in the case of cash basis and electing accrual basis U.S. holders, the settlement date). An accrual basis U.S. Holder that does not elect to determine the amount realized using the spot exchange rate on the settlement date will recognize foreign currency gain or loss equal to the difference between the U.S. dollar value of the amount received based on the spot exchange rates in effect on the date of the sale or other disposition and the settlement date. A U.S. Holder generally will have a tax basis in the currency received equal to the U.S. dollar value of the currency received at the spot rate in effect on the settlement date. Any currency gain or loss realized on the settlement date or the subsequent sale, conversion or other disposition of the non-U.S. currency received for a different U.S. dollar amount generally will be U.S.-source ordinary income or loss, and will not be eligible for the reduced tax rate applicable to long-term capital gains. If an accrual basis U.S. Holder makes the election described in the first sentence of this paragraph, it must be applied consistently from year to year and cannot be revoked without the consent of the IRS. A U.S. Holder should consult its own tax advisors regarding the treatment of any foreign currency gain or loss realized with respect to any currency received in a sale or other disposition of the shares.

Deposits and withdrawals of shares by U.S. Holders in exchange for GDRs should not result in the realization of gain or loss for U.S. federal income tax purposes.

Passive Foreign Investment Company Status

Special U.S. tax rules apply to companies that are considered to be passive foreign investment companies (“PFICs”). We will be classified as a PFIC in a particular taxable year if, either

- 75 percent or more of our gross income for the taxable year is passive income; or
- 50 percent or more of the average value of our assets (generally determined on the basis of a quarterly average) is attributable to assets that produce or are held for the production of passive income.

For this purpose, passive income generally includes dividends, interest, gains from certain commodities transactions, rents, royalties and the excess of gains over losses from the disposition of assets that produce passive income.

Based on our financial statements and our expectations about the nature and amount of our income, assets and activities and the market value of our equity, we do not believe that we will be a PFIC for our current taxable year or the foreseeable future. If we were a PFIC for any taxable year in which you hold shares you generally would be subject to additional taxes on certain distributions and any gain realized from the sale or other taxable disposition of the shares regardless of whether we continued to be a PFIC in any subsequent year. You are encouraged to consult your own tax advisor as to our status as a PFIC and the tax consequences to you of such status.

Foreign Financial Asset Reporting.

Certain U.S. Holders that own “specified foreign financial assets” with an aggregate value in excess of U.S.\$50,000 on the last day of the taxable year or U.S. \$75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. “Specified foreign financial assets” include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer that are not held in accounts maintained by financial institutions. The understatement of income attributable to “specified foreign financial assets” in excess of U.S.\$5,000 extends the statute of limitations with respect to the tax return to six years after the return was filed. U.S. Holders who fail to report the required information could be subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisors regarding the possible application of these rules, including the application of the rules to their particular circumstances.

Backup Withholding and Information Reporting

Dividends paid on, and proceeds from the sale or other disposition of, the shares to a U.S. Holder generally may be subject to the information reporting requirements of the Code and may be subject to backup withholding unless the U.S. Holder provides an accurate taxpayer identification number and makes any other required certification or otherwise establishes an exemption. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a refund or credit against the U.S. Holder’s U.S. federal income tax liability, provided the required information is furnished to the U.S. Internal Revenue Service in a timely manner.

A holder that is not a U.S. Holder may be required to comply with certification and identification procedures in order to establish its exemption from information reporting and backup withholding.

CERTAIN UNITED KINGDOM TAX CONSIDERATIONS

The following is a general summary of certain UK tax considerations relating to the ownership and disposal of the Ordinary Shares and GDRs and does not address all possible tax consequences relating to an investment in the Ordinary Shares or GDRs. The comments below are of a general nature and are based on current UK law as applied in England (on the assumption that the Finance (No. 2) Bill 2021 will be enacted substantially in its current form) and the published practice of HM Revenue & Customs (“HMRC”) as at the date of this Prospectus, each of which is subject to change, possibly with retroactive effect.

This summary is for general information only and is not intended to be, nor should it be considered to be, legal or tax advice to any particular investor. It does not address all of the tax considerations that may be relevant to specific investors in light of their particular circumstances or to investors subject to special treatment under UK law. In particular:

1. except where otherwise indicated, this summary only applies to persons who are resident (and, in the case of individuals, domiciled) solely in the UK for tax purposes and do not have a permanent establishment or a fixed base, branch or agency in any other jurisdiction with which the holding of the Ordinary Shares or GDRs (and the payment of dividends in respect of the Ordinary Shares, including where represented by GDRs) is connected (“**UK Holders**”); and
2. this summary only applies to the absolute beneficial owners of the Ordinary Shares or GDRs and any dividends paid in respect of them where the dividends are regarded for UK tax purposes as that person’s own income (and not the income of some other person).

In addition, this summary: (a) only addresses the principal UK tax consequences for UK Holders who hold the Ordinary Shares or GDRs as capital assets or investments (other than in an individual savings account or a self-invested personal pension), (b) does not address the UK tax consequences that may be relevant to certain other categories of holders, for example, brokers, dealers or traders in shares, securities or currencies and other persons who hold the Ordinary Shares or GDRs otherwise than as an investment, (c) does not address the tax consequences for holders that are banks, financial institutions, insurance companies, collective investment schemes, investment companies, pension schemes, charities or tax-exempt organizations, (d) assumes that the holder does not hold the Ordinary Shares or GDRs as part of hedging or conversion transactions, (e) assumes that the holder is not an officer or employee of the Company (or of any related company) and has not (and is not deemed to have) acquired the Ordinary Shares or GDRs by virtue of an office or employment, (f) assumes that the holder does not control or hold (and is not deemed to control or hold), either alone or together with one or more associated or connected persons, directly or indirectly (including through the holding of GDRs), an interest of 10% or more of the Ordinary Shares and/or voting power or rights to income or capital of the Company, and is not otherwise connected with the Company and (g) assumes that holders of the GDRs are, for UK tax purposes, absolutely beneficially entitled to the underlying Ordinary Shares and to the dividends on those Ordinary Shares.

Potential investors in the Ordinary Shares or GDRs should satisfy themselves prior to investing as to the overall tax consequences (including, specifically, the consequences under UK law and HMRC practice and, if the potential investor is subject to taxation in a jurisdiction other than the UK, under the laws of such jurisdiction) of the acquisition, ownership and disposal of the Ordinary Shares or GDRs, in their own particular circumstances by consulting their own tax advisers.

Taxation of dividends

Withholding Tax

Dividend payments in respect of the Ordinary Shares (including where represented by GDRs) should not be subject to UK withholding tax.

UK Holders are referred to the statements regarding Cyprus tax in “*Taxation–Cypriot Tax Considerations*”. The following paragraphs proceed on the basis that no withholding tax is levied in Cyprus on dividend payments to UK Holders in respect of the Ordinary Shares (including where represented by GDRs).

Income Tax

Dividends received by individual UK Holders will be subject to UK income tax.

All dividends received by an individual UK Holder in respect of the Ordinary Shares (including where represented by GDRs) or from other sources will form part of that UK Holder’s total income for income tax purposes and will constitute the top slice of that income. A nil rate of income tax will apply to the first £2,000 of taxable dividend income received by the UK Holder in a tax year. Income within the nil rate band will be taken into account in determining whether income in excess of the nil rate band falls within the basic rate, higher rate or additional rate tax bands. For the 2021/2022 tax year, where the dividend income is above the £2,000 dividend allowance, the first £2,000 of the dividend income will be charged at the nil rate and any excess amount will be taxed at 7.5% (to the extent that the excess amount falls within the basic rate tax band), 32.5% (to the extent that the excess amount falls within the higher rate tax band) and 38.1% (to the extent that the excess amount falls within the additional rate tax band).

Corporation Tax

For a UK Holder within the charge to UK corporation tax that is not a small company, UK corporation tax will be chargeable on the gross amount of the dividends, unless the dividend falls within an exempt class and certain other

conditions are met (and unless the UK Holder does not elect for an otherwise exempt dividend to be taxable). Although it is likely that most dividends paid on the Ordinary Shares (including where represented by GDRs) to UK Holders within the charge to UK corporation tax would fall within one or more of the classes of dividends qualifying for exemption from corporation tax, the exemptions are not comprehensive and are also subject to anti-avoidance rules. If potential investors are in any doubt as to their position, they should consult their own professional advisers.

Taxation of capital gains

UK Holders are referred to the statements regarding Cyprus tax in “Taxation – Cypriot Tax Considerations”. The following paragraphs proceed on the basis that no withholding tax is levied in Cyprus on gains realized on the sale of Ordinary Shares or GDRs by UK Holders.

The disposal or deemed disposal of all or part of the Ordinary Shares or GDRs by a UK Holder may give rise to a chargeable gain or an allowable loss for the purposes of UK capital gains tax (where the UK Holder is an individual) or UK corporation tax on chargeable gains (where the UK Holder is within the charge to corporation tax), depending on their circumstances and subject to any available exemption or relief.

As regards individual UK Holders, the principal factors that will determine the extent to which such gain will be subject to UK capital gains tax are the extent to which they realize any other capital gains in the tax year in which the disposal takes place, the extent to which they have incurred capital losses in that or any earlier tax year and the level of the annual allowance of tax-free gains in that tax year, which is £12,300 for the 2021/2022 tax year.

A taxable capital gain accruing on an individual UK Holder’s disposal of Ordinary Shares or GDRs will be taxed at 20% (to the extent that the amount on which an individual is chargeable to capital gains tax exceeds the unused part of the individual’s basic rate band for that tax year) or 10% (to the extent that the amount on which an individual is chargeable to capital gains tax does not exceed the unused part of the individual’s basic rate band for that tax year).

In addition, UK Holders who are individuals and who dispose of their Ordinary Shares or GDRs while they are temporarily non-UK resident may be treated as disposing of them in the tax year in which they again become resident in the UK if (broadly speaking) the period of non-residence is five years or less.

UK Holders within the charge to corporation tax on chargeable gains will be subject to UK corporation tax (at a rate of 19% as at the date of this Prospectus) on the proceeds received on a disposal of Ordinary Shares or GDRs less the sum of the base cost of their Ordinary Shares or GDRs plus incidental selling expenses.

Any gains or losses in respect of currency fluctuations relating to the Ordinary Shares or GDRs would generally be brought into account on disposal.

Stamp duty and stamp duty reserve tax (“SDRT”)

The summary below assumes that there will be no register kept in the UK in respect of the GDRs or the Ordinary Shares and that the GDRs or the Ordinary Shares will not be paired with shares issued by a company incorporated in the UK.

No SDRT should be payable in respect of any agreement to transfer the Ordinary Shares or GDRs.

Assuming that any document effecting a transfer of the Ordinary Shares or GDRs, or containing an agreement to transfer the Ordinary Shares or GDRs (or any interest in them) is neither (i) executed in the UK, nor (ii) relates to any property situate, or to any matter or thing done or to be done, in the UK (the term “matter or thing done or to be done” is very wide and may include involvement of UK bank accounts in payment mechanics), then no UK stamp duty should be payable on such document. Even if a document effecting a transfer of the Ordinary Shares or GDRs, or containing an agreement to transfer the Ordinary Shares or GDRs, is (i) executed in the UK, and/or (ii) relates to any property situate, or to any matter or thing done or to be done, in the UK, in practice it should not be necessary to pay any UK stamp duty on such document unless the document is required for any purposes in the UK. If it is necessary to pay UK stamp duty, it may also be necessary to pay interest and penalties resulting from any such payment being made after the relevant deadline for paying UK stamp duty.

CYPRriot TAX CONSIDERATION

Tax residency

Cypriot tax residents are subject to Cypriot income tax on their worldwide income, subject to certain exemptions. Non-Cypriot tax residents are subject to Cypriot income tax, *inter alia*, on income derived from sources in Cyprus and from business activity which is carried out through a permanent establishment in Cyprus.

Definition of corporate tax residency

The Cyprus Income Tax Law (the “ITL”) defines the term “resident”, when applied to a company, as a company whose management and control is exercised from Cyprus. There is no definition in the Cypriot ITL as to what constitutes “management and control” and limited guidance has been issued by the Cypriot tax authorities (the “CTA”) in this respect. In practice, the CTA apply the OECD principles regarding “place of effective management” when determining corporate tax residency status.

The Special Contribution for the Defence Fund of the Republic Law (“**Defence Tax Law**”) defines the term “resident” for corporate persons in the same way as this is defined in the Cypriot ITL.

Definition of individual tax residency

The ITL defines the term “resident”, when applied to an individual, as an individual who is physically present in Cyprus for a period (or periods) exceeding, in aggregate, 183 days in any tax year (the tax year being the same as the calendar year).

Additionally, as of 1 January 2017 the definition of tax resident includes an individual who does not stay in any other state for one or more periods exceeding in aggregate 183 days in the same tax year and who is not considered a resident for tax purposes in any other state for the same tax year, provided that the individual cumulatively meets the following conditions:

- stays in Cyprus for at least 60 days in the year of assessment;
- exercises any business in Cyprus and/or is employed in Cyprus and/or holds an office for a person who is tax resident in Cyprus at any time during the tax year;
- maintains a permanent residence in Cyprus which is owned or rented by him/her.

The Defence Tax Law defines the term “resident”, when applied to an individual, as an individual who is a resident according to the provisions of the Cypriot ITL and who additionally has his/her domicile in Cyprus. An individual is considered to have his/her domicile in Cyprus if he/she has a Cypriot domicile of origin, as defined in the Cypriot Law on Wills and Succession, but it does not include an individual who has:

- obtained and maintained a domicile of choice outside Cyprus in accordance with the Cypriot Law on Wills and Succession, provided that such an individual has not been a tax resident of Cyprus, as this is defined in the Cypriot ITL, for a period of at least 20 consecutive years preceding the relevant tax year; or
- not been a tax resident of Cyprus for a period of at least 20 consecutive years prior to 16 July 2015.

Notwithstanding the above, an individual who has been a tax resident of Cyprus for at least 17 out of the last 20 years, prior to the relevant tax year, is deemed to have his/her domicile in Cyprus (for Cypriot Defence Tax purposes).

Taxes on dividend income from the Ordinary Shares or GDRs

Dividend income of Cypriot tax resident holders of the Ordinary Shares or GDRs is exempted from income tax, whereas dividend income of non-Cypriot tax resident holders of the Ordinary Shares or GDRs is outside the scope of income tax.

Cyprus levies Defence Tax at the rate of 17 per cent on the gross amount of dividend payments made to individuals who are considered to be resident for income tax purposes of Cyprus and who additionally have a Cypriot domicile (for Defence Tax purposes).

Consequently, each individual holder of the Ordinary Shares or GDRs should assess his/her respective Cypriot Defence Tax obligation with regard to the dividend income to be received from the Ordinary Shares or GDRs.

Expected Defence Tax on dividend income of entities that are tax resident or incorporated in a jurisdiction included in the EU non-cooperative jurisdictions list

Please refer to the section ‘Risk Factors’ for expected Defence Tax on dividend income of entities that are tax resident or incorporated in a jurisdiction included in the EU non-cooperative jurisdictions list.

Taxes on gains from sale of the Ordinary Shares or GDRs

A gain on the sale of the Ordinary Shares or GDRs by non-Cypriot tax resident holders shall not be subject to income tax in Cyprus and shall also not be subject to Capital Gains Tax in Cyprus on the understanding that the Company does not own (directly or indirectly) any immovable property situated in Cyprus..

A gain on the sale of the Ordinary Shares or GDRs by Cypriot tax resident holders shall be exempt from income tax in Cyprus, as the Ordinary Shares or GDRs on shares are considered to fall within the definition of ‘securities’ for Cypriot income tax purposes. Furthermore, such gains shall not be subject to Capital Gains Tax in Cyprus on the understanding that the Company does not own (directly or indirectly) any immovable property situated in Cyprus.

General Healthcare System contributions that may be applicable to individual GDR holders

As of 1 March 2019, an obligation to make contributions to the General Healthcare System of Cyprus (“GHS”) may exist in relation to actual dividend income as well as to gains on the sale of the Ordinary Shares or GDRs.

GHS contributions on actual dividends

In case of actual dividend income, GHS contributions are levied on individuals who are residents of Cyprus for income tax purposes, irrespective of their domicile status. The current GHS contribution rate on dividends is 2.65%.

Based on the above, Cypriot GHS implications on dividends will have to be assessed having regard to each individual income tax residency status of holder of the Ordinary Shares or GDRs.

GHS contributions on gains from sale of the Ordinary Shares or GDRs

In the case of gains from the sale of the Ordinary Shares or GDRs by individuals, emanating from the carrying out of a trading/ business activity, GHS contributions at the current rate of 2,65 per cent are levied on such individuals who are residents of Cyprus for income tax purposes, irrespective of their domicile status. The trading/business nature of the gains from sale of the Ordinary Shares or GDRs needs to be assessed on a case by case basis taking into consideration the specific circumstances of each holder of the Ordinary Shares or GDRs.

Based on the above, Cypriot GHS implications on the sale of the Ordinary Shares or GDRs will have to be assessed having regard to each individual income tax residency status of holder of the Ordinary Shares or GDRs as well as the nature of the activity generating such gain.

Value added tax

Investing in the GDRs & Receipt of Dividends & Disposal of the Ordinary Shares or GDRs

Investing in the Ordinary Shares or GDRs, receipt of dividends by holders of the Ordinary Shares or GDRs and subsequent disposal/sale of the Ordinary Shares or GDRs should not create any Cypriot VAT obligations/costs to the holders of the Ordinary Shares or GDRs per se since such transactions should be either outside the VAT scope or VAT exempt.

RUSSIAN TAX CONSIDERATIONS

General

The following is an overview of certain Russian tax considerations relevant to the purchase, ownership and disposal of the Ordinary Shares or GDRs and taxation of dividends and other payments on the Ordinary Shares or GDRs. This summary does not seek to address tax implications arising for the shareholders in connection with

the purchase, ownership and disposal of the Ordinary Shares or GDRs and/or receipt of dividends and other payments on the Ordinary Shares or GDRs in the countries of their tax residency, except for the tax implications described below.

This overview is based upon the laws of the Russian Federation in effect as at the date of this Prospectus (where these are subject to potential changes, which could occur frequently, at short notice and may have retroactive effect). The information and analysis contained within this section are limited to taxation issues, and holders of the Ordinary Shares or GDRs should not apply any information or analysis set out below to issues other than taxation, including (but not limited to) the legality of transactions involving the Ordinary Shares or GDRs.

The overview does not seek to address the applicability of, or procedures in relation to, taxes levied by regions, municipalities or other non-federal level authorities of the Russian Federation or tax implications arising for the holders of the Ordinary Shares or GDRs applying special tax regimes available under Russian tax legislation. Similarly this overview does not seek to address the availability of double tax treaty relief to and the eligibility for double tax relief of any holders of the Ordinary Shares or GDRs in respect of income payable to that holders of the Ordinary Shares or GDRs on the Ordinary Shares or GDRs, or practical difficulties connected with claiming and obtaining such double tax treaty relief. No representations with respect to the Russian tax consequences of purchase, ownership and disposition of the Ordinary Shares or GDRs to any particular holder are made hereby. The overview set out herein does not include any comments on tax implications which could arise for the holders of the GDRs in connection with entering into repo or stock lending transactions with the Ordinary Shares or GDRs or into term deals, derivatives or any similar types of transactions with the Ordinary Shares or GDRs.

Many aspects of Russian tax laws and regulations are subject to significant uncertainties and lack interpretive guidance resulting in differing interpretations and inconsistent application thereof by the various Russian authorities in practice. Further, the substantive provisions of tax laws and regulations applicable to financial instruments may be subject to more rapid and unpredictable changes (possibly with retroactive effect) and inconsistent application as compared to jurisdictions with more developed capital markets or tax systems.

In practice, the interpretation and application of tax laws and regulations by different tax inspectorates in Russia may be inconsistent or contradictory, and may result in the imposition of conditions, requirements or restrictions that are not explicitly stated by the law. In particular, the interpretation and application of such provisions will in practice rest substantially with local tax inspectorates. Furthermore, in the absence of binding precedents, court rulings on tax or other related matters adopted by different Russian courts relating to the same or similar circumstances may also be inconsistent or contradictory.

Prospective investors should consult their own tax advisors in relation to tax consequences relevant to investing in the Ordinary Shares or GDRs that will arise in their own particular circumstances. No representation with respect to Russian tax consequences relevant to any particular holder of the Ordinary Shares or GDRs is made hereby.

For the purposes of this overview, the term “**Resident Holder**” means:

- (i) a Russian legal entity which acquires, holds and disposes the Ordinary Shares or GDRs, (ii) an organization formed under a non-Russian law, which acquires, holds and disposes the Ordinary Shares or GDRs through its permanent establishment in Russia or (iii) an organization organized under a non-Russian law and recognised as Russian tax resident in accordance with the requirements set out in the Russian Tax Code which acquires, holds and disposes the Ordinary Shares or GDRs (the “**Resident Holder - Legal Entity**”). An organisation organised under a non-Russian law shall be deemed to be tax resident of the Russian Federation for the purposes of the Russian Tax Code if (1) it is deemed to be tax resident of the Russian Federation in accordance with an applicable double tax treaty or (2) its place of management is in the Russian Federation unless a different conclusion follows from an applicable double tax treaty;
- an individual actually present in Russia for an aggregate period of 183 calendar days or more in any period comprised of 12 consecutive months, who acquires, holds and disposes of the Ordinary Shares or GDRs (the “**Resident Holder - Individual**”). Presence in Russia for Russian personal income tax residency purposes is not considered interrupted if an individual departs from Russia for short periods of time (less than six months) for medical treatment, education purposes or completion of employment or other duties related to work (rendering services) at offshore hydrocarbon fields.

For the purposes of this summary, the term “**Non-Resident Holder**” means:

- a legal entity or an organisation which acquires, holds and disposes the Ordinary Shares or GDRs and does not qualify as Resident Holder - Legal Entity (the “**Non-Resident Holder - Legal Entity**”);
- an individual who acquires, holds and disposes of the Ordinary Shares or GDRs and does not qualify as the Resident Holder - Individual (the “**Non-Resident Holder - Individual**”).

Currently, the Russian Tax Code is generally interpreted by both the Russian tax authorities and taxpayers such that days of arrival as well as days of departure should be taken into account when calculating the total number of days of presence of an individual in Russia. However, we are aware of a court case where the court expressed the opinion that days of arrival should not be taken into account as opposed to days of departure.

For the purposes of this summary, the definitions of “**Resident Holder**” and “**Non-Resident Holder**” in respect of individuals are taken at face value based on the wording of Russian tax law as currently written. In practice, however, the application of the above formal residency definition by the Russian tax authorities may differ depending on their position in each case. As at the date of this summary, the law is worded in a way that implies the potential for individuals to be a tax resident in Russia for a part of a calendar year. However, both the Russian Ministry of Finance and the Russian tax authorities have expressed the view that an individual should be either tax resident or non-resident in Russia for the full calendar year and consequently even where the travel pattern dictates differing tax residency status for a part of the tax year, the application of the Russian personal income residency tax rate may in practice be disallowed. This situation may be altered by the introduction of amendments to other articles of the Russian Tax Code dealing with taxation of individuals, a change in the position of the Russian tax authorities or by outcomes of tax controversy through the courts.

Tax residency rules and Russian Federation’s rights with regard to taxation may be affected by the applicable double tax treaty.

Taxation of the Ordinary Shares or GDRs

Taxation of Holders - Legal Entities

Taxation of the Acquisition of the GDRs

The acquisition of the Ordinary Shares or GDRs by a Resident Holder - Legal Entity or a Non-Resident Holder - Legal Entity should not constitute a taxable event under Russian tax law. Consequently, the acquisition of the Ordinary Shares or GDRs should not trigger any Russian tax implications for a Resident Holder - Legal Entity or a Non-Resident Holder - Legal Entity.

Taxation of Dividends: Resident Holders - Legal Entities

Dividends paid to Resident Holders - Legal Entities should generally be subject to Russian profits tax at a rate of 13%.

Taxation of Dividends: Non-Resident Holders - Legal Entities

No Russian tax implications should arise for Non-Resident Holders - Legal Entities upon receipt of dividends payable under Ordinary Shares or GDRs.

Taxation on the Disposal of the Ordinary Shares or GDRs: Resident Holders - Legal Entities

Resident Holders - Legal Entities are subject to all applicable Russian taxes and any documentation requirements that may be prescribed by tax law and regulations, or business practice in respect of capital gains arising from any sale (or other disposal) of the Ordinary Shares or GDRs.

Resident Holders - Legal Entities are generally subject to Russian profits tax at a rate of 20 per cent on any capital gain (with certain exemptions). Such gain could be generally determined as the gross proceeds from the sale (or other disposal) of the Ordinary Shares or GDRs less the cost of acquisition of such Ordinary Shares or GDRs (and less expenses incurred by such Resident Holder – Legal Entity related to acquisition, holding and sale of the Ordinary Shares or GDRs) provided that the cost of acquisition of the Ordinary Shares or GDRs (and other expenses) are supported by documentation. Generally, the financial result from the sale (or other disposal) of securities which are treated as traded on an organized securities market for Russian tax purposes should be recognised in the taxpayer’s general tax base where other income and expenses of such taxpayer are recognised.

Redemption of depositary receipts upon receipt of the underlying shares, as well as transfer of the underlying shares upon issuance of depositary receipts certifying the rights to such underlying shares, is not recognised as sale or other disposal of securities (shares or depositary receipts) for the Russian tax purposes.

Taxation of Disposal of the Ordinary Shares or GDRs: Non-Resident Holders - Legal Entities

Gains arising from the sale (or other disposal) of Ordinary Shares or GDRs by Non-Resident Holders - Legal Entities should not be subject to Russian withholding tax to the extent immovable property located in Russia constitutes (directly or indirectly) not more than 50% of the entire asset base of the Issuer.

Since the procedure of calculation of the percentage of immovable property located in Russia in the entire asset base of an issuer is not clearly established by the Russian Tax Code and this procedure is inherently factual and is made on an on-going basis, there can be no assurance that the immovable property located in Russia does not currently, or will not, constitute (directly or indirectly) more than 50% of the assets of the Company. In such case, the gross proceeds of such disposal less any available deductions (including, but not limited to, the purchase price of the GDRs and associated transaction costs) may be subject to withholding tax in Russian at a rate of 20%. The Non-Resident Holders - Legal Entities should provide the payer of income with the documentation confirming the basis cost of the Ordinary Shares or GDRs; otherwise, the gross proceeds, rather than the amount of capital gain, will be subject to Russian withholding tax.

Notwithstanding the above, the Russian Tax Code provides for a special exemption for capital gains realized by foreign legal entities or organizations, otherwise than through their permanent establishment in Russia, on the sale (or other disposal) of shares or financial instruments on such shares (for example, depositary receipts) if such shares qualify as securities traded on an organized securities market as defined in the Russian Tax Code. Meanwhile, the Russian Tax Code does not explicitly envisage that sale of financial instruments (for example, depositary receipts) should be exempt from the Russian withholding tax if such financial instruments (rather than the underlying shares) qualify as securities traded on an organized securities market.

Redemption of depositary receipts upon receipt of the underlying shares, as well as transfer of the underlying shares upon issuance of depositary receipts certifying the rights to such underlying shares, is not recognised as sale or other disposal of securities (shares or depositary receipts) for the Russian tax purposes.

Taxation of Holders – Individuals

Taxation of the Acquisition of the Ordinary Shares or GDRs

Acquisition of the Ordinary Shares or GDRs by Holders - Individuals may constitute a taxable event for Russian personal income tax purposes pursuant to provisions of the Russian Tax Code relating to the material benefit (deemed income) received by individuals as a result of the acquisition of securities. In particular, if the acquisition price of the Ordinary Shares or GDRs is below the lower margin of the fair market value of the Ordinary Shares or GDRs (calculated based on specific procedure for the determination of market prices of securities for Russian personal income tax purposes), the difference may become subject to Russian personal income tax at the rate of 13 or 15 per cent (or such other tax rate as may be effective at the time of the acquisition) for Resident Holders - Individuals and, if deemed to be Russian-source income, 30 per cent (or such other tax rate as may be effective at the time of the acquisition) for Non-Resident Holders - Individuals, which is, arguably, subject to reduction or elimination under an the applicable double tax treaty.

Taxation of income of the Non-Resident Holders - Individuals will depend on whether this income is qualified as received from Russian or non-Russian sources. Since the Russian Tax Code does not contain any provisions in relation to how the related material benefit receivable by individuals should be sourced, in practice the Russian tax authorities may infer that such income should be considered as Russian source income if the Ordinary Shares or GDRs are purchased “in Russia”. In absence of any additional guidance as to what should be considered as a purchase of securities “in Russia”, in practice the Russian tax authorities may apply various criteria in order to determine the source of the related material benefit, including looking at the place of conclusion of the acquisition transaction, the location of the issuer, or other similar criteria. Therefore, there is no assurance that as a result any material benefit received by the Non-Resident Holders-Individuals in connection with the acquisition of the Ordinary Shares or GDRs will not become taxable in Russia.

Taxation of Dividends: Resident Holders - Individuals

Dividends paid to Resident Holders - Individuals should generally be subject to Russian tax at a marginal rate applicable to the respective holder, i.e. 13 or 15%.

Taxation of Dividends: Non-Resident Holders - Individuals

No Russian tax implications should arise for Non-Resident Holders - Individuals upon receipt of dividends payable under Ordinary Shares or GDRs.

Taxation of Disposal of the Ordinary Shares or GDRs: Resident Holders - Individuals

Capital gains arising from the sale, exchange or other disposal of the Ordinary Shares or GDRs by Resident Holders - Individuals are subject to personal income tax at a marginal tax rate of 13% or 15%.

If the tax is not withheld by the tax agent (a Russian broker or fiduciary or buyer that is a Russian legal entity or a Russian branch of a foreign legal entity or an entrepreneur) of the Ordinary Shares or GDRs, the Resident Holder - Individual would be liable to file a tax return individually reporting the amount of income realized to the Russian tax authorities and apply for a deduction of the acquisition price (and other expenses related to the acquisition, holding and disposition of the Ordinary Shares or GDRs), confirmed by supporting documentation and pay the tax.

Losses incurred by the Resident Holder - Individual as a result of disposition of the Ordinary Shares or GDRs under certain circumstances may be carried forward for 10 (ten) years and applied against future gains on transactions with certain securities or derivatives. In addition, subject to compliance with certain requirements, Resident Holders may be eligible for tax incentives connected with investment in securities (investment tax deduction).

Please also see our comments in section “*Holders - Individuals (General Provisions Applicable to Both Resident and Non-Resident Holders–Individuals)*” below.

Taxation of Disposal of the Ordinary Shares or GDRs: Non-Resident Holders - Individuals

A Non-Resident Holder–Individuals should not be subject to any Russian taxes in respect of gain or other income realized on sale or other disposal of the Ordinary Shares or GDRs outside of Russia, provided that the proceeds of such sale or disposal are not received from a source within Russia.

Subject to any available tax treaty relief, if receipt of any proceeds from the sale or other disposal of the Ordinary Shares or GDRs by a Non-Resident Holder–Individual is classified as income from the Russian sources for Russian personal income tax purposes, these proceeds will become subject to Russian personal income tax at the rate of 30 per cent (or such other tax rate as may be effective at the time of sale or other disposal) on the gross amount of proceeds from disposal of the Ordinary Shares or GDRs less any available duly documented costs, related to the acquisition, holding and disposal of the Ordinary Shares or GDRs.

Since the Russian Tax Code does not contain any additional guidance as to when the sales or disposal proceeds should be deemed to be received from Russian sources by an individual not qualifying as a tax resident for Russian personal income tax purposes, in practice, the Russian tax authorities may infer that such income should be considered as Russian source income if the Ordinary Shares or GDRs are sold or disposed “in Russia”. In absence of any additional guidance as to what should be considered as a sale or other disposal of securities “in Russia”, the Russian tax authorities may apply various criteria in order to determine the source of the sale or other disposal, including looking at the place of conclusion of the transaction, the location of the issuer, or other similar criteria. There is no assurance therefore that, as a result, sales or disposal proceeds received by the Non-Resident Holders–Individual will not become taxable in Russia. Please refer to “*Risk Factors – Risks Related to the Political and Social Environment in Russia – Capital gains from the sale of the Ordinary Shares or GDRs may be subject to Russian income tax*”.

If the disposal proceeds are considered as being derived from Russian sources, Russian personal income tax will apply to the gross amount of sales or disposal proceeds received upon the disposition of the Ordinary Shares or GDRs, decreased by the amount of duly documented cost deductions (including the original acquisition costs and other documented expenses related to the acquisition, holding and sale or other disposal of the Ordinary Shares or GDRs), provided that the Ordinary Shares or GDRs qualify as the securities under the governing law and Russian tax legislation and such documentation is duly executed. There is a risk that, if the documentation supporting the cost deductions is deemed insufficient by the Russian tax authorities, the deduction will be disallowed, and Russian personal income tax will apply to the gross amount of the sales or disposal proceeds.

In certain circumstances if sales or other disposal proceeds are paid to a Non-Resident Holder–Individual by a party considered as tax agent for Russian tax purposes, the applicable Russian personal income tax at the rate of

30 per cent (or such other tax rate as may be effective at the time of payment) should be withheld at source by such tax agent. Any legal entity being a Russian tax resident, an individual entrepreneur, a Russian representative office, or a Russian branch of a foreign organization paying proceeds from the sale, exchange or other disposal of the Ordinary Shares or GDRs to the Non-Resident Holder–Individual may be considered as a tax agent.

The amount of tax to be withheld should be calculated after taking into account available documented deductions for the original acquisition cost and related expenses on the acquisition, holding and sale or other disposal of the Ordinary Shares or GDRs to the extent such deductions and expenses can be determined by the entity making the payment of income to the Non-Resident Holder–Individual and provided that the Ordinary Shares or GDRs qualify as the securities under the governing law and Russian tax legislation. The tax agent that is a professional intermediary acting under an asset management agreement, a brokerage service agreement, an agency agreement or a commission agreement would be required to report to the Russian tax authorities in respect of its inability to withhold personal income tax in full within one month upon termination of such agreement or by 1 March of the year following the calendar year in which the income was received. Failure or inability of the tax agent to timely withhold the applicable Russian personal income tax in full will place the onus of reporting and payment of such tax on the Non-Resident Holder–Individual.

If the duly documented acquisition costs and other documented expenses related to the acquisition, holding and sale or other disposal of the Ordinary Shares or GDRs were born within the relationship with a party other than the tax agent obliged to calculate and withhold Russian personal income tax in relation to the sales proceeds, then these original duly documented costs and other documented expenses related to the acquisition, holding and the sale or other disposal of the Ordinary Shares or GDRs may be taken into account by the tax agent upon written application of the Non-Resident Holder–Individual and presentation of the documents confirming the costs and expenses provided that the Ordinary Shares or GDRs qualify as the securities under the governing law and Russian tax legislation.

If the tax is not withheld by the tax agent, the Non-Resident Holder–Individual will be required to file a personal income tax return individually in order to report the amount of income realized to the Russian tax authorities and apply for a deduction (if available) in the amount of the acquisition and other expenses related to the acquisition, holding and the sale or other disposal of the Ordinary Shares or GDRs confirmed by the supporting documentation. The applicable personal income tax will then have to be paid by the Non-Resident Holder–Individual on the basis of the personal income tax return.

Please also see our comments in section “*Taxation of Disposal of the GDRs: Holders - Individuals (General Provisions Applicable to Both Resident and Non-Resident Holders–Individuals)*” below.

Taxation of Disposal of the Ordinary Shares or GDRs: Holders - Individuals (General Provisions Applicable to Both Resident and Non-Resident Holders–Individuals)

The tax base in respect of a sale, exchange or other disposal of the Ordinary Shares or GDRs by an individual is calculated as the disposal proceeds less expenses related to the acquisition, ownership and disposal of such Ordinary Shares or GDRs (as confirmed by supporting documentation). For the purposes of taxation of individual investors, a redemption of the Ordinary Shares or GDR by means of receipt of the underlying securities is not considered as a disposal.

Under certain circumstances gains received and losses incurred by a Holder - Individual as a result of the sale or other disposal of the Ordinary Shares or GDRs and other securities of the same category (i.e., securities qualified as traded or non-traded for Russian personal income tax purposes) occurring within the same tax year may be aggregated for Russian personal income tax purposes which would affect the total amount of personal income tax payable by a Holder - Individual in Russia.

With respect to transactions with the Ordinary Shares or GDRs traded on an organized stock market conducted by individuals, any such losses resulting from such operations reducing the taxable base of operations with the securities traded on an organized stock market are subject to limitations established by the Russian Tax Code.

Any taxable gains derived by a Holder - Individual from the sale or other disposal of the Ordinary Shares or GDRs are affected by changes in the exchange rate between the currency of the acquisition of the Ordinary Shares or GDRs, the currency of the sale or other disposal of the Ordinary Shares or GDRs and Russian Roubles.

Tax Treaty Relief

The Russian Federation has entered into double tax treaties with a number of countries and honours some double tax treaties concluded by the former Union of Soviet Socialist Republics. These double tax treaties may contain provisions allowing the reduction or elimination of Russian taxes applicable to income received by Non-Resident Holder from Russian sources in connection with the acquisition, holding, sale or other disposal of the Ordinary Shares or GDRs.

In order to obtain the benefits available under the respective double tax treaty, a Non-Resident Holder must comply with the certification, information and reporting requirements which are in force in Russia (relating, in particular, to the confirmation of the entitlement and eligibility for treaty benefits).

In order to enjoy double tax treaty benefits, a Non-Resident Holder – Legal Entity which has the actual right to receive the respective income (i.e., which qualifies as the “beneficial owner of income”) and is eligible for the benefits of the applicable double tax treaty should provide the tax agent with the satisfactory documentary evidence to these facts as well as the duly executed tax residency certificate before the date of the income payment. The tax residency of Non-Resident Holder – Legal Entities which are banks residing in jurisdictions which have concluded double tax treaties with the Russian Federation and which have the actual right to receive income can be confirmed by public information guides (e.g. Bankers Almanac) in lieu of the tax residency certificate.

In order to apply for tax exemption or payment of tax at a reduced tax rate under the respective double tax treaty a Non-Resident Holder – Individual has to provide to the tax agent a passport of a foreign citizen in order to prove his/her tax residency status in the foreign jurisdiction. If this document is not sufficient to prove the tax residency status, the tax agent will request the Non-Resident Holder – Individual to provide a tax residency certificate issued by the competent authority in his/ her country of residence for tax purposes. If the documents proving residency in the respective state are submitted to the tax agent after the personal income tax is withheld, the tax agent will be required to reimburse to the Non-Resident Holder – Individual the amount of tax withheld.

The law does not clearly establish how the tax agent shall determine whether a passport is sufficient to confirm the individual’s eligibility for double tax treaty benefits.

It is not explicit whether under the tax legislation Russian citizens who are Non-Resident Holders – Individuals would be able to enjoy exemption from taxation at source under an applicable double tax treaty in practice.

The procedure of elimination of double taxation by means of exemption under an applicable double tax treaty of Non-Resident Holder – Individual in case of absence of a tax agent is not explicitly indicated in the Russian Tax Code.

In addition, many jurisdictions, including Russia, signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the “**MLI**”). The MLI sets forth additional requirements for the application of the double tax treaty benefits, including the reduced tax rates. It is expected that changes to specific bilateral treaties would come into effect after the parties to the treaties deposit their instruments of ratification, acceptance or approval of the MLI, subject to an additional phase-in period. The Russian Federation has sent through OECD diplomatic channels the notification on the completion of the internal procedures required for the MLI enforcement in respect of the double tax treaties concluded with a number of jurisdictions starting from 1 January 2021. There is a risk that the MLI-related changes, when implemented, might reduce the availability of certain double taxation treaty benefits to Non-Resident Holders that are tax residents in such countries

Refund of Tax Withheld

If Russian withholding tax on income derived from Russian sources by a Non-Resident Holder – Legal Entity was withheld at source, a claim for a refund of the tax that was withheld at source can be filed by that Non-Resident Holder – Legal Entity with the Russian tax authorities either based on general tax reclaim procedures within three years following the date of withholding, or provided that such Non-Resident Holder – Legal Entity is entitled to the benefits of the applicable double tax treaty allowing it not to pay the tax or allowing it to pay the tax at a reduced tax rate in relation to such income within three years following the year in which the tax was withheld. There is no guarantee that such refund will be available in practice to the Non-Resident Holder – Legal Entity.

If Russian personal income tax on income derived from Russian sources by a Non-Resident Holders – Individuals was withheld at source despite the right of this Non-Resident Holders – Individuals to rely on the benefits of the applicable double tax treaty allowing such individual not to pay the tax in Russia or allowing to pay the tax at a

reduced tax rate in relation to such income, a claim for a refund of Russian personal tax which was excessively withheld at source together with a passport of a foreign individual/tax residency certificate issued by the competent authorities in his/her country of residence may be filed by that Non-Resident Holders – Individuals with the tax agent within three years following the tax year when the corresponding income was received. In the absence of a tax agent that withheld the Russian personal income tax under consideration (e.g. in case of a liquidation of the tax agent), an application for a refund may be filed with the Russian tax authorities within the same period (three years following the tax year when the corresponding income was received) with a Russian tax return, a tax residency certificate and documents proving tax withholding to the Russian tax authorities.

There can be no assurance that the tax agent and/or the Russian tax authorities will refund this tax in practice. Although the Russian Tax Code arguably contains an exhaustive list of documents and information which have to be provided by the foreign person to the Russian tax authorities for the tax refund purposes, the Russian tax authorities may, in practice, require a wide variety of documentation confirming, for instance, a right of a Non-Resident Holder to obtain tax relief available under the applicable double tax treaty. Such documentation may not be explicitly required by the Russian Tax Code and may to a large extent depend on the position of local representatives of the tax inspectorates.

Obtaining a refund of Russian taxes which were excessively withheld at source is likely to be a time consuming and lengthy process requiring many efforts, and no assurance can be given that such refund will be granted to the Non-Resident Holders in practice.

Stamp Duty

No Russian stamp duty is payable by the Holders upon a purchase or a sale of the Ordinary Shares or GDRs discussed in this section of this Prospectus.

SELLING AND TRANSFER RESTRICTIONS

GENERAL

No action has been or will be taken in any jurisdiction that would permit a public offering of the Ordinary Shares or GDRs, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Ordinary Shares and GDRs may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Ordinary Shares or GDRs may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction.

United States

The Ordinary Shares and GDRs have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in certain transactions not subject to, the registration requirements of the Securities Act.

United Kingdom

No offer of the Ordinary Shares or GDRs may be made to the public in the United Kingdom prior to the publication of a prospectus in relation to the Ordinary Shares or GDRs that either (i) has been approved by the FCA or (ii) is to be treated as if it had been approved by the FCA in accordance with the transitional provisions in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019 except that an offer may be made to the public in the United Kingdom at any time:

- (a) to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) subject to obtaining the prior consent of the relevant Joint Global Coordinators and Joint Bookrunners nominated by the Group for any such offer; or in any other circumstances falling within section 86 of the FSMA, provided that no such offer of the GDRs shall require the Group or any Joint Global Coordinator or Joint Bookrunner to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression “**an offer of the Ordinary Shares or GDRs to the public**” in relation to any Ordinary Shares and GDRs means the communication in any form and by any means of sufficient information on the terms of the offer and the Ordinary Shares or GDRs to be offered so as to enable an investor to decide to purchase or subscribe for the Ordinary Shares or GDRs.

European Economic Area

In relation to each Member State of the EEA, an offer to the public of any Ordinary Shares or GDRs may not be made in that Member State, prior to the publication of a prospectus in relation to the Ordinary Shares or GDRs that has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, all in accordance with the Prospectus Regulation, except that an offer to the public in that Member State may be made at any time:

- to any legal entity which is a qualified investor as defined in Article 2(e) of the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2(e) of the Prospectus Regulation in that Member State), subject to obtaining the prior consent of the Joint Global Coordinators and Joint Bookrunners for any such offer; or
- in any other circumstances falling within Article 1(4) of the Prospectus Regulation,
- provided that no such offer of Ordinary Shares or GDRs shall result in a requirement for the publication by the Company or any Joint Bookrunner of a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “**offer to the public**” in relation to any Ordinary Shares and GDRs in any Member State means the communication in any form and by any means of sufficient information of the terms of the offer and any Ordinary Shares or GDRs to be offered so as to enable an investor to decide to purchase or subscribe for any Ordinary Shares or GDRs.

Russian Federation

This Prospectus should not be considered as a public offer or advertisement of the Ordinary Shares or GDRs in the Russian Federation and is not an offer, or an invitation to make offers, to purchase any Ordinary Shares or GDRs in the Russian Federation. Neither the Ordinary Shares or GDRs nor any Prospectus or other document relating to them have been or will be registered with the CBR.

Rule 144A GDRs

Each purchaser of the Rule 144A GDRs located in the United States, by its acceptance of delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged as follows:

1. The purchaser (i) is a QIB as that term is defined by Rule 144A under the Securities Act, (ii) is aware that, and each beneficial owner of such GDRs has been advised that, the sale to it is being made in reliance on Rule 144A under the Securities Act or another exemption from, or transaction not subject to, the registration requirements of the Securities Act, (iii) is acquiring such GDRs for its own account or for the account of one or more QIBs and (iv) if it is acquiring such GDRs for the account of one or more QIBs, has sole investment discretion with respect to each such account and has full power to make the acknowledgements, representations and agreements herein on behalf of each such account.
2. The purchaser is aware that the GDRs and the Ordinary Shares, purchased pursuant to Rule 144A under the Securities Act or another exemption from, or transaction not subject to, the registration requirements of the Securities Act, have not been and will not be registered under the Securities Act and are being offered in the United States only in transactions not involving any public offering in the United States and are “restricted securities” as defined in Rule 144(a)(3) under the Securities Act (“**Restricted Securities**”).
3. In the future, if the purchaser decides to offer, resell, pledge or otherwise transfer the GDRs purchased pursuant to Rule 144A under the Securities Act or another exemption from, or transaction not subject to, the registration requirements of the Securities Act, such GDRs may be offered, sold, pledged or otherwise transferred only (a) to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States.

The purchaser understands that the GDRs (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THIS MASTER RULE 144A GLOBAL DEPOSITARY RECEIPT AND THE ORDINARY SHARES OF ETALON GROUP PLC REPRESENTED HEREBY (THE “**SHARES**”) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDER HEREOF BY PURCHASING THE GDRS, AGREES FOR THE BENEFIT OF ETALON GROUP PLC THAT THE GDRS AND THE SHARES REPRESENTED HEREBY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (WITHIN THE MEANING OF RULE 144A OF THE SECURITIES ACT) (“**RULE 144A**”) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (B) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDER OF THE GDRS WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY SUBSEQUENT PURCHASER OF

SUCH GDRS OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. THE BENEFICIAL OWNER OF SHARES RECEIVED UPON CANCELLATION OF ANY RULE 144A GLOBAL DEPOSITARY RECEIPT MAY NOT DEPOSIT OR CAUSE TO BE DEPOSITED SUCH SHARES INTO ANY DEPOSITARY RECEIPT FACILITY IN RESPECT OF SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK, OTHER THAN A RULE 144A RESTRICTED DEPOSITARY RECEIPT FACILITY, SO LONG AS SUCH SHARES ARE “RESTRICTED SECURITIES” WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THE SHARES OR ANY RULE 144A GLOBAL DEPOSITARY RECEIPTS.

THE HOLDER HEREOF, BY PURCHASING THE GLOBAL DEPOSITARY RECEIPTS REPRESENTED BY THIS GDR CERTIFICATE, AGREES, FOR THE BENEFIT OF ETALON GROUP PLC AND THE DEPOSITARY NAMED BELOW THAT THE GLOBAL DEPOSITARY RECEIPTS REPRESENTED BY THIS CERTIFICATE MAY NOT AT ANY TIME BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY PERSON LOCATED IN RUSSIA, RESIDENTS OF RUSSIA, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, SUCH PERSONS UNLESS AND TO THE EXTENT OTHERWISE PERMITTED UNDER RUSSIAN LAW.

1. For so long as Ordinary Shares are Restricted Securities, it will not deposit such Ordinary Shares into any depositary receipt facility in respect of shares established and maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility.
2. The Company and its affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Prospective purchasers are hereby notified that sellers of the GDRs purchased within the United States pursuant to Rule 144A may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A under the Securities Act.

Regulation S GDRs

Each purchaser of the Regulation S GDRs by its acceptance of the delivery of this Prospectus will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

1. the purchaser is, at the time of the offer to it of GDRs and at the time the buy order originated, outside the United States for the purposes of Rule 903 under the Securities Act;
2. the purchaser is aware that the Regulation S GDRs and the Ordinary Shares have not been and will not be registered under the Securities Act and are being offered outside the United States in reliance on Regulation S;
3. any offer, sale, pledge or other transfer made other than in compliance with the above-stated restrictions shall not be recognised by the Company;
4. the Company and its affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements; and
5. the purchaser understands that the Regulation S GDRs and the Regulation S Master GDR will bear a legend substantially to the following effect:

THIS MASTER REGULATION S GLOBAL DEPOSITARY RECEIPT AND THE ORDINARY SHARES OF ETALON GROUP PLC REPRESENTED HEREBY (THE “**SHARES**”) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF THE UNITED STATES OR ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

THE HOLDER HEREOF, BY PURCHASING THE GLOBAL DEPOSITARY RECEIPTS REPRESENTED BY THIS GDR CERTIFICATE, AGREES, FOR THE BENEFIT OF ETALON GROUP PLC AND THE

DEPOSITARY NAMED BELOW THAT THE GLOBAL DEPOSITARY RECEIPTS REPRESENTED BY THIS CERTIFICATE MAY NOT AT ANY TIME BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY PERSON LOCATED IN RUSSIA, RESIDENTS OF RUSSIA, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, SUCH PERSONS UNLESS AND TO THE EXTENT OTHERWISE PERMITTED UNDER RUSSIAN LAW.

If a purchaser of GDRs is acquiring such GDRs as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing representations and agreements on behalf of each account.

SETTLEMENT AND DELIVERY

Clearing and Settlement of GDRs

Custodial and depositary links have been established between Euroclear, Clearstream and DTC to facilitate the initial issue of the GDRs and cross-market transfers of the GDRs associated with secondary market trading.

THE CLEARING SYSTEMS

Euroclear and Clearstream

Euroclear and Clearstream each hold securities for participating organisations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of dividends and other payments with respect to book-entry interests in the GDRs held through Euroclear or Clearstream will be credited, to the extent received by the Depositary, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

DTC

DTC has advised us as follows: DTC is a limited-purpose trust company organised under the laws of the State of New York, a "banking organisation" within the meaning of the New York Banking Law, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for DTC participants and facilitates the clearance and settlement of securities transactions between DTC participants through electronic computerised book-entry changes in DTC participants' accounts. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organisations. Indirect access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly.

Holders of book-entry interests in the GDRs holding through DTC will receive, to the extent received by the Depositary, all distributions of dividends or other payments with respect to book-entry interests in the GDRs from the Depositary through DTC and DTC participants. Distributions in the United States will be subject to relevant US tax laws and regulations. See *"Taxation — Certain United States Federal Income Tax Considerations"*.

As DTC can act on behalf of DTC direct participants only, who in turn act on behalf of DTC indirect participants, the ability of beneficial owners who are indirect participants to pledge book-entry interests in the GDRs to persons or entities that do not participate in DTC, or otherwise take actions with respect to book-entry interests in the GDRs, may be limited.

Registration and Form

Book-entry interests in the GDRs held through Euroclear and Clearstream are represented by the existing Regulation S Master GDR Certificate registered in the name of The Bank of New York Depositary (Nominees) Limited, as nominee of The Bank of New York Mellon, London Branch, as common depositary for Euroclear and Clearstream. Book-entry interests in the GDRs held through DTC are represented by the Rule 144A Master GDR Certificate registered in the name of Cede & Co., as nominee for DTC, which is held by The Bank of New York Mellon in New York as custodian for DTC. As necessary, the Registrar will adjust the amounts of GDRs on the relevant register for the accounts of the common depositary's nominee and DTC's nominee, respectively, to reflect the amounts of GDRs held through Euroclear, Clearstream and DTC, respectively. Beneficial ownership in the GDRs will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream and DTC.

The aggregate holdings of book-entry interests in the GDRs in Euroclear, Clearstream and DTC will be reflected in the book-entry accounts of each such institution. Euroclear, Clearstream and DTC, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the GDRs, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the GDRs. The Depositary will be responsible for maintaining a record of the aggregate holdings of GDRs registered in the name of the common nominee for Euroclear and Clearstream and the nominee for DTC. The Depositary will be responsible for ensuring that payments received by it from us for holders holding through Euroclear and Clearstream are transferred to Euroclear or Clearstream, as the case may be, and the Depositary will also be responsible for ensuring that payments received by it from us for holders holding through DTC are transferred to DTC. The address for DTC is P.O. Box 5020, New York, New York 10274, United States. The address for Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address for Clearstream is 42 Avenue J.F Kennedy, L-1855 Luxembourg, Luxembourg.

We will not impose any fees in respect of the GDRs; however, holders of book-entry interests in the GDRs may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear, Clearstream or DTC and certain fees and expenses payable to the Depositary in accordance with the Terms and Conditions of the GDRs.

GLOBAL CLEARANCE AND SETTLEMENT PROCEDURES

Initial Settlement

The GDRs will be in global form represented by the two existing Global Master GDR Certificates. Purchasers electing to hold book-entry interests in the GDRs through Euroclear and Clearstream accounts will follow the settlement procedures applicable to depositary receipts. DTC participants acting on behalf of purchasers electing to hold book-entry interests in the GDRs through DTC will follow the delivery practices applicable to depositary receipts.

Transfer Restrictions

For a description of the transfer restrictions relating to the GDRs, see “*Terms and Conditions of The Global Depositary Receipts—Transfer and Ownership*” and “*Selling and Transfer Restrictions*.”

Trading between Euroclear and Clearstream Participants

Secondary market sales of book-entry interests in the GDRs held through Euroclear or Clearstream to purchasers of book-entry interests in the GDRs through Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream and will be settled using the normal procedures applicable to depositary receipts.

Trading between DTC Participants

Secondary market sales of book-entry interests in the GDRs held through DTC will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to depositary receipts, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC Seller and Euroclear/Clearstream Purchaser

When book-entry interests in the GDRs are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream participant, the DTC participant must send to DTC a delivery free of payment instruction at least two business days prior to the settlement date. DTC will in turn transmit such instruction to Euroclear or Clearstream, as the case may be, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream participant. On the settlement date, DTC will debit the account of its DTC participant and will instruct the Depositary to instruct Euroclear or Clearstream, as the case may be, to credit the relevant account of the Euroclear or Clearstream participant, as the case may be. In addition, on the settlement date, DTC will instruct the Depositary to (1) decrease the amount of book-entry interests in the GDRs registered in the name of a nominee for DTC and represented by the Rule 144A Master GDR Certificate and (2) increase the amount of book-entry interests in the GDRs registered in the name of the common nominee for Euroclear and Clearstream and represented by the Regulation S Master GDR Certificate.

Trading between Clearstream/Euroclear Seller and DTC Purchaser

When book-entry interests in the GDRs are to be transferred from the account of a Euroclear or Clearstream participant to the account of a DTC participant, the Euroclear or Clearstream participant must send to Euroclear or Clearstream a delivery free of payment instruction at least one business day prior to the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream participant, as the case may be. On the settlement date, Euroclear or Clearstream, as the case may be, will debit the account of its participant and will instruct the Depositary to instruct DTC to credit the relevant account of Euroclear or Clearstream, as the case may be, and will deliver such book-entry interests in the GDRs free of payment to the relevant account of the DTC participant. In addition, Euroclear or Clearstream, as the case may be, shall on the settlement date instruct the Depositary to (1) decrease the amount of the book-entry interests in the GDRs registered in the name of the common nominee and evidenced by the Regulation S Master GDR Certificate and (2) increase the amount of the book-entry interests in the GDRs registered in the name of a nominee for DTC and represented by the Rule 144A Master GDR Certificate.

General

Although the foregoing sets out the procedures of Euroclear, Clearstream and DTC in order to facilitate the transfers of interests in the GDRs among participants of Euroclear, Clearstream and DTC, none of Euroclear, Clearstream or DTC are under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of us, the Depositary, the Custodian or our or their respective agents will have any responsibility for the performance by Euroclear, Clearstream or DTC or their respective participants of their respective obligations under the rules and procedures governing their operations.

INFORMATION RELATING TO THE DEPOSITARY

The Depositary is an entity established in the State of New York, and is a state chartered New York banking corporation and a member of the United States Federal Reserve System, subject to regulation and supervision principally by the United States Federal Reserve Board and the New York State Department of Financial Services. The Bank of New York Mellon was constituted in 1784 in the State of New York. It is a wholly owned subsidiary of The Bank of New York Mellon Corporation, a Delaware bank holding company. The Depositary's principal executive and administrative offices are located at 240 Greenwich Street, New York, New York 10286.

INDEPENDENT AUDITORS

The 2020 Consolidated Financial Statements and 2019 Consolidated Financial Statements included in this Prospectus have been audited by Deloitte Limited, 24 Spyrou Kyprianou Avenue CY-1075 Nicosia, Cyprus, independent auditors, as stated in their reports appearing herein. The 2018 Consolidated Financial Statements included in this Prospectus have been audited by KPMG Limited, 14 Esperidon Street, Nicosia, 1087, Cyprus, independent auditors, as stated in their report appearing herein, which includes an other matter paragraph which states that they were not engaged to audit retrospective adjustments described in Note 2 e) ii) of the 2019 Consolidated Financial Statements and, accordingly, they do not express an opinion or any other form of assurance on them.

The reports of the independent auditors appearing herein have been included in the prospectus with the consent of the independent auditors and the independent auditors have authorised the contents of that part of the prospectus for the purposes of the prospectus.

GENERAL INFORMATION

- The Company's entering into the Placing Agreement was duly authorised by the Board of Directors on 16 April 2021 in accordance with the Company's memorandum and articles of association.
- The Company has obtained all consents, approvals and authorisations in Cyprus, which are necessary in connection with the issue of the GDRs.
- Copies of the following documents are or will be available for inspection free of charge, during normal business hours on any weekday, at the registered office of the Company from the date of publication of this Prospectus:
 - this Prospectus;
 - the memorandum and articles of association (in English);
 - the Valuation Report;
 - the Consolidated Financial Statements, together with the auditors' reports relating thereto; and
 - the Deposit Agreement.

The memorandum and articles of association, Valuation Report and Consolidated Financial Statements (together with the auditors' reports relating thereto) are also available at the Company's website: <https://www.etalongroup.com/>.

- The registered office of the Company is located at 2-4 Arch. Makariou III Avenue, Capital Center, 9th floor, 1065 Nicosia, Cyprus.
- If definitive certificates are issued in exchange for the Master GDR Certificates, the Company will appoint an agent in the United Kingdom for as long as the GDRs are listed on the London Stock Exchange.
- Except as described in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Recent Developments*" on page 46, there has been no significant change in the financial performance of the Group since the end of the last financial period for which financial information has been published to the date of the registration document.
- The following table sets forth the principal activity, registered office, and our ownership of each our significant subsidiaries:

Company Name	Principal Activity	Registered Office	Ownership interest as of the date of this Prospectus
"Etalon Group company" AO	Management services	2, Bogatyrsky Prospect, St. Petersburg, Russia 197348	100.0
LLC "EtalonAktiv"	Management services	2, Bogatyrsky Prospect, St. Petersburg, Russia 197348	100.0
AO Etalon LenSpetsSMU	Real estate development	2, Bogatyrsky Prospect, St. Petersburg, Russia 197348	100.0
JSC "Novator"	General contractor	2, Bogatyrsky Prospect, St. Petersburg, Russia 197348	100.0
JSC "LenSpetsSMU- Rekonstruktsiya"	General contractor	2, Bogatyrsky Prospect, St. Petersburg, Russia 197348	100.0
LLC "Etalon-Invest"	Real estate development	18, Andropova Prospect, Moscow, Russia 115432	100.0
JSC "Zatonskoe"	Real estate development	3A, Svetlaya Street, Krasnogorsk, Moscow Region, Russia 143409	100.0

Company Name	Principal Activity	Registered Office	Ownership interest as of the date of this Prospectus
LLC “SPM-Zhilstroy”	General contractor	3A, Svetlaya Street, Krasnogorsk, Moscow Region, Russia 143409	100.0
JSC “Specialized developer “Silver fountain”	Real estate development	16, Novoalekseevskaya street, Moscow, Russia, 129626,	99.99
LLC “Specialized developer “Etalon Galaktika”	Real estate development	2, Bogatyrsky Prospect, St. Petersburg, Russia 197348	100.0
LLC “Specialized developer “Etalon Development”	Real estate development	2, Bogatyrsky Prospect, St. Petersburg, Russia 197348	100.0
JSC “Leader-Invest”	Real estate development	18, Andropova Prospect, Moscow, Russia 115432	100.0
LLC “Razvitiye”	Real estate development	22, Avtozavodskaya Street, Moscow, Russia 115280	100.0
LLC “Specialized Developer “ZIL-YUG”	Real estate development	18, Andropova Prospect, Moscow, Russia 115432	100.0
LLC “Specialized Developer “MBI”	Real estate development	18, Andropova Prospect, Moscow, Russia 115432	100.0
JSC “Lobachevskogo 120”	Real estate development	18, Andropova Prospect, Moscow, Russia 115432	100.0

- The GDRs have no nominal or par value.
- Holders of GDRs may contact The Bank of New York Mellon, as Depositary for the GDRs, with questions relating to the transfer of GDRs on the register maintained by the Depositary, which is maintained at the Depositary’s principal administrative office at 240 Greenwich Street, New York, New York 10286.
- The CUSIP number for the Regulation S GDRs is 29760G 103, the ISIN number for the Regulation S GDRs is US29760G1031, the Common Code for the Regulation S GDRs is 053579302 and the SEDOL number for the Regulation S GDRs is B5TWX80. The CUSIP number for the Rule 144A GDRs is 29760G 202, the ISIN number for the Rule 144A GDRs is US29760G2021, the Common Code for the Rule 144A GDRs is 061455477 and the SEDOL number for the Rule 144A GDRs is B5MU1V3.
- The London Stock Exchange and MOEX trading symbol for the GDRs is “ETLN”.
- There has been no material change in the aggregate Market Value of our properties since 31 December 2020, which is the date as of which our properties were assigned the Market Value set forth in the Valuation Report.
- Colliers has given and has not withdrawn its written consent to the inclusion of the references to the Valuation Report and its name in the form and context in which they are respectively included.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Consolidated Financial Statements of Etalon Group Limited for the year ended 31 December 2020	F-2
Directors' Report	F-5
Independent Auditor's Report.....	F-13
Consolidated Statement of Comprehensive Income	F-20
Consolidated Statement of Financial Position	F-21
Consolidated Statement of Changes in Equity	F-23
Consolidated Statement of Cash Flows	F-25
Notes to the Consolidated Financial Statements	F-27
Consolidated Financial Statements of Etalon Group Limited for the years ended 31 December 2019	F-91
Directors' Report	F-94
Independent Auditor's Report.....	F-100
Consolidated Statement of Financial Position	F-106
Consolidated Statement of Comprehensive Income	F-107
Consolidated Statement of Changes in Equity	F-108
Consolidated Statement of Cash Flows	F-109
Notes to the Consolidated Financial Statements	F-110
Consolidated Financial Statements of Etalon Group Limited for the years ended 31 December 2018	F-134
Directors' Report	F-137
Independent Auditor's Report.....	F-145
Consolidated Statement of Comprehensive Income	F-153
Consolidated Statement of Financial Position	F-154
Consolidated Statement of Changes in Equity	F-156
Consolidated Statement of Cash Flows	F-158
Notes to the Consolidated Financial Statements	F-159

Etalon Group PLC

Consolidated Financial Statements

For the year ended 31 December 2020

Contents

Board of Directors and other Officers	3
Consolidated Management Report	4
Statement of the members of the Board of Directors and Management of the Company	11
Independent Auditors' Report	12
Consolidated Statement of Profit or Loss and Other Comprehensive Income	19
Consolidated Statement of Financial Position	20
Consolidated Statement of Changes in Equity	22
Consolidated Statement of Cash Flows	24
Notes to the Consolidated Financial Statements	26

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Sergey Egorov (appointed on 19 February 2019)
Oleg Mubarakshin (appointed on 19 February 2019)
Marina Ogloblina (appointed on 19 February 2019)
Ganna Khomenko (appointed on 19 February 2019)
Martin Robert Cocker (appointed on 12 November 2010)
Boris Svetlichny (appointed on 15 April 2013)
Charalampos Avgousti (appointed on 10 November 2016)
Maksim Berlovich (appointed on 27 April 2018)
Denis Vinokurov (appointed on 9 November 2018)
Kirill Bagachenko (appointed on 15 November 2013 and
resigned on 20 February 2020)

Secretary

G.T. Globaltrust Services Limited
Themistokli Dervi, 15
Margarita House, 5th floor, flat/office 502
1066 Nicosia
Cyprus

Registered Office

2-4 Arch. Makariou III Avenue
Capital Center, 9th floor
1065 Nicosia
Cyprus

Independent auditors

Deloitte Limited
Certified Public Accountants and Registered Auditors
24 Spyrou Kyprianou Avenue
1075, Nicosia
Cyprus

CONSOLIDATED MANAGEMENT REPORT

The Board of Directors of Etalon Group PLC (the “Company”) presents to the members its Consolidated Management Report together with the audited Consolidated Financial Statements of the Company and its subsidiaries (together referred to as the “Group”) for the year ended 31 December 2020. The Group’s financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Review of the development and performance of the Group’s business and its position

The results of the Group for the year ended 31 December 2020 are set out on page 19 of the consolidated financial statements.

(a) Revenue

The Group’s total revenue for the year ended 31 December 2020 amounted to RUB 78 655 million as compared to RUB 84 330 million for the year ended 31 December 2019, recording a decrease of RUB 5 675 million or 7%.

Revenue of the reportable segment “Residential development” decreased by RUB 3 008 million or 4%, due to a decrease in the revenues recognised from the sales of flats by RUB 698 million or 1%, a decrease in the revenues recognised from the sales of parking places by RUB 1 232 million or 24%, and a decrease in the revenues recognised from the sale of built-in commercial premises by RUB 1 078 million or 18%.

External revenues of the reportable segment “Construction services” decreased by RUB 2 474 million or 44% mainly due to the overall reduction of activity in the sector as the result of COVID-19 pandemic.

External revenues of the reportable segment “Other” decreased by RUB 193 million or 4% due to a decrease in the sales of construction materials by RUB 246 million or 9% and a decrease in rental revenue by RUB 181 million or 21% partially offset by an increase in the sale of stand-alone commercial premises by RUB 122 million and an increase in other revenue related to servicing of premises by RUB 112 million or 7%.

The decrease of revenue was mainly driven by overall turbulence as the result of COVID-19 pandemic (refer to paragraph “COVID-19 and other significant events” below).

(b) Gross profit

Gross profit for the year ended 31 December 2020 amounted to RUB 21 915 million as compared to RUB 20 057 million for the year ended 31 December 2019, recording an increase of RUB 1 858 million or 9%, which was mainly driven by the increase in gross profit of the reportable segment “Residential development” by RUB 1 385 million or 7%.

(c) Results from operating activities

Profit from operating activities during the year ended 31 December 2020 amounted to RUB 10 218 million as compared to RUB 6 484 million for the year ended 31 December 2019, recording an increase of RUB 3 734 million or 58%.

During the year ended 31 December 2020, general and administrative expenses decreased by RUB 2 045 million or 28%, selling expenses decreased by RUB 262 million or 5%, other expenses, net decreased by RUB 151 million or 9%, as compared to the year ended 31 December 2019.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

(d) General and administrative expenses

The decrease in general and administrative expenses was mainly caused by contraction in payroll and related taxes by RUB 1 601 million or 33%, other taxes by RUB 277 million or 53% and audit and consulting services by RUB 192 million or 45%.

(e) Selling expenses

The decrease of RUB 262 million was driven by a decrease in advertising expenses by RUB 640 million or 36%, partially offset by an increase in agency fees by RUB 358 million or 36% and an increase in payroll and related taxes by RUB 97 million or 11%.

(f) Other expenses, net

During the year ended 31 December 2020, other expenses, net, decreased by RUB 151 million or 9% mainly due to a decrease in impairment loss on inventories of RUB 611 million or 47%, partially offset by a decrease in gain from disposal of property, plant and equipment by RUB 223 million or 81%, loss on disposal of inventories under construction and development of RUB 200 million and contingent consideration for acquisition of Leader-Invest of RUB 143 million, that were incurred in 2020.

(g) Net finance costs

Net finance costs for the year ended 31 December 2020 increased by RUB 783 million or 17% as compared to the year ended 31 December 2019.

Finance income decreased by RUB 975 million or 33% mainly due to a decrease in interest income on cash and cash equivalents and bank deposits by RUB 991 million or 47%, mainly caused by significant decrease of the Bank of Russia key rate (from 6,25% at 31.12.2019 to 4.25% as at 31.12.2020), and substantial introduction of escrow accounts that led to decrease of cash volume, and a decrease in the amount credited to the income statement in respect of the unwinding of the discount on trade receivables of RUB 71 million or 10%, offset by an increase in interest income - financing component under IFRS 15 by RUB 77 million or 105%.

Finance costs decreased by RUB 192 million or 2% due to a decrease in financing component under IFRS 15 by RUB 1 220 million or 47%, partially offset by an increase in borrowing costs by RUB 537 million or 12% due to the transition from the scheme of customer financing to the bank project financing scheme, and an increase in the amount debited to the income statement in respect of the unwinding of the discount on other payables by RUB 744 million or 435%, which was mainly caused by unwinding of the discount on long-term accounts payable for the acquisition of land plot (82% share in LLC "Specialized Developer "ZIL-YUG").

(h) Income tax expense

Income tax expense for the year ended 31 December 2020 amounted to RUB 2 686 million as compared to an income tax expense of RUB 1 585 million during the year ended 31 December 2019.

(i) Profit for the year

The profit for the year ended 31 December 2020 amounted to RUB 2 036 million, as compared to a profit of RUB 186 million for the year ended 31 December 2019.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

(j) Adjusted net debt/adjusted EBITDA and net corporate debt/adjusted EBITDA ratios

As described in note 23 and in the Supplementary Information section, certain bank loans are subject to restrictive covenants which are calculated based on the consolidated financial statements of the Group. The loans used to finance the acquisition of JSC “Leader Invest” require the Group to maintain adjusted net debt/adjusted EBITDA ratio below 4. The current structure of the Group’s adjusted net debt, being negative (specified assets exceed borrowings), secures the Group’s solid over-performance of the ratio, currently being minus 3,16.

The Group also monitors the ratio of net corporate debt (total loans and borrowings less secured project financing less cash and cash equivalents less bank deposits over 3 months) to adjusted EBITDA. Following the transition to settlements with the customers through escrow accounts and to financing of construction by means of project financing, the classical net debt/EBITDA indicator distorts the actual debt burden. At the appropriate level of coverage of project loan with cash on escrow accounts, nominal interest rates on such debt are reduced to near-zero values, while market rates vary from 8-10% per annum. As of 31 December 2020, the ratio amounted to 1,19 which is in line with the Group’s target for the ratio being less than 2-3x.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are disclosed in the notes 1(b), 2(d) and 26 of the Consolidated Financial Statements.

Future developments of the Group

The Board of Directors expects continued growth in the Group’s operations in all markets of its presence, and the improvement in the financial position and financial performance of the Group.

Activities related to research and development

The Group has not undertaken any activities in the field of research and development during the year ended 31 December 2020.

Branches

The Group operated through branches in Moscow and Saint Petersburg and 15 representative (sales) offices across the Russian Federation during the year ended 31 December 2020. The Company did not operate through any branches other than in Moscow and Saint Petersburg.

Use of financial instruments by the Group

The classes of financial instruments used by the Group, the Group’s financial risk management objectives and policies as well as the Group’s exposure to credit risk, liquidity risk and market risk are disclosed in the note 26 of the consolidated financial statements.

Dividends

On 20 July 2020, the Board of Directors recommended a final dividend of RUB 12 per share for the year ended 31 December 2019. The final dividend for the total amount of RUB 3 539 million was approved by the Annual General Meeting of shareholders on 23 October 2020, and the dividends were paid on 16 December 2020. Up to the date of approval of these consolidated financial statements, no dividends were recommended for distribution for the year ended 31 December 2020.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

Changes in the Company's share capital

There were no changes in the Company's share capital during 2020.

Changes in the composition, allocation of responsibilities or compensation of the Board of Directors

The changes in the composition and allocation of responsibilities of the Board of Directors during 2020 are disclosed in the Board of Directors and other Officers section of these consolidated financial statements. The changes in the compensation of certain members of the Board of Directors are disclosed in note 10 to these consolidated financial statements.

COVID-19 and other significant events

As the Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. In March 2020, oil prices dropped by more than 40%, which resulted in the immediate weakening of Russian Ruble against major currencies.

In addition, starting from early 2020, a new coronavirus disease (COVID-19) began rapidly spreading all over the world resulting in an announcement of pandemic status by the World Health Organization in March 2020. Responses put in place by the Russian Federation to contain the spread of COVID-19 resulted in significant operational disruption for many companies and had a significant effect on the businesses across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing.

The quarantine measures introduced in the Russian Federation included the closure of the Group's sales offices. In addition, the Government of Moscow imposed a temporary ban on construction works that lasted from the 13th of April until the 12th of May.

The Group managed to provide the necessary conditions for the safe conduct of construction works on all of its construction sites. In the Moscow region, the Group resumed construction shortly after the temporary ban on construction was lifted due to the flexible construction technology and the availability of own general contractors and sub-contractors. In Saint-Petersburg construction works continued uninterrupted. As a result, all projects that were planned for completion during the year ended 31 December 2020 were completed on time.

In the first weeks following the introduction of restrictive measures, the Group launched an online real estate sales service, formed operational teams of managers, and strengthened its call center. The Group developed a new model of interaction with clients including virtual showrooms, virtual and augmented reality projects that provide a complete picture of the future apartments.

The Group's office-based employees have been successfully moved to remote working.

The quarantine measures, accompanied by the reduction in the disposable income of households and the increase in unemployment rates, led to the overall decrease of the demand for real estate. At the same time, the Government of the Russian Federation has implemented various measures to support both the construction industry and its clients, including the introduction of the preferential 6,5% p.a. mortgage program and the increase of its price limits on apartments, that had a significant positive impact on the demand for real estate.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

COVID-19 and other significant events (continued)

As of the reporting date, most of the restrictions imposed by the government authorities in the Russian Federation due to the COVID-19 pandemic have been lifted, including the operation of the Group's sales offices, and the Group observes that the demand for real estate has recovered.

Significant events subsequent to the reporting date are disclosed in note 33 of the Consolidated Financial Statements.

Independent Auditors

On 20 October 2020, the Annual General Meeting of shareholders of the Company appointed Deloitte Limited as auditor of the Company to hold office until the conclusion of the next annual general meeting and authorised the Board of Directors to fix the auditor's remuneration.

CORPORATE GOVERNANCE REPORT

Company's internal control and risk management in relation to the preparation of the financial statements

The main documents regulating the activities of the Company are the Cyprus Companies Law, Cap. 113, the UKLA Listing, Prospectus and Disclosure and Transparency Rules, together with the Memorandum and Articles of Association of the Company. The Company has also enacted a number of governance policies and procedures, such as the Management Policy and Committee terms of reference, to ensure that a proper system of corporate governance is in place.

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for making an assessment of the Group's and the Company's ability to continue as a going concern, taking into account all available information about the future and for disclosing any material uncertainties related to events or conditions that may cast significant doubt upon the Group's and the Company's ability to continue as a going concern.

Those charged with governance are responsible for the implementation of internal control necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and in particular for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

The Audit Committee is responsible for monitoring the financial reporting process and the integrity of the Company's financial statements. It is also responsible for reviewing internal controls, overseeing how management monitors compliance with the Group's risk management policies and procedures, the effectiveness of the Group's Internal Audit function and the independence, objectivity and the effectiveness of the external audit process. The Audit Committee is also responsible for considering the terms of appointment and remuneration of the external auditor.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

CORPORATE GOVERNANCE REPORT (CONTINUED)

Each of the subsidiaries of the Group keeps accounting records for statutory purposes. The preparation of consolidated IFRS financial statements involves the transformation of the statutory accounting records into IFRS and the consolidation of financial statements. The Group continues the process of implementing of a single Group-wide information system featuring automated consolidation of the accounts that will strengthen internal control and risk management in relation to the preparation of the consolidated financial statements.

The Group believes that its financial reporting functions and internal control systems are sufficient to ensure compliance with the requirements of the FSA's Disclosure and Transparency Rules as a listed company and with the requirement of Cyprus Companies Law, Cap. 113.

Significant direct or indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings)

The share capital of the Company is GBP 34 748 divided into 294 957 971 ordinary Shares having the par value of GBP £0.00005 each and 20 000 preference shares having the par value of GBP 1 each. 193 747 322 ordinary shares (65,7%) are deposited for the issuance of Global Depositary Receipts (GDRs) pursuant to the Deposit Agreement between the Company and the Bank of New York Mellon. The GDRs represent one ordinary share each and are listed and traded on the Main Market of the London Stock Exchange. Starting from 3 February 2020, the Company's GDRs started trading on Moscow Stock Exchange.

As at 31 December 2020, the Company was aware of the following interests in its share capital:

Shareholders	%
Free float	73,6%
Sistema PJSFC	25,6%
Management of the Company	0,8%
Total	100%

The holders of any shares with special control rights and a description of these rights

The Company does not have any shares with special control rights.

Restrictions in exercising of voting rights of shares

The 20 000 shares having the par value of GBP 1 each issued by the Company, bear no voting rights. The Company does not have any other restrictions in exercising of the voting rights of its shares.

The rules regarding the appointment and replacement of board members

The Company may by ordinary resolution appoint any person as a director and may by ordinary resolution of which special notice has been given, in accordance with sections 178 and 136 of the Cyprus Companies Law, cap. 113 (the Law), remove a director. Any such director will receive special notice of the meeting and is entitled to be heard at the meeting. Any director has to confirm in writing that he is eligible under the Law.

A director may resign from office as a director by giving notice in writing to that effect to the Company, which notice shall be effective upon such date as may be specified in the notice.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

CORPORATE GOVERNANCE REPORT (CONTINUED)

The rules regarding the appointment and replacement of board members (continued)

The directors have the power from time to time, without sanction of the Company in general meeting, to appoint any person to be a director, either to fill a casual vacancy or as an additional director.

The office of a director shall be vacated if the director:

(a) becomes of unsound mind or an order is made by a court having jurisdiction (whether in Cyprus or elsewhere) in matters concerning mental disorder for their detention or for the appointment of a receiver, curator or other person to exercise powers with respect to their property or affairs; or

(b) is prohibited from acting as director in accordance with section 180 of the Law; or

(c) becomes bankrupt or makes any arrangement or composition with their creditors generally or otherwise has any judgment executed on any of their assets; or

(d) dies; or

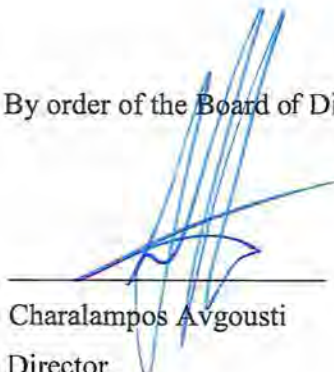
(e) resigns their office by written notice to the Company; or

(f) the Company removes them from their position in accordance with section 178 of the Law.

The rules regarding the amendment of the articles of association

Subject to the provisions of the Law, the Company may, by special resolution, alter or add to its articles of association. Any alteration or addition shall be as valid as if originally contained therein, and be subject in like manner to alteration by special resolution.

By order of the Board of Directors,



Charalampos Avgousti
Director



Sergey Egorov
Director



Nicosia

22 March 2021

Responsibility statement of the Directors and management of the Company in accordance with the Transparency Law

We, the members of the Board of Directors and the Company officials responsible for the drafting of the consolidated financial statements of ETALON GROUP PLC (the 'Company'), the names of which are listed below, in accordance with the requirements of the Section 9 of the Transparency Requirements (Security Admitted to Trading) Law 190(I)/2007 (hereinafter the "Transparency Law"), as amended, confirm that we have complied with the requirements in preparing the financial statement and that to the best of our knowledge:

- (a) The consolidated annual financial statements for year ended 31 December 2020:
- (i) Have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), in accordance with the provisions of section 9(4) of the Transparency Law and in accordance with Cyprus Companies Law, Cap.113;
 - (ii) Give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidated financial account as a whole, and
- (b) The management report provides a fair overview on information required as per Section 9(6)(a) of the Transparency Law.

SERGEY EGOROV, Chairman of the Board of Directors	
MAKSIM BERLOVICH, Member of the Board of Directors	
OLEG MUBARAKSHIN, Member of the Board of Directors	
MARINA OGLOBLINA, Member of the Board of Directors	
GANNA KHOMENKO, Member of the Board of Directors	
MARTIN ROBERT COCKER, Member of the Board of Directors	
BORIS SVETLICHNY, Member of the Board of Directors	
CHARALAMPOS AVGOUSTI, Member of the Board of Directors	
DENIS VINOKUROV, Member of the Board of Directors	
GENNADII SHCHERBINA, Chief Executive Officer	
ILYA KOSOLAPOV, Chief Financial Officer	

22 March 2021

Independent Auditor's Report

To the Members of Etalon Group PLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Etalon Group PLC (the "Company") and its subsidiaries (the "Group"), which are presented in pages 19 to 87 and comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We remained independent of the Group throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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Offices: Nicosia, Limassol

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Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
--	---

Revenue recognition

In accordance with IFRS 15 *Revenue from Contracts with Customers*, the Group recognizes revenue from sale of real estate inventories as performance obligations are satisfied (i.e. over time) or when performance obligations are satisfied (i.e. at a point in time) depending on the type of contract and the date of its registration with the state authorities.

We consider revenue recognition under IFRS 15 to be a key audit matter due to:

- significance of judgments applied when determining at the reporting date percentage of construction completion and the progress toward satisfying the Group's performance obligations and cost to completion under share participation agreements giving rise to over-time revenue recognition;
- the complexity of judgements involved in determining the financing component for the particular share participation agreements, as well as calculating the correct portion to be recognized in profit or loss of the reporting period.

The accounting policies on revenue under share participation agreements and key sources of estimation uncertainly are disclosed in Note 2(d) and Note 3(i). For other disclosures of revenue refer to Note 6.

Our audit procedures included amongst others:

We analyzed the Group's contracts with customers to identify the rights and obligations of the parties, challenged the appropriateness of revenue recognition method used by the Group, taking into account current legal practices in respect of such contracts.

We obtained an understanding, assessed design and implementation and tested the operating effectiveness of controls over the construction costs budgeting process and assessed the appropriateness of assumptions related to estimating the planned costs and expected construction timeline, which are used by the Group's management in measuring the progress toward completion when revenue is recognized over time. In addition, we performed a retrospective analysis of the Group's fulfilment of the budgets and construction milestones in the past.

On a sample basis, we verified the costs of particular construction stages in accordance with the agreements with contractors signed by the reporting date to the costs in the respective stages of the construction budgets. In addition, we inspected a sample of primary documentation supporting the cost of construction incurred by contractors by the reporting date.

We also verified the Group's calculations of recognized revenue and significant financing component by performing the following:

- on a sample basis, we traced input data in the calculations to the respective share participation agreements;
- we verified that the discount rates applied by the Group reflect the credit characteristics of the party receiving financing in the contract, and that the rates determined at contract inception are applied consistently over the contract term;
- we checked the arithmetical accuracy of the Group's calculations.

We reviewed the disclosures in the consolidated financial statements for compliance with the requirements of IFRS 15.

All the above procedures were completed in a satisfactory manner.

Independent Auditor's Report (continued) To the Members of Etalon Group PLC

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Net realizable value of inventories	
<p>The Group has significant inventory balance (refer to Note 17 in the consolidated financial statements), which includes real estate under construction and development, as well as completed properties, construction materials and other inventories. The Group measures its inventories at the lower of cost and net realizable value.</p> <p>We consider this area to be a key audit matter because it requires use of observable and unobservable inputs and application of a significant degree of judgment when developing assumptions, in particular in relation to:</p> <ul style="list-style-type: none"> the cost to complete construction; expected timing and prices of sale; the level of overhead expenses as percentage of revenue; the discount rate used to arrive to the present value of the future expected cash flows. <p>The accounting policies on inventories key sources of estimation uncertainty are disclosed in Note 2(d) and Note 3(h).</p>	<p>Our audit procedures included amongst others:</p> <p>We evaluated the appropriateness of management's assumptions applied in calculating the carrying value of inventories including:</p> <ul style="list-style-type: none"> understanding the Group's processes and procedures for developing assumptions used; assessing the appropriateness of the discount rate used; reviewing, recalculating and critically assessing the reasonableness of the assumptions used in calculation of allowance for inventories considering: <ul style="list-style-type: none"> historical turnover and prices of sales in these and/or similar projects; price growth rates for future sales; budgeted costs to complete construction; budgeted general, administrative and selling expenses. <p>We also assessed whether the disclosure in the consolidated financial statements in respect of the inventory allowances is in compliance with IFRS requirement.</p> <p>All the above procedures were completed in a satisfactory manner.</p>

Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report and the Responsibility Statement of the Directors and management of the Company in accordance with the Transparency Law of the Directors and Management of the Company, which are presented in pages 4 to 11, and the supplementary information included in pages 88 to 89 presented for the purpose of additional analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continue)

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view;
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters.

Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Group on 19 December 2019 by an Extraordinary Meeting of shareholders. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of two years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 19 March 2021 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated financial statements or the consolidated management report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the Consolidated Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Consolidated Management Report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance report in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the Consolidated Management Report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the consolidated financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance report includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Other Matters

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Kerry Whyte.



Kerry Whyte
Certified Public Accountant and Registered Auditor
for and on behalf of

Deloitte Limited
Certified Public Accountants and Registered Auditors

Nicosia, 22 March 2021


Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020

mln RUB	Note	2020	2019
Revenue from sale of real estate accounted for at historical cost		51 801	62 609
Revenue from sale of real estate acquired through business combinations and recognised at fair value at initial recognition		18 675	10 875
Other revenue		8 179	10 846
Revenue	6	78 655	84 330
Cost of sales of real estate accounted for at historical cost		(33 744)	(44 150)
Cost of sales of real estate acquired through business combinations and recognised at fair value at initial recognition		(15 605)	(9 592)
Other cost of sales		(7 391)	(10 531)
Cost of sales		(56 740)	(64 273)
Gross profit from sales of real estate accounted for at historical cost		18 057	18 459
Gross profit from sales of real estate acquired through business combinations and recognised at fair value at initial recognition		3 070	1 283
Gross profit from other sales		788	315
Gross profit		21 915	20 057
General and administrative expenses	7	(5 235)	(7 280)
Selling expenses		(4 560)	(4 822)
Impairment loss on trade and other receivables	26 (b)(iii)	(329)	(476)
Gain from bargain purchase	27	-	729
Other expenses, net	8	(1 573)	(1 724)
Results from operating activities		10 218	6 484
Finance income – interest revenue	11	1 887	2 872
Finance income - other	11	129	119
Finance costs	11	(7 512)	(7 704)
Net finance costs		(5 496)	(4 713)
Profit before income tax		4 722	1 771
Income tax expense	12	(2 686)	(1 585)
Profit for the year		2 036	186
Total comprehensive income for the year		2 036	186
Profit attributable to:			
Owners of the Company		2 036	795
Non-controlling interest		-	(609)
Profit for the year		2 036	186
Total comprehensive income attributable to:			
Owners of the Company		2 036	795
Non-controlling interest		-	(609)
Total comprehensive income for the year		2 036	186
Earnings per share			
Basic and diluted earnings per share (RUB)	22	6,90	2,70

mln RUB	Note	2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	13	3 508	3 561
Investment property	14	691	1 065
Other long-term investments	15	424	190
Trade and other receivables	18	4 253	4 692
Deferred tax assets	16	6 692	3 921
Total non-current assets		15 568	13 429
Current assets			
Inventories under construction and development	17	102 179	85 270
Inventories - finished goods	17	11 291	14 286
Other inventories	17	1 975	1 133
Advances paid to suppliers	18	8 137	9 750
Costs to obtain contracts		840	752
Contract assets	18	7 138	2 463
Trade receivables	18	6 358	7 444
Other receivables	18	6 991	5 486
Short-term investments	19	212	203
Cash and cash equivalents	20	25 830	31 128
Total current assets		170 951	157 915
Total assets		186 519	171 344
EQUITY AND LIABILITIES			
Equity			
Share capital	21	2	2
Share premium	21	15 486	15 486
Reserve for own shares	21	(1)	(1)
Retained earnings		35 586	37 089
Total equity attributable to equity holders of the Company		51 073	52 576
Non-controlling interest		-	-
Total equity		51 073	52 576

mln RUB	Note	2020	2019
Non-current liabilities			
Loans and borrowings	23	34 636	42 258
Trade and other payables	25	26 734	3 227
Provisions	24	129	116
Deferred tax liabilities	16	7 930	6 463
Total non-current liabilities		69 429	52 064
Current liabilities			
Loans and borrowings	23	15 869	10 434
Trade and other payables	25	21 399	19 142
Contract liabilities	25	28 351	36 439
Provisions	24	398	689
Total current liabilities		66 017	66 704
Total equity and liabilities		186 519	171 344

These Consolidated Financial Statements were approved by the Board of Directors on 22 March 2021 and were signed on its behalf by:


 Charalampos Aygousti
 Director


 Sergey Egorov
 Director

mln RUB	Attributable to equity holders of the Company					Non-controlling interest	Total equity
	Share capital	Share premium	Reserve for own shares	Retained earnings	Total		
Balance as at 1 January 2019	2	15 486	(1)	39 802	55 289	2	55 291
Total comprehensive income for the year							
Profit for the year	-	-	-	795	795	(609)	186
Total comprehensive income for the year	-	-	-	795	795	(609)	186
Transactions with owners, recorded directly in equity							
Dividends to equity holders	-	-	-	(3 577)	(3 577)	-	(3 577)
Dividends to non-controlling shareholders of JSC "Leader-Invest"	-	-	-	-	-	(13)	(13)
Acquisition of subsidiary with NCI (note 27)	-	-	-	-	-	15 289	15 289
Acquisition of NCI (note 21)	-	-	-	69	69	(14 669)	(14 600)
Total transactions with owners	-	-	-	(3 508)	(3 508)	607	(2 901)
Balance as at 31 December 2019	2	15 486	(1)	37 089	52 576	-	52 576

mln RUB	Attributable to equity holders of the Company				Non-controlling interest	Total equity
	Share capital	Share premium	Reserve for own shares	Retained earnings		
Balance as at 1 January 2020	2	15 486	(1)	37 089	-	52 576
Total comprehensive income for the year						
Profit for the year	-	-	-	2 036	-	2 036
Total comprehensive income for the year	-	-	-	2 036	-	2 036
Transactions with owners, recorded directly in equity						
Dividends to equity holders	-	-	-	(3 539)	-	(3 539)
Total transactions with owners	-	-	-	(3 539)	-	(3 539)
Balance as at 31 December 2020	2	15 486	(1)	35 586	-	51 073

Consolidated Statement of Cash Flows for the year ended 31 December 2020

mln RUB	Notes	2020	2019
OPERATING ACTIVITIES:			
Profit for the year		2 036	186
<i>Adjustments for:</i>			
Depreciation	13, 14	481	542
Gain on disposal of property, plant and equipment	8	(51)	(274)
Gain on disposal of investment property	8	(103)	(13)
Loss on disposal of inventories under construction and development	8	200	-
Impairment loss on inventories	17	676	1 287
Impairment loss on trade and other receivables, advances paid to suppliers and investments	26 (b)(iii)	418	578
Gain on disposal of subsidiary		-	(87)
Gain from bargain purchase	27	-	(729)
Significant financing component from contracts with customers recognised in revenue		(1 210)	(1 703)
Savings on escrow-backed loans recognised in revenue		(448)	-
Finance costs, net	11	5 496	4 713
Income tax expense	12	2 686	1 585
Cash from operating activities before changes in working capital and provisions		10 181	6 085
Change in inventories		(15 619)	12 506
Change in accounts receivable		2 642	544
Change in accounts payable		24 390	(9 511)
Change in provisions	24	(278)	(420)
Change in contract assets	18	(4 675)	(1 219)
Change in contract liabilities	25	(8 088)	9 290
Cash generated from operating activities		8 553	17 275
Income tax paid		(4 647)	(3 939)
Interest paid		(4 803)	(4 824)
Net cash (used in)/from operating activities		(897)	8 512

Consolidated Statement of Cash Flows for the year ended 31 December 2020

mln RUB	Notes	2020	2019
INVESTING ACTIVITIES:			
Proceeds from disposal of property, plant and equipment		265	346
Proceeds from disposal of investment property		440	76
Interest received		1 103	2 167
Acquisition of property, plant and equipment		(396)	(496)
Loans given		(216)	48
Loans repaid		2	-
Proceeds from disposal of subsidiaries, net of cash disposed of		-	19
Acquisition of subsidiary, net of cash acquired		-	(10 481)
Acquisition of other investments	15, 19	(139)	(75)
Disposal of other investments	15, 19	105	1 359
Net cash from/(used in) investing activities		1 164	(7 037)
FINANCING ACTIVITIES:			
Proceeds from borrowings	23	8 691	30 332
Repayments of borrowings	23	(10 108)	(4 432)
Acquisition of non-controlling interest	21 (e)	-	(14 600)
Payments for lease liabilities, excluding interest	28	(645)	(939)
Dividends paid		(3 527)	(3 599)
Net cash (used in)/from financing activities		(5 589)	6 762
Net (decrease)/increase in cash and cash equivalents		(5 322)	8 237
Cash and cash equivalents at the beginning of the year		31 128	23 066
Effect of exchange rate fluctuations		24	(175)
Cash and cash equivalents at the end of the year	20	25 830	31 128

1 Background

a) Organisation and operations

Etalon Group PLC (Etalon Group Public Company Limited before 27 July 2017 and Etalon Group Limited before 5 April 2017) (the “Company”) and its subsidiaries (together referred to as the “Group”) comprise Russian joint stock companies and limited liability companies, as defined in the Civil Code of the Russian Federation, and companies located abroad.

The Company was incorporated on 8 November 2007 in the Bailiwick of Guernsey.

On 5 April 2017, the Company migrated from Guernsey, Channel Islands, and was registered in the Republic of Cyprus under the name of Etalon Group Public Company Limited.

On 27 July 2017, the Annual General Meeting of Shareholders resolved to change the name of the Company from Etalon Group Public Company Limited to Etalon Group PLC. On 8 August 2017, the change of the Company’s name was approved by the Registrar of Companies and Official Receiver of the Republic of Cyprus.

The Company’s registered office is located at:

2-4 Arch. Makariou III Avenue
Capital Center, 9th floor
1065 Nicosia
Cyprus

The Group’s principal activity is residential development in the Saint-Petersburg metropolitan area and the Moscow metropolitan area, both of which are located in the Russian Federation.

In April 2011, the Company completed an initial public offering and placed its ordinary shares in the form of global depository receipts (“GDR”) on the Main Market of the London Stock Exchange.

b) Business environment

Starting from early 2020, a new coronavirus disease (COVID-19) began rapidly spreading all over the world resulting in an announcement of pandemic status by the World Health Organization in March 2020. Responses put in place by the Russian Federation to contain the spread of COVID-19 resulted in significant operational disruption for many companies and had a significant effect on businesses across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing.

The quarantine measures introduced in the Russian Federation included the closure of the Group’s sales offices. In addition, the Government of Moscow imposed a temporary ban on construction works that lasted from the 13th of April until the 12th of May.

The quarantine measures, accompanied by the reduction of disposable income of households and the increase in unemployment rates, led to the overall decrease of the demand for real estate. At the same time, the Government of the Russian Federation implemented various measures to support both the construction industry and its clients, including the introduction of the preferential 6,5% p.a. mortgage program and an increase of its price limits on apartments, that had a significant positive impact on the demand for real estate.

As of the reporting date, most of the restrictions imposed by the government authorities in the Russian Federation due to the COVID-19 pandemic have been lifted, including on the operation of the Group's sales offices, and the Group observes that the demand for real estate is recovering.

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which display the characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which contribute together with other legal and fiscal impediments to the challenges faced by entities operating in the Russian Federation.

Starting in 2014, the United States of America, the European Union and some other countries have imposed and gradually expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

b) Basis of measurement and going concern principle

The consolidated financial statements are prepared on the historical cost basis. Management prepared these consolidated financial statements on a going concern basis. When making an assessment of the Group's ability to continue as a going concern over the next 12 months, the management took into account all available information about the future, noting that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the Company's functional currency and the currency in which these consolidated financial statements are presented. The functional currency of most of the most Group's subsidiaries, including foreign operations, is the RUB, as the activities of foreign operations are carried out as an extension of the activities of the Group in the Russian Federation.

All financial information presented in RUB has been rounded to the nearest million.

d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical accounting judgments

The following is the critical accounting judgement (apart from judgements involving estimation which are dealt with separately below), made during the year that had the most significant effect on the amounts recognised in the consolidated financial statements.

Effective from 1 January 2019, the Group ceased capitalisation of borrowing costs into the cost of inventories under construction and development, revenue for which is recognized over time. The change in accounting policy was driven by a change in significant judgment that the land cost, being the part of inventory (work-in-progress), is not a qualifying asset for capitalisation of borrowings costs as defined in IAS 23 Borrowing Costs.

Key sources of estimation uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 6 – revenue: measurement of the progress towards complete satisfaction of the performance obligation, including estimation of the total costs to satisfy the performance obligation;
- Note 17 – inventories –impairment provisions: the discount rate and the years of turnover of parking places; recognition of obligations for the construction of social infrastructure: construction budgets and timing of construction;
- Note 26(b)(ii) – measurement of Expected Credit Loss (ECL) allowance for trade and other receivables and contract assets: probability of default and loss given default;
- Note 27 – acquisition of subsidiary: fair value of the assets acquired and liabilities assumed.

e) Changes in accounting policies

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

i) New Standards and Interpretations

The Group adopted all new standards and interpretations that were effective from 1 January 2020. The adoption of these standards and interpretations did not have any material effect on the Group's consolidated financial statements.

New and amended standards and interpretations issued but not yet effective

The following amendments to the standards and interpretations are effective for annual periods beginning on or after 1 January 2021. The Group has not yet analysed the likely impact of the new standards and interpretations on its financial position or performance.

- Amendments to IFRS 3 *Business Combinations* – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 *Conceptual Framework* instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 *Levies*, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

- IFRS 17 *Insurance Contracts* (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 *Presentation of Financial Statements* - classification of liabilities as current or non-current – (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 9 *Financial Instruments* as a result of the 2018-2020 Annual Improvements to IFRSs. - fees in the "10 percent" test for derecognition of financial liabilities (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates* - sale or contribution of assets between an investor and its associate or joint venture (effective date to be determined by the IASB);
- Amendments to IAS 16 *Property, Plant and Equipment*, prohibiting companies from deducting from the value of property, plant and equipment the amounts received from sale of manufactured items while the company is preparing the asset for its intended use (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 37 - costs to be included in assessing onerous contracts (effective for annual periods beginning on or after 1 January 2022);
- Other annual improvements to IFRSs.

3 Significant accounting policies

a) Basis of consolidation

(i) *Business combinations*

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The identifiable assets acquired and the liabilities assumed, as well as the consideration transferred in the acquisition are measured at their acquisition-date fair values.

The Group recognises goodwill as of the acquisition date as acquisition-date fair value consideration transferred plus the amount of any non-controlling interest in the acquiree plus the acquisition-date fair value of the acquirer's previously held equity interest in the acquire (in a business combination achieved in stages) less the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls another entity when it holds more than half of the voting rights of the other entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The Group's significant subsidiaries are disclosed in note 32.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

b) Foreign currency

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

c) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement**Financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets – assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent solely with the payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses***Financial assets at amortised cost***

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Group has fixed rate bank loans for which the banks have the option to revise the interest rate following the change of key rate set by the Central Bank of Russia (CBR). The Group have an option to either accept the revised rate or redeem the loan at par without penalty. The Group considers these loans as in essence floating rate loans.

(iii) Modification of financial assets and financial liabilities**Financial assets**

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Group analogizes to the guidance on the derecognition of financial liabilities.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Group applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Group recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the CBR key rate, if the loan contract entitles banks to do so and the Group have an option to either accept the revised rate or redeem the loan at par without penalty. The Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change in the currency of the financial liability;

- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(iv) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(vi) Impairment

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group uses a simplified approach to measure loss allowance at an amount equal to lifetime ECLs for trade receivables and contract assets that result from transactions that are within the scope of IFRS 15, irrespective of whether they contain a significant financing component or not.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

For measuring of loss allowance for trade receivables and contract assets, the Group allocates those financial assets into the following two categories based on shared credit risk characteristics that are determined by existence of a collateral:

- Trade receivables and contract assets arising from sales of real estate;
- Trade receivables and contract assets arising from provision of construction services and other operations.

The Group does not transfer title for sold properties to customers until they settle their accounts in full. In case a customer fails to settle obligations in a reasonable time as determined in their sales contract, the Group initiates termination of the sales contract, the properties are returned to the Group and in addition, the Group withholds a penalty from the amount of consideration it returns to the customer. The properties are subsequently sold to other customers, and the cash flows from sale of collateral are included into the cash flows that the Group expects to receive under the initial contract. The Group estimates and recognises ECLs on trade receivables based on its own statistics about contract termination and credit losses incurred.

For the second category of receivables and contract assets, the Group calculates ECL based on individual credit risk ratings of each debtor and the remaining terms to maturity. The Group determines the inputs for calculation of ECL such as probability of default and loss given default using both internal and external statistical data. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group defines default event when a financial asset is more than 90 days past due or it is unlikely that the debtor's obligations to the Group will be repaid in full without the Group taking such actions as the sale of the collateral (if any).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery of a financial asset. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

d) Advances paid and contract liabilities

Due to the nature of its activities, the Group receives significant advances from customers (designated as contract liabilities), and makes significant prepayments to sub-contractors and other suppliers. Advances paid are recognised on an undiscounted basis. The Group adjusts contract liabilities for the significant financing component if the timing of payments agreed to by the parties provides the Group with a significant benefit of financing.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances and call deposits with original maturities of three months or less. In accordance with IFRS 9, cash and cash equivalents are classified at amortised cost.

f) Property, plant and equipment**(i) Recognition and measurement**

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment loss.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1 January 2008, the date of transition to IFRSs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "other income" in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of

each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings and constructions 7-30 years;
- Machinery and equipment 5-15 years;
- Vehicles 5-10 years;
- Other assets 3-7 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. No estimates in respect of plant and equipment were revised in 2020.

g) Investment property

Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

h) Inventories

Inventories comprise real estate properties under construction and development (including residential premises, stand-alone and built-in commercial premises) when the Group acts in the capacity of a developer, finished goods, and construction and other materials.

The Group accounts for stand-alone and built-in commercial properties within inventories because it does not intend to engage in renting-out those assets and keeping those as investment properties to generate rental income and benefit from appreciation. Properties classified as inventory may be rented out on a temporary basis while the Group is searching for a buyer. Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of real estate properties under construction and development is determined on the basis of specific identification of their individual costs. The costs of individual residential units and built-in commercial premises are arrived at by allocating the costs of a particular development project to individual apartments and built-in premises on a pro rata basis relative to their size.

Since 1 January 2017, for items on which revenue is recognized over time, real estate property under construction and development is treated as an asset ready for sale in its current condition and is not a qualifying asset for the capitalization of borrowing costs.

The costs of real estate property comprise costs of construction and other expenditure directly attributable to a particular development project.

The cost of inventories, other than construction work in progress intended for sale, is based on the weighted average cost formula and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost of manufactured inventories and work in progress includes an appropriate share of overheads based on normal operating capacity. Transfer from real estate properties under construction and development to the stock of finished goods occurs when the respective building is

approved by the State commission established by the local regulating authorities for acceptance of finished buildings and the building is ready for housing.

The Group's inventory is not limited to 12 months and may be of longer term since the development cycle exceeds 12 months. Inventories are classified as current assets even when they are not expected to be realised within twelve months after the reporting date.

i) Revenue

(i) *Revenue from sale of real estate properties (including flats, commercial premises and parking places)*

Revenue is measured based on the consideration specified in a contract with a customer adjusted for the effect of the time value of money (significant financing component) if the timing of payments agreed to by the parties provides the customer or the Group with a significant benefit of financing. The timing of satisfaction of the Group's performance obligations does not necessarily correspond to the typical payment terms, as the Group either accepts full down payments at the inception of construction, or provides instalment plans for the whole period of construction or beyond it.

The Group recognises revenue when (or as) it transfers control over an asset to a customer. Transfer of control may vary depending on the individual terms of the sales contracts.

For contracts for the sale of finished goods, the Group generally considers that control have been transferred on the date when a buyer signs the act of acceptance of the property.

For each performance obligation satisfied over time (promise to transfer an apartment specified in the contract with a customer in a multicompartment building under construction), the Group recognises revenue over time by measuring the progress towards satisfaction of that performance obligation using the input method.

The Group applies the input method because it believes that there is a direct relationship between the Group's inputs and the transfer of control of goods or services to a customer. The measurement of the value to the customer of the goods or services transferred to date, applied under the output method, is not available for the Group without undue cost. The Group excludes from the input method the effects of any inputs that do not contribute to the Group's progress in satisfying the performance obligation.

Under the input method, revenue is recognised on the basis of costs incurred relative to the total expected costs to the satisfaction of that performance obligation that is the proportion of costs incurred to date to construct a multicompartment building to the total costs to construct the building in accordance with a business plan.

The progress is considered to be the same for all apartments within a building, irrespective of their floors, and revenue is recognised with respect to apartments that are contracted under share participation agreements. Costs used to measure progress towards complete satisfaction of performance obligation include costs of design and construction of a multicompartment building and exclude the cost of acquisition of land plots. The cost of acquisition of land plot is recognised in cost of sales consistently with the transfer to the customers of the apartments to which the land plot relates.

In relation to sales via housing cooperatives, revenue is recognized on the date when sold real estate property is transferred to, and accepted by, the cooperative. Before that date, the respective building has to be approved by the State commission for acceptance of finished buildings.

When adjusting the promised amount of consideration (monetary or non-monetary) for a significant financing component, the Group applies discount rates that would be reflected in a separate financing transaction between the entity and its customer at contract inception that is typically the average mortgage rate for contract assets and the Group's incremental borrowing rate for contract liabilities.

When the Group finances construction of residential buildings using project financing backed by balances on escrow accounts, it adjusts transaction price for the difference between interest expense on borrowings calculated using the base interest rate and the preferential interest rate. Interest rate on project financing depends on the proportion of balances on escrow accounts to the balance of project loan and varies from base interest rate (no balances on escrow accounts) to preferential interest rates (balances on escrow accounts exceed or equal balance of project loan).

As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between the transfer of a promised good to a customer and the customer's payment for that good will be one year or less.

Costs to obtain contracts

The Group recognises as an asset the incremental costs of obtaining a contract with a customer. These costs usually include sales commissions and insurance payments for share participation agreements. Such assets are amortised on the basis of the progress towards complete satisfaction of respective performance obligations and are included into selling expenses.

(ii) Revenue from construction services

For accounting purposes, the Group distinguishes two types of construction contracts:

- 1) Contracts for provision of construction services;
- 2) Contracts for construction of an asset.

For the first type of contracts, revenue from construction services rendered is recognized in the consolidated statement of Profit or Loss and Other Comprehensive Income when the Group transfers control of a service to customer. These contracts are normally short-term, therefore revenue is recognised when the customer signs the act of acceptance of the construction service.

For the second type of contracts revenue is recognized over time by measuring progress towards complete satisfaction of the performance obligation at the reporting date, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, using the input method. Contract costs are recognised as expenses in the period in which they are incurred except when the costs are the costs that generate or enhance resources of the entity that will be used in satisfying a performance obligation in future.

Some or all of an amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when that uncertainty associated with the variable consideration is subsequently resolved.

The Group accounts for a contract modification (change in the scope or price (or both)) when that is approved by the parties to the contract.

Where the outcome of a performance obligation cannot be reasonably measured, contract revenue is recognised to the extent of costs incurred in satisfying the performance obligation that is expected to be recovered.

When it becomes probable that total contract costs will exceed total contract revenue, the Group recognises expected losses from onerous contract as an expense immediately.

(iii) Revenue from sale of construction materials

Revenue from the sale of construction materials is recognised in the consolidated statement of profit or loss and other comprehensive income when the Customer obtains control of a promised asset.

j) Leases

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises right-of-use assets and lease liabilities primarily for its operating leases of land plots for development purposes.

The Group does not present right-of-use assets for land plots separately in the statement of financial position but includes such assets within inventories under construction and development. The depreciated part of right-of-use asset arising from lease of land plots is recognised within cost of sales on the same basis as the cost of acquisition of land plots, see note 3(h)(i).

The Group presents lease liabilities in “Trade and other payables” (note 25) in the statement of financial position.

In accordance with IFRS 16 variable payments which do not depend on an index or rate, i.e. do not reflect changes in market rental rates, should not be included in the calculation of lease liability. In respect of municipal (or federal) land leases where the lease payments are based on cadastral value of the land plot and do not change until the next potential revision of that value or payments (or both) by the authorities, the Group determined that these lease payments are not considered as either variable (that depend on an index or rate or reflect changes in market rental rates) or in-substance fixed, and therefore these payments are not included in the measurement of the lease liability.

The lease liability is initially measured at the present value of the outstanding lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Lease modifications

A lessee accounts for a lease modification as a separate lease if both:

- (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For lease modifications that are not accounted for as separate leases, lease liabilities are remeasured by discounting the revised lease payments using revised discount rates and making corresponding adjustments to the right-of-use assets.

k) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax

payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

IFRIC 23 *Uncertainty over Income Tax Treatments* clarified how to account for a tax liability or a tax asset when there is an uncertainty over income tax treatments by the taxation authorities. The tax amounts recorded in these consolidated financial statements are consistent with the tax returns of the Group's subsidiaries and therefore no uncertainty is reflected in measurement of current and deferred taxes, as the Group believes that it is probable that the taxation authorities will accept the treatment in tax returns. The Group will reassess its judgements and estimates whenever there is a change in facts and circumstances – e.g. examinations of taxation authorities, changes in tax legislation or expiration of rights to examine tax amounts.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Non-derivative financial assets

The fair value of trade and other receivables, excluding construction work in progress and held to maturity investments, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Further information about the assumptions made in measuring fair values in course of business combinations is included in the note 27 – Acquisition of subsidiary.

5 Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- *Residential development.* Includes construction of residential real estate including flats, built-in premises and parking places.
- *Construction services.* Includes construction services for third parties and for internal purpose.
- *Other operations.* Include selling of construction materials, construction of stand-alone premises for commercial use and various services related to sale and servicing of premises. None of these meets any of the quantitative thresholds for determining reportable segments during the year ended 31 December 2020 or 2019.

Performance of the reportable segments is measured by the management based on gross profits, on the way in which the management organises the segments within the entity for making operating decisions and in assessing performance.

Starting from 2020, the performance of the reportable segment “Residential development” is additionally assessed on the basis of gross profit adjusted for purchase price allocation from acquisition of Leader-Invest. The information for that reportable segment in respect of the year ended 31 December 2019 is provided for the comparability purposes.

General and administrative expenses, selling expenses, finance income and finance costs are treated as equally attributable to all reporting segments and are not analysed by the Group on a segment-by-segment basis and therefore not reported for each individual segment.

The transition from the scheme of customer financing to the bank project financing backed by escrow accounts led to the emergence of significant assets and liabilities that are attributable only to the reportable segment *Residential development* and are not attributable to other segments. Under the circumstances, the Board of Directors elected to focus on the measures of profit or loss of each reportable segment. Therefore the information about reportable segments' assets and liabilities, including the amounts for the year ended 31 December 2019, were excluded from the information about reportable segments.

a) Information about reportable segments

mln RUB	Residential development		Construction services		Other		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
External revenues	70 476	73 484	3 137	5 611	5 042	5 235	78 655	84 330
<i>Including:</i>								
St. Petersburg metropolitan area	30 649	32 463						
Moscow metropolitan area	39 827	41 021						
Inter-segment revenue	-	-	16 459	15 187	2 149	626	18 608	15 813
Total segment revenue	70 476	73 484	19 596	20 798	7 191	5 861	97 263	100 143
Etalon without Leader-Invest	51 801	62 609	19 422	20 798	6 693	5 538	77 916	88 945
Leader-Invest sub-group	18 675	10 875	174	-	498	323	19 347	11 198
Gross profit adjusted for purchase price allocation from acquisition of Leader-Invest	24 987	22 420	251	110	558	205	25 796	22 735
Gross profit adjusted for purchase price allocation from acquisition of Leader-Invest, %	35%	31%						
Gross profit	21 127	19 742	251	110	537	205	21 915	20 057
<i>Including:</i>								
St. Petersburg metropolitan area	8 556	7 571						
Moscow metropolitan area	12 571	12 171						
Gross profit, %	30%	27%						
<i>Including:</i>								
St. Petersburg metropolitan area	28%	23%						
Moscow metropolitan area	32%	30%						

b) Geographical information

In presenting information on the basis of geographical information, revenue is based on the geographical location of properties. Non-current assets exclude financial instruments and deferred tax assets.

mln RUB	Revenues		Non-current assets	
	2020	2019	2020	2019
St. Petersburg metropolitan area	37 679	40 640	2 982	3 190
Moscow metropolitan area	40 976	43 690	1 217	1 436
	78 655	84 330	4 199	4 626

c) Reconciliations of reportable segment revenues and gross profit

mln RUB	2020	2019
Reconciliation of revenue		
Total revenue for reportable segments	97 263	100 143
Elimination of inter-segment revenue	(18 608)	(15 813)
Consolidated revenue	78 655	84 330

Reconciliation of gross profit adjusted for purchase price allocation from acquisition of Leader-Invest to profit before tax

Total gross profit for reportable segments adjusted for purchase price allocation from acquisition of Leader-Invest	25 796	22 735
Purchase price allocation from acquisition of Leader-Invest included in cost of sales	(3 881)	(2 678)
Consolidated gross profit	21 915	20 057

Unallocated amounts

General and administrative expenses	(5 235)	(7 280)
Selling expenses	(4 560)	(4 822)
Impairment loss on trade and other receivables	(329)	(476)
Gain from bargain purchase	-	729
Other expenses, net	(1 573)	(1 724)
Finance income and interest revenue	2 016	2 991
Finance costs	(7 512)	(7 704)
Consolidated profit before income tax	4 722	1 771

6 Revenue

mln RUB	2020	2019
Sale of flats - transferred at a point in time	13 781	14 032
Sale of flats - transferred over time	48 077	48 524
Sale of built-in commercial premises - transferred at a point in time	1 973	3 033
Sale of built-in commercial premises - transferred over time	2 815	2 833
Sale of parking places - transferred at a point in time	2 199	3 521
Sale of parking places - transferred over time	1 631	1 541
<i>Total revenue - segment Residential development (note 5 (a))</i>	<i>70 476</i>	<i>73 484</i>
Long term construction contracts - transferred over time	2 368	4 922
Short term construction services - transferred at a point in time	769	689
<i>Total revenue of segment Construction services (note 5 (a))</i>	<i>3 137</i>	<i>5 611</i>
Sale of construction materials - transferred at a point in time	2 429	2 675
Sale of stand-alone commercial premises - transferred over time	122	-
Other revenue - transferred over time	1 807	1 695
<i>Total other revenue (note 5 (a))</i>	<i>4 358</i>	<i>4 370</i>
Total revenues from contracts with customers	77 971	83 465
Rental revenue (note 5 (a))	684	865
Total revenues	78 655	84 330

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers

mln RUB	2020	2019
Trade receivables	10 413	12 073
Contract assets	7 138	2 463
Contract liabilities	(28 351)	(36 439)

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on sale of flats and built-in commercial premises under share participation agreements and for long-term construction contracts. Contract assets are transferred to trade receivables when the rights become unconditional.

Payment terms for contracts on the sale of flats and built-in commercial premises under share participation agreements usually include advance payments, payments in installments until the date of completion of construction and for specific projects - payment in arrears of 2 to 5 years after the date of completion of construction.

Contract liabilities include advance consideration received from customers.

The explanation of significant changes in contract asset and contract liability balances during the reporting period is presented in the table below.

mln RUB	2020		2019	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Balance at 1 January	2 463	(36 439)	1 244	(27 149)
Revenue recognised in the reporting year that was included in the contract liability balance at the beginning of the year	-	33 524	-	28 984
Increases due to cash received, excluding amounts recognized as revenue during the year	-	(24 037)	-	(28 590)
Acquisition through business combination	-	-	134	(7 065)
Transfers from contract assets recognised at the beginning of the year to receivables	(1 552)	-	(1 037)	-
Increase as a result of changes in the measure of progress	6 077	-	2 049	-
Financing component under IFRS 15	150	(1 399)	73	(2 619)
Balance at 31 December	7 138	(28 351)	2 463	(36 439)
Change during the year	4 675	8 088	1 219	(9 290)

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

31 December 2020 mln RUB	2021	2022	2023	Total
Residential development	28 867	9 270	691	38 828
Construction services	569	-	-	569
Construction of stand-alone commercial premises	2 591	1 931	-	4 522
Total	32 027	11 201	691	43 919

31 December 2019 mln RUB	2020	2021	2022	2023	Total
Residential development	23 294	5 434	869	98	29 695
Construction services	2 313	-	-	-	2 313
Total	25 607	5 434	869	98	32 008

The Group applies a practical expedient included in par. 121 of IFRS 15 and does not disclose information about its remaining performance obligations for contracts that have an original expected duration of one year or less.

7 General and administrative expenses

mln RUB	2020	2019
Payroll and related taxes	3 224	4 825
Services	655	460
Other taxes	244	521
Audit and consulting services	237	429
Depreciation	227	218
Bank fees and commissions	111	156
Repair and maintenance	75	102
Materials	50	73
Other	412	496
Total	5 235	7 280

Remuneration of the statutory audit firm for the year ended 31 December 2020 amounted to RUB 7.7 million for audit services (2019: RUB 5.9 million) and RUB 0.9 million for other assurance services (2019: RUB 3 million). Remuneration of other members of the statutory auditors' network for the year ended 31 December 2020 amounted to RUB 4.7 million for audit services (2019: RUB 4.7 million) and RUB 0.8 million for other assurance services (2019: RUB 7.9 million).

8 Other expenses, net

mln RUB	2020	2019
<i>Other income</i>		
Fees and penalties received	220	153
Gain on disposal of investment property	103	13
Gain on disposal of property, plant and equipment	51	274
Reversal of impairment of an investment in an associate	38	-
Gain on disposal of subsidiary	-	87
Other income	151	74
	563	601
<i>Other expenses</i>		
Impairment loss on inventories (note 17)	(676)	(1 287)
Other taxes	(265)	(493)
Loss on disposal of inventories under construction and development	(200)	-
Fees and penalties incurred	(67)	(231)
Cost of social infrastructure for completed projects	(178)	(125)
Contingent consideration for acquisition of Leader-Invest	(143)	-
Charity	(38)	(29)
Other expenses	(569)	(160)
	(2 136)	(2 325)
Other expenses, net	(1 573)	(1 724)

9 Personnel costs

mln RUB	2020	2019
Wages and salaries	7 121	8 030
Social security contributions	1 567	1 729
	8 688	9 759

Remuneration to employees in respect of services rendered during the year is recognised on an undiscounted basis as an expense in the consolidated statement of profit or loss and other comprehensive income as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or other profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The Group pays fixed contributions to Russia's State pension fund and has no legal or constructive obligation to pay further amounts.

During the year ended 31 December 2020, personnel costs and related taxes included in cost of production amounted to RUB 4 480 million (year ended 31 December 2019: RUB 4 032 million). The remaining part of personnel expenses was subsumed within general and administrative expenses

and selling expenses in the total amount of RUB 4 208 million (year ended 31 December 2019: RUB 5 727 million).

The average number of staff employed by the Group during the year ended 31 December 2020 was 4 671 employees (year ended 31 December 2019: 4 821 employees).

10 Share-based payment arrangements

Share option programme (equity-settled)

On 8 June 2018, the Company granted awards in the form 5 550 000 GDRs of the Company's ordinary shares under the Company's management incentive plan to senior management team employees and executive directors. There were no vesting conditions in the share based payment, but a restriction (lock up period) of 7 years, during which the participants were not entitled to sell, transfer or otherwise dispose any respective GDRs received from the Group, unless such sale, transfer or disposal has been approved by the Group.

Following the share based payment dated 8 June 2018, the Group has no share-based payment arrangements in place.

As of the date these consolidated financial statements have been authorised for issue, senior management team employee currently employed by the Group, continues holding the granted GDRs.

11 Finance income and finance costs

mln RUB	2020	2019
Recognised in profit or loss		
Finance income		
Interest income under the effective interest method on:		
- Cash and cash equivalents (except bank deposits)	518	1 358
- Unwinding of discount on trade receivables	634	705
- Bank deposits - at amortised cost	585	736
- Interest income - financing component under IFRS 15	150	73
Total interest income arising from financial assets measured at amortised cost	1 887	2 872
Gain on write-off of accounts payable	105	111
Impairment (loss)/reversal on investments	(12)	8
Net foreign exchange gain	36	-
Finance income - other	129	119
Finance costs		
Financial liabilities measured at amortised cost:		
- Interest expenses - financing component under IFRS 15	(1 399)	(2 619)
- Interest expenses - borrowing costs	(4 924)	(4 387)
- Interest expense on leases	(167)	(233)
- Unwinding of discount on other payables	(915)	(171)
Impairment loss on advances paid to suppliers	(9)	(102)
Other finance costs	(98)	(20)
Net foreign exchange loss	-	(172)
Finance costs	(7 512)	(7 704)
Net finance costs recognised in profit or loss	(5 496)	(4 713)

In addition to interest expense recognised in the consolidated statement of profit or loss and other comprehensive income, the following amounts of borrowing costs and significant financing component have been capitalised into the cost of real estate properties under construction and development (revenue for which is not recognised over time):

mln RUB	2020	2019
Borrowing costs and significant financing component capitalised during the year	274	397
Weighted average capitalisation rate	14,86%	14,86%

During the year ended 31 December 2020, borrowing costs and significant financing component that have been capitalised into the cost of real estate properties under construction and development (revenue for which was not recognised over time) in the amount of RUB 212 million (year ended 31 December 2019: RUB 1 164 million), were included into the cost of sales upon construction and sale of those properties – including borrowing costs in the amount of RUB 116 million (year ended 31 December 2019: RUB 808 million) and significant financing component in the amount of RUB 96 million (year ended 31 December 2019: RUB 356 million).

12 Income tax expense

The Company's applicable tax rate under the Cyprus Income Tax Law is 12.5%. The Cypriot subsidiaries' applicable tax rate is 12.5%. For the Russian companies of the Group the applicable income tax rate is 20% (year ended 31 December 2019: 20%).

mln RUB	2020	2019
Current tax expense		
Current year	3 991	3 390
(Over)/under-provided in prior year	(4)	9
	3 987	3 399
Deferred tax expense		
Origination and reversal of temporary differences	(1 301)	(1 814)
Income tax expense	2 686	1 585

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate 20% :

mln RUB	2020	2019
Profit before income tax	4 722	1 771
Theoretical income tax at statutory rate of 20%	944	354
<i>Adjustments due to:</i>		
(Over)/under-provided in prior year	(4)	9
Tax losses for which no deferred tax asset was recognised	84	-
Write-off of previously recognised deferred tax assets	273	-
Tax effect of dividends from Russian subsidiaries	233	115
Expenses not deductible and income not taxable for tax purposes, net	1 156	1 107
Income tax expense	2 686	1 585

13 Property, plant and equipment

During the year ended 31 December 2020, depreciation expense of RUB 239 million (year ended 31 December 2019: RUB 281 million) has been charged to cost of sales, RUB 13 million (year ended 31 December 2019: RUB 16 million) to cost of real estate properties under construction and development, RUB 28 million to other expenses, net (year ended 31 December 2019: RUB 12 million) and RUB 179 million (year ended 31 December 2019: RUB 218 million) to general and administrative expenses.

mln RUB	Buildings and constructions	Machinery and equipment	Vehicles	Other	Land	Construction in progress	Total
Cost							
Balance at 1 January 2019	2 344	2 537	133	270	121	210	5 615
Additions	319	66	27	64	-	154	630
Acquisition through business combination	372	6	-	20	-	5	403
Disposals	(188)	(130)	(42)	(39)	(1)	(2)	(402)
Transfers	81	3	-	14	-	(98)	-
Balance at 31 December 2019	2 928	2 482	118	329	120	269	6 246
Balance at 1 January 2020	2 928	2 482	118	329	120	269	6 246
Additions	144	90	5	83	-	143	465
Disposals	(215)	(113)	(12)	(33)	(3)	-	(376)
Transfers	70	-	-	69	-	(139)	-
Balance at 31 December 2020	2 927	2 459	111	448	117	273	6 335
Depreciation and impairment losses							
Balance at 1 January 2019	(378)	(1 788)	(91)	(163)	-	-	(2 420)
Depreciation for the year	(287)	(159)	(18)	(61)	-	-	(525)
Disposals	105	94	36	25	-	-	260
Balance at 31 December 2019	(560)	(1 853)	(73)	(199)	-	-	(2 685)
Balance at 1 January 2020	(560)	(1 853)	(73)	(199)	-	-	(2 685)
Depreciation for the year	(232)	(140)	(16)	(69)	-	-	(457)
Disposals	182	101	10	22	-	-	315
Balance at 31 December 2020	(610)	(1 892)	(79)	(246)	-	-	(2 827)
Carrying amounts							
Balance at 1 January 2019	1 966	749	42	107	121	210	3 195
Balance at 31 December 2019	2 368	629	45	130	120	269	3 561
Balance at 1 January 2020	2 368	629	45	130	120	269	3 561
Balance at 31 December 2020	2 317	567	32	202	117	273	3 508

14 Investment property

mln RUB	2020	2019
Cost		
Balance at 1 January	1 375	587
Acquisition through business combination	-	838
Additions	-	15
Disposals	(358)	(65)
Balance at 31 December	1 017	1 375
Accumulated depreciation and impairment losses		
Balance at 1 January	(310)	(281)
Depreciation for the period	(37)	(31)
Disposals	21	2
Balance at 31 December	(326)	(310)
Carrying amount at 1 January	1 065	306
Carrying amount at 31 December	691	1 065

The Group's investment properties represent various commercial property. The Group accounts for investment properties at cost less accumulated depreciation and impairment losses.

As at 31 December 2020, the fair value of investment property amounted to RUB 1 027 million (31 December 2019: RUB 1 289 million), which was determined based on discounted cash flows from the use of the property. Fair value estimate represents level 3 of the fair value hierarchy. The Group did not identify any indicators of impairment as at 31 December 2020 and 31 December 2019, and did not recognise any impairment losses for investment property during the year ended 31 December 2020 and 2019.

15 Other long-term investments

mln RUB	2020	2019
Loans - at amortised cost	321	106
Investment in associate	124	-
Bank promissory notes - at amortised cost	3	96
	448	202
Loss allowance for loans given	(24)	(11)
Loss allowance for promissory notes	-	(1)
	424	190

As at 31 December 2020, bank promissory note in the amount of RUB 3 million (31 December 2019: nil) was pledged as security for secured bank loan, see note 23.

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 26.

16 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

mln RUB	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
Property, plant and equipment	178	288	(255)	(1 051)	(77)	(763)
Investments	169	26	(28)	(73)	141	(47)
Inventories	9 269	6 541	(3 522)	(5 179)	5 747	1 362
Contract assets and trade and other receivables	1 750	698	(4 034)	(3 605)	(2 284)	(2 907)
Deferred expenses	19	483	-	(729)	19	(246)
Loans and borrowings	52	53	(130)	(29)	(78)	24
Provisions	141	614	(95)	(37)	46	577
Contract liabilities and trade and other payables	5 285	1 483	(11 146)	(2 706)	(5 861)	(1 223)
Tax loss carry-forwards	1 295	845	-	(1)	1 295	844
Other	155	78	(341)	(241)	(186)	(163)
Tax assets/(liabilities)	18 313	11 109	(19 551)	(13 651)	(1 238)	(2 542)
Set off of tax	(11 621)	(7 188)	11 621	7 188	-	-
Net tax assets/(liabilities)	6 692	3 921	(7 930)	(6 463)	(1 238)	(2 542)

(b) Unrecognised deferred tax liability

At 31 December 2020, a deferred tax liability arising on temporary differences of RUB 70 777 million (31 December 2019: RUB 66 132 million) related to investments in subsidiaries was not recognized because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

(c) Movement in temporary differences during the period

mln RUB	1 January 2020	Recognised in profit or loss	31 December 2020
Property, plant and equipment	(763)	685	(77)
Investments	(47)	188	141
Inventories	1 362	4 385	5 747
Contract assets and trade and other receivables	(2 907)	623	(2 284)
Deferred expenses	(246)	265	19
Loans and borrowings	24	(102)	(78)
Provisions	577	(531)	46
Contract liabilities and trade and other payables	(1 223)	(4 638)	(5 861)
Tax loss carry-forwards	844	451	1 295
Other	(163)	(25)	(186)
	(2 542)	1 301	(1 238)

mln RUB	1 January 2019	Recognised in profit or loss	Acquisition through business combination	31 December 2019
Property, plant and equipment	(692)	16	(87)	(763)
Investments	(28)	(2)	(17)	(47)
Inventories	3 909	2 623	(5 170)	1 362
Contract assets and trade and other receivables	(4 915)	1 837	171	(2 907)
Deferred expenses	(330)	84	-	(246)
Loans and borrowings	20	7	(3)	24
Provisions	362	109	106	577
Contract liabilities and trade and other payables	2 898	(3 023)	(1 098)	(1 223)
Tax loss carry-forwards	73	236	535	844
Other	(90)	(73)	-	(163)
	1 207	1 814	(5 563)	(2 542)

17 Inventories

mln RUB	2020	2019
<i>Inventories under construction and development</i>		
Own flats under construction and development	81 898	70 831
Built-in commercial premises under construction and development	14 453	8 406
Parking places under construction and development	8 526	8 394
	104 877	87 631
Less: Allowance for inventories under construction and development	(2 698)	(2 361)
<i>Total inventories under construction and development</i>	102 179	85 270
<i>Inventories - finished goods</i>		
Own flats	4 684	7 157
Built-in commercial premises	2 426	2 563
Parking places	5 993	5 495
	13 103	15 215
Less: Allowance for inventories - finished goods	(1 812)	(1 466)
<i>Total inventories - finished goods</i>	11 291	13 749
<i>Other inventories</i>		
Construction materials	1 297	939
Other	700	760
	1 997	1 699
Less: Allowance for other inventories	(22)	(29)
<i>Total other inventories</i>	1 975	1 670
Total	115 445	100 689

a) Barter transactions

During 2013 - 2019, the Group entered into several transactions for the acquisition of investment rights for land plots in five construction projects, where certain parts of the acquisition price had to be paid by means of transfer of specified premises constructed on these land plots. The Group included the land component of these construction projects into inventories at fair value of the investment rights acquired, while the respective liabilities to the sellers of land plots (landlords) were recognised within contract liabilities. Such liabilities will be settled against revenue recognised from transfer of specified premises to these landlords.

The fair values of land plots were determined by independent appraisers based on discounted cash flows from the construction and sale of properties. The details of transactions are specified below.

Project 1, years ended 31 December 2013-2016

The fair value of the investments rights acquired equal to RUB 1 862 million (land plot acquired in 2013), RUB 3 835 million (land plot acquired in 2014), RUB 3 105 million (land plot acquired in 2015), RUB 222 million (land plot acquired in 2016).

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates – 4,5%-6,4% per annum, a rate within this range was used, depending on year of recognition of land component;
- Discount rates – 11,5% - 25% per annum, a rate within this range was used, depending on year of recognition of land component and stage of the project.

Project 2, year ended 31 December 2015

The fair value of the investments rights acquired equal to RUB 4 522 million.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates – 4,5%-6,4% per annum;
- Discount rate – 23% per annum.

Project 3, year ended 31 December 2017

The fair value of the investments rights acquired equal to RUB 4 395 million.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates – 2,5%-4% per annum;
- Discount rate – 13% per annum.

Project 4, year ended 31 December 2017

The fair value of the investments rights acquired equal to RUB 1 800 million.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates – 2,5%-4% per annum;
- Discount rate – 13% per annum.

Project 5, year ended 31 December 2019

The Group entered into a transaction for the acquisition of investment rights for two land plots where part of the acquisition price is to be paid by means of transfer of certain premises that were in the course of construction on the previously acquired land plots.

The fair value of the investments rights acquired equal to RUB 1 193 million was determined based on discounted cash flows from the construction and sale of properties in previously acquired land plots.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates – 0,9% - 1% per annum;
- Discount rate – 12,78% per annum.

Accordingly, at 31 December 2020, the cost of land plots (Project 1) measured as described above and related to sold premises, was recognised in cost of sales during 2013 – 2020 in the amount of RUB 8 514 million, while the remaining balance of RUB 260 million is included into finished goods and RUB 250 million - into inventories under construction and development.

At 31 December 2020, the cost of land plots (Project 2) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the year ended 31 December 2020 in the amount of RUB 3 712 million, while the remaining balance of RUB 10 million is included in finished goods and RUB 799 million in inventories under construction and development.

At 31 December 2020, the cost of land plots (Project 3) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the year ended 31 December 2020 in the amount of RUB 4 132 million, while the remaining balance of RUB 66 million is included in finished goods and RUB 197 million in inventories under construction and development.

At 31 December 2020, the cost of land plots (Project 4) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the year ended 31 December 2020 in the amount of RUB 1 770 million, while the remaining balance of RUB 13 million is included in finished goods and of RUB 17 million in inventories under construction and development.

At 31 December 2020, the cost of land plots (Project 5) measured as described above and related to premises sold under share participation agreements, was recognised in cost of sales during the year ended 31 December 2020 in the amount of RUB 396 million, while the remaining balance of RUB 797 million is included in inventories under construction and development.

In the course of implementation of several development projects the Group has to construct and transfer certain social infrastructure to City authorities. As at 31 December 2020, the cost of such social infrastructure amounts to RUB 1 001 million and is included into the balance of finished goods and inventories under construction and development (31 December 2019: RUB 1 219 million). These costs are recoverable as part of projects they relate to. The cost of social infrastructure is recognised in cost of sales consistently with the transfer to the customers of the apartments to which this social infrastructure relates.

b) Allowance for impairment of inventories

The following is movement in the allowance for impairment of inventories:

mln RUB	2020	2019
Balance at 1 January	3 856	2 569
Impairment loss on inventories (note 8)	676	1 287
Balance at 31 December	4 532	3 856

As at 31 December 2020, the net realizable value testing resulted in an amount which was less than the carrying amount by RUB 4 532 million (31 December 2019: RUB 3 856 million) and the respective allowance was recognised in other expenses, see note 8. As at 31 December 2020, the allowance of RUB 4 283 million relates to parking places (31 December 2019: RUB 3 414 million).

The balance of parking places is equal to RUB 14 519 million as at 31 December 2020 (31 December 2019: RUB 13 889 million). An impairment allowance was made based on the following key assumptions:

- Cash flows were projected during the expected period of sales equal to years of turnover of parking places determined based on historical information on contracts concluded with customers;

- Discount rate –10,96% per annum;
- Inflation rates – 3,55 – 4,19% per annum;
- In case there was no historical information on sales of certain parking places, the Group considered historical information in relation to similar parking places.

The determination of net realizable value for parking places is subject to significant estimation uncertainty and, as such, the impairment allowance is judgmental. Changes in the above assumptions - in particular the discount rate and the years of turnover of parking places - could have a material impact on the impairment allowance amount.

The following table demonstrates changes in key inputs and sensitivity of measurement of allowance for impairment:

31 December 2020			
Change of parameter	Impact on allowance for impairment	In monetary terms (mln RUB)	
Growth of discount rate	2%	5%	207
Growth of inflation rates	2%	-7%	(278)
Reduction of turnover of finished goods	1	3%	104
Reduction of revenue from uncontracted parking places	2%	2%	83
31 December 2019			
Change of parameter	Impact on allowance for impairment	In monetary terms (mln RUB)	
Growth of discount rate	2%	5%	159
Growth of inflation rates	2%	-6%	(199)
Reduction of turnover of finished goods	1	4%	121
Reduction of revenue from uncontracted parking places	2%	3%	101

c) Rent out of property classified as inventories – finished goods

The Group has temporarily rented out a part of certain items of property classified as inventories – finished goods in these consolidated financial statements. As at 31 December 2020, the total carrying value of these items of property was RUB 361 million (31 December 2019: RUB 327 million). The Group is actively seeking buyers for these properties.

d) Pledges

As at 31 December 2020, inventories with a carrying amount of RUB 16 505 million (31 December 2019: RUB 7 139 million) are pledged as security for borrowings, see note 23.

e) Cost of acquisition of construction projects (land plots)

The following table summarises cash spent on acquisition of construction projects (land plots) and related costs incurred during the reporting period.

mln RUB	2020	2019
Cost of acquisition of rights for land plots during the year	1 496	3 706
<i>Including fees for changing of the type of permitted use of land plots</i>	539	805
Capitalised lease payments for land plots	896	1 020
Total	2 392	4 726

18 Contract assets, trade and other receivables

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 26.

mln RUB	2020	2019
<i>Long-term trade and other receivables</i>		
Trade receivables	4 082	4 596
Less: Allowance for doubtful trade accounts receivable	(27)	(57)
<i>Long-term trade receivables less allowance</i>	4 055	4 539
Other receivables	231	164
Less: Allowance for doubtful other accounts receivable	(34)	(11)
<i>Long-term other receivables less allowance</i>	197	153
Advances paid to suppliers	1	-
Total long-term trade and other receivables	4 253	4 692
<i>Short-term trade and other receivables</i>		
Contract assets	7 138	2 463
Trade receivables	6 993	8 134
Less: Allowance for doubtful trade accounts receivable	(635)	(690)
<i>Short-term trade receivables less allowance</i>	13 496	9 907
Advances paid to suppliers	8 384	9 988
Less: Allowance for doubtful advances paid to suppliers	(247)	(238)
<i>Short-term advances paid to suppliers less allowance</i>	8 137	9 750
VAT recoverable	3 656	3 231
Income tax receivable	1 434	696
Financial asset arising from preferential rate on escrow-backed loans	1 053	-
Other taxes receivable	70	73
Other receivables due from related parties	187	108
Other receivables	1 521	2 130
	7 921	6 238
Less: Allowance for doubtful other accounts receivable	(930)	(752)
<i>Short-term other receivables less allowance</i>	6 991	5 486
Total short-term trade and other receivables	28 624	25 143
Total	32 877	29 835

19 Short-term investments

mln RUB	2020	2019
Bank promissory notes - at amortised cost	91	108
Bank deposits (over 3 months)	100	80
Loans - at amortised cost	109	146
	300	334
Loss allowance for loans given	(88)	(131)
Total	212	203

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 26.

20 Cash and cash equivalents

mln RUB	2020	2019
Cash in banks, in RUB	10 456	18 423
Cash in banks, in USD	163	89
Cash in banks, in EUR	18	15
Cash in banks, in GBP	2	2
Petty cash	2	2
Cash in transit	1	-
Short-term deposits (less than 3 months)	15 188	12 597
Total	25 830	31 128

The Group keeps significant bank balances in major Russian banks with credit ratings assigned by international rating agencies of BBB-, BB+, BB, BB-, B+, B, B-, as well as in foreign bank with credit rating A+.

At 31 December 2020, the most significant amount of cash and cash equivalents held with one bank totalled RUB 13 707 million (31 December 2019: RUB 10 309 million). At 31 December 2020, the Group had outstanding loans and borrowings with the same bank that held the most significant amount of cash and cash equivalents in the amount of RUB 28 342 million (outstanding loans and borrowings with the same bank that held the most significant amount of cash and cash equivalents at 31 December 2019: nil). The bank has a Standard & Poor's/Moody's credit rating credit rating of BBB-.

At 31 December 2020, short-term deposits bore interest rate ranging from 2,27% to 4,56% per annum (31 December 2019: 3,73% to 6,7% per annum).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26.

Bank balances on escrow accounts – supplementary disclosure

mln RUB	2020	2019
Bank balances in escrow accounts	23 572	692

Bank balances kept in escrow accounts are not included in the balance of cash and cash equivalents in the Group's consolidated statement of financial position. They represent funds received by authorized banks from escrow-account holders - participants of share participation agreements for construction of real estate as a means of payment of consideration under such agreements. The funds will be transferred to the Group's bank accounts upon completion of construction of respective real estate.

The table below demonstrates the movement of funds on escrow accounts during the reporting period.

mln RUB	2020	2019
Balance at 1 January	692	-
Receipts of funds on escrow accounts	22 880	692
Release of funds from escrow accounts	-	-
Balance at 31 December	23 572	692

21 Capital and reserves**a) Share capital**

The table below summarizes the information about the share capital of the Company.

Number of shares unless otherwise stated

	2020		2019	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
<i>Issued shares</i>				
Par value at the beginning of the year	0,00005 GBP	1 GBP	0,00005 GBP	1 GBP
On issue at the beginning of the year	294 957 971	20 000	294 957 971	20 000
Par value at the end of the year	0,00005 GBP	1 GBP	0,00005 GBP	1 GBP
On issue at the end of the year, fully paid	294 957 971	20 000	294 957 971	20 000

At 31 December 2019 and at 31 December 2020, the number of authorised and issued shares was 294.957.971. All issued ordinary shares are fully paid.

The holders of ordinary shares are entitled to receive dividends and to one vote per share at meetings of the Company.

b) Share premium

The Company's share premium account originated from the initial public offering of 71 428 571 ordinary shares at a value USD 7 each in form of global depository receipts (GDR's) on the London Stock Exchange on 4 April 2011, and from issuance of 117 647 ordinary £0.01 shares for a consideration of USD 82 352 900 in March 2008.

c) Reserve for own shares

During 2011-2017, the Company acquired 8 216 378 GDRs (Global Depositary Receipts) for own shares under the GDRs repurchase programme.

During the year ended 31 December 2018, the Group transferred 8 212 432 shares to certain members of its key management personnel as part of their remuneration, see note 10. As at 31 December 2020 and 31 December 2019, the total number of own shares acquired by the Group amounted to 3 946 shares or 0,001% of issued share capital.

The consideration paid for own shares, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. When own shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

GDR buyback programme

On 24 January 2020, the Board of Directors of the Company authorised a buyback programme to purchase up to 10% of the Company's issued capital in the form of GDR until 14 April 2021. On 22 March 2020, the program was approved by the extraordinary general meeting of shareholders. As at 31 December 2020, no shares have been purchased.

d) Dividends

As the majority of the Company's subsidiaries are incorporated in the Russian Federation, and in accordance with Russian legislation, the subsidiaries' distributable reserves are limited to the balance of retained earnings as recorded in their statutory financial statements prepared in accordance with Russian Accounting Principles.

During the year ended 31 December 2020, the Company paid dividends in the amount of RUB 3 527 million (year ended 31 December 2019: RUB 3 577 million).

e) Non-controlling interests in subsidiaries

On 19 February 2019, the Group acquired a 51% stake in JSC "Leader-Invest" (note 27). The non-controlling interest was measured as a 49%-share of the recognised amounts of the acquiree's net identifiable assets and amounted to RUB 15 289 million. On 16 August 2019, the Group acquired the remaining 49% of the share capital of JSC "Leader-Invest" for the consideration of RUB 14 600 million, while the carrying amount of the share of net assets acquired amounted to RUB 14 669 million. The excess of RUB 69 million of the share of net assets acquired over the consideration transferred was recognised as an increase in retained earnings.

22 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding during the year, as shown below. The Company has no dilutive potential ordinary shares.

<i>Number of shares unless otherwise stated</i>	2020	2019
Issued shares at 1 January	294 954 025	294 954 025
Weighted average number of shares for the year ended 31 December	294 954 025	294 954 025
	2020	2019
Profit attributable to the owners of the Company, mln RUB	2 036	795
Basic and diluted earnings per share (RUB)	6,90	2,70

23 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 26.

mln RUB	2020	2019
<i>Non-current liabilities</i>		
Secured bank loans	26 571	27 965
Secured project financing	4 995	-
Unsecured bank loans	1 375	4 316
Unsecured bond issues	1 695	9 977
	34 636	42 258
<i>Current liabilities</i>		
Current portion of secured bank loans	2 329	2 393
Current portion of unsecured bank loans	4 988	4 438
Current portion of unsecured bond issues	8 552	3 603
	15 869	10 434

The reconciliation of movements of liabilities to cash flows arising from financing activities during the reporting period is presented in the table below.

mln RUB	1 January 2020	Proceeds from borrowings	Repayment of borrowings	Other changes	31 December 2020
Secured bank loans	30 358	787	(2 236)	(10)	28 899
Secured project financing	-	5 782	-	(787)	4 995
Unsecured bank loans	8 754	2 122	(4 518)	5	6 363
Unsecured bond issues	13 580	-	(3 354)	22	10 248
	52 692	8 691	(10 108)	(771)	50 505

mln RUB	1 January 2019	Proceeds from borrowings	Repayment of borrowings	Other changes	Changes from acquisition of subsidiaries (note 27)	31 December 2019
Secured bank loans	1 622	30 048	(1 313)	(220)	221	30 358
Unsecured bank loans	9 298	284	(1 469)	25	616	8 754
Unsecured bond issues	9 992	-	(1 650)	(78)	5 316	13 580
	20 912	30 332	(4 432)	(273)	6 153	52 692

During the year ended 31 December 2020, the Group received new credit line facilities to finance construction of residential buildings with variable interest rates adjusted based on the volume of escrow accounts balances (designated as “Project financing” in these consolidated financial statements). The loans’ rates have two components: the base rate and the preferential rate applied to debt covered by escrow account balances. In case of excess of balances on escrow accounts over outstanding loans, the rate is capped depending on the amount of the excess.

mln RUB	Currency	Nominal interest rate as of 31 December	Year of maturity	2020		2019	
				Face value	Carrying amount	Face value	Carrying amount
Secured bank loans				35 023	33 896	30 658	30 358
Secured bank loan	RUB	CBR's key rate + 3%	2027	14 642	14 522	14 642	14 566
Secured bank loan	RUB	CBR's key rate + 2,35%	2024	13 700	13 529	15 224	15 000
Secured project financing	RUB	0,01% - 9,5%	2025	3 402	2 814	-	-
Secured project financing	RUB	0,01%-7,1%	2024	1 539	1 372	-	-
Secured bank loan	RUB	CBR's key rate + 3,5%	2022	482	482	460	460
Secured bank loan	RUB	10,00%	2020	-	-	332	332
Secured project financing	RUB	0,01%-7,1%	2024	440	407	-	-
Secured project financing	RUB	0,01-9%	2022	445	404	-	-
Secured bank loan	RUB	10,50%	2023	373	366	-	-
Unsecured bank loans				6 371	6 363	8 754	8 754
Unsecured bank loan	RUB	7,15%	2022	2 124	2 124	-	-
Unsecured bank loan	RUB	9,25%	2022	827	819	902	902
Unsecured bank loan	RUB	CBR's key rate + 1%	2021	482	482	740	740
Unsecured bank loan	RUB	4,25 - 8,9%	2021	751	751	1 502	1 502
Unsecured bank loan	RUB	8,75%	2021	501	501	501	501
Unsecured bank loan	RUB	4,25 - 8,7%	2022	501	501	501	501
Unsecured bank loan	RUB	CBR's key rate + 1,75%	2021	500	500	500	500
Unsecured bank loan	RUB	4,25% - 9,70%	2021	435	435	1 458	1 458
Unsecured bank loan	RUB	CBR's key rate + 1,75%	2021	250	250	250	250
Unsecured bank loan	RUB	4,50% - 9,00%	2020	-	-	1 200	1 200
Unsecured bank loan	RUB	8,30%	2020	-	-	1 200	1 200
Unsecured bond issues				10 289	10 246	13 652	13 580
Unsecured bonds	RUB	11,70%	2021	5 215	5 181	5 213	5 166
Unsecured bonds	RUB	8,95%	2022	3 919	3 911	5 022	5 005
Unsecured bonds	RUB	11,85%	2021	1 155	1 154	3 363	3 355
Unsecured bonds	RUB	7,95%	2020	-	-	54	54
				51 683	50 505	53 064	52 692

As of 31 December 2020, the weighted average interest rate on current credit portfolio amounted to 8,31% p.a. (31 December 2019: 9,47% p.a.).

Bank loans are secured by:

- inventories with a carrying amount of RUB 16 505 million (31 December 2019: RUB 7 139 million), see note 17;
- pledge of bank promissory note in the amount of RUB 3 million (31 December 2019: nil), note 15;
- pledge of 48% of shares in subsidiary company JSC “Zatonskoe” which represents RUB 2 866 million in its net assets* (31 December 2019: 68% of shares represents RUB 4 198 million in net assets);
- pledge of 100% of shares in subsidiary company LLC “Specialized Developer “LS-Rielty” which represents RUB 4 151 million in its net assets* (31 December 2019: RUB RUB 2 259 million in net assets);
- pledge of 100% shares of JSC “Leader-Invest” and 100% of other 45 subsidiary companies of JSC “Leader-Invest” which collectively represent RUB 43 927 million in net assets* (31 December 2019: RUB 36 059 million in net assets);
- pledge of 100% shares of JSC “Etalon LenSpetsSMU”, LLC “ZhK Moskovskiy” and LLC “Zolotaya Zvezda”, which collectively represent RUB 45 994 million in net assets* (31 December 2019: RUB 46 695 million in net assets);
- pledge of 98,3% shares of LLC “Specialized Developer “Serebryaniy Fontan” which represents RUB 3 487 million in its net assets.

*net assets are based on individual IFRS accounts of the relevant companies.

The bank loans are subject to certain restrictive covenants. Financial covenants are based on the individual financial statements of certain entities of the Group, as well as on the consolidated financial statements of the Group. Operating covenants prescribe certain legal actions to be executed by the Group or the level of operations to be maintained with a bank.

Except as described further, there has been no breach of any of the financial covenants during the reporting period. However, at the end of the year, the Group breached operating covenants on several loans. The Group obtained waivers from the banks, and the obligations were not transferred to current liabilities.

24 Provisions

mln RUB	Warranty provision	Provision for deferred works	Provision for onerous contracts	Provision for litigations and claims	Total
Balance at 1 January 2019	121	909	52	-	1 082
Provisions made during the year	48	403	-	93	544
Assumed through business combination	-	47	-	95	142
Provisions used during the year	(53)	(822)	-	(54)	(929)
Provision reversed during the year	-	(30)	(4)	-	(34)
Balance at 31 December 2019	116	507	48	134	805
Balance at 1 January 2020	116	507	48	134	805
Provisions made during the year	173	1 825	-	5	2 003
Provisions used during the year	(54)	(1 905)	-	(52)	(2 011)
Provision reversed during the year	(106)	(58)	(23)	(83)	(270)
Balance at 31 December 2020	129	369	25	4	527
Non-current	129	-	-	-	129
Current	-	369	25	4	398
	129	369	25	4	527

a) Warranties

The provision for warranties relates mainly to the residential units sold during the year. The provision is based on estimates made from historical experience from the sale of such units. The Group expects the expenses to be incurred over the next three years on average. The warranty provision relates to construction works done.

b) Provision for deferred works

The Group records provisions in respect of the Group's obligation to incur additional costs associated with landscaping and other works after finishing the construction of apartment buildings. The provision is estimated based on historical experience. The Group expects the expenses to be incurred over the next year.

25 Contract liabilities, trade and other payables

mln RUB	2020	2019
Long-term		
Trade payables	25 695	1 462
Lease liabilities	998	1 365
Other payables	41	400
	26 734	3 227
Short-term		
Contract liabilities	28 351	36 439
Trade payables	6 396	5 382
VAT payable	3 466	3 383
Payroll liabilities	928	874
Income tax payable	183	105
Other taxes payable	302	348
Lease liabilities	864	673
Other payables	9 260	8 377
	49 750	55 581
Total	76 484	58 808

Long-term trade payables mainly consist of an obligation equal to RUB 25 245 million (31 December 2019: nil) for acquisition of 88% of share capital of LLC “Specialized Developer “ZIL-YUG” (an entity owning the land plot in the Moscow metropolitan area), payable in 2022-2024. In addition, the short-term part of the obligation in the amount of RUB 2 265 million (31 December 2019: nil) is included into short-term trade payables. The carrying amounts of these payable were calculated by discounting the consideration of RUB 32 200 million payable in 2021-2024 described in the note 30 (b) to reflect the time value of money.

Short-term other payables mainly consist of an obligation equal to RUB 6 847 million (31 December 2019: RUB 6 394 million) to construct social infrastructure objects and a liability of RUB 1 928 million (31 December 2019: RUB 1 096 million) to the City authorities for change of intended use of land plot recognised as part of inventories.

Contract liabilities include advances from customers in the amount of RUB 1 777 million which will be satisfied after 12 months from the reporting date (31 December 2019: RUB 2 563 million). They are classified within short-term liabilities as the development cycle of construction projects exceeds one year.

The Group’s exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

26 Financial instruments and risk management

a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1 inputs

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2 inputs

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 inputs

Level 3 inputs are unobservable inputs for the asset or liability.

mln RUB	Carrying amount		Fair value		
	At amortised cost	Total	Level 1	Level 2	Total
31 December 2020					
Financial assets not measured at fair value					
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	14 194	14 194	-	13 846	13 846
Bank deposits (over 3 months)	100	100	-	100	100
Bank promissory notes	94	94	-	93	93
Cash and cash equivalents	25 830	25 830	25 830	-	25 830
	40 218	40 218	25 830	14 039	39 869
Financial liabilities not measured at fair value					
Secured bank loans	(28 899)	(28 899)	-	(30 438)	(30 438)
Secured project financing	(4 997)	(4 997)		(4 592)	(4 592)
Unsecured bank loans	(6 363)	(6 363)	-	(6 526)	(6 526)
Unsecured bond issues	(10 246)	(10 246)	(10 147)	-	(10 147)
Trade and other payables	(44 175)	(44 175)	-	(37 179)	(37 179)
	(94 680)	(94 680)	(10 147)	(78 735)	(88 882)

mln RUB	Carrying amount		Fair value		
	At amortised cost	Total	Level 1	Level 2	Total
31 December 2019					
Financial assets not measured at fair value					
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	13 733	13 733	-	13 272	13 272
Bank deposits (over 3 months)	80	80	-	80	80
Bank promissory notes	203	203	-	231	231
Cash and cash equivalents	31 128	31 128	31 128	-	31 128
	45 144	45 144	31 128	13 583	44 711
Financial liabilities not measured at fair value					
Secured bank loans	(30 358)	(30 358)	-	(31 233)	(31 233)
Unsecured bank loans	(8 754)	(8 754)	-	(8 805)	(8 805)
Unsecured bond issues	(13 580)	(13 580)	(15 066)	-	(15 066)
Trade and other payables	(18 533)	(18 533)	-	(17 497)	(17 497)
	(71 225)	(71 225)	(15 066)	(57 535)	(72 601)

Fair values of financial assets and financial liabilities were determined by quantitative maturity analysis of contractual cash flows according to remaining contractual maturities, discounted using the following Central Bank of Russia rates:

	Discounting factor	2020	2019
Receivables (excluding taxes receivable and advances paid to suppliers)	Weighted average rate on mortgages issued during the year	7,36%	9,56%
Loans given	Weighted average interest rates on loans to non-financial organizations	6,88%	8,33%
Unsecured loans and bond issued, and trade and other payables		6,88%	8,33%
Bank promissory notes	Weighted average interest rate on deposits of non-financial organizations	4,30%	5,87%

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, has developed a disciplined and constructive control environment in which all employees understand their roles and obligations.

b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash and cash equivalents, deposits with banks as well as credit exposures to customers, including outstanding trade and other receivables.

Credit risk with regards to cash and cash equivalents and deposits with banks is managed by placing funds primarily in the banks listed in note 20.

Credit risk connected with trade receivable arising from the sale of apartments to individuals is managed by securing those receivables against sold apartments. A significant share of such sales is made on a prepayment basis.

To manage the credit risk of trade receivables from legal entities the Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are applied.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 31 December 2020, receivables from one customer equalled to RUB 284 million or 2% of the Group's consolidated trade and other receivables (31 December 2019: RUB 610 million or 4%).

(ii) Exposure to credit risk

The carrying amount of financial assets and contract assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

mln RUB	Carrying amount	
	31 December 2020	31 December 2019
Financial assets and contract assets		
Loans and receivables (excluding taxes receivable, advances paid to suppliers), including contract assets *	10 627	7 409
Bank promissory notes	94	203
Bank deposits (over 3 months)	100	80
Cash and cash equivalents	25 830	31 128
	36 651	38 820

* presented net of receivables arising from the sale of real estate that is secured by a pledge of the sold real estate (see 3(c)(vi)).

The amount of trade and other receivables including contract assets represents the maximum exposure to credit risk without taking account of trade receivables covered by collateral.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was concentrated in the St. Petersburg region.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was concentrated on industrial customers – legal entities included in the segment “Construction services”.

Maturity analysis and impairment

The ageing of trade receivables at the reporting date was:

	Gross	Impairment	Gross	Impairment
mln RUB	2020		2019	
Not past due	7 650	(7)	10 293	(153)
Past due 0-30 days	318	-	461	(5)
Past due 31-90 days	395	-	513	(275)
Past due 91-120 days	198	-	60	(9)
Past due more than 120 days	2 514	(655)	1 493	(305)
	11 075	(662)	12 820	(747)

The ageing of loans given at the reporting date was:

	Gross	Impairment	Gross	Impairment
mln RUB	2020		2019	
Not past due	342	(24)	120	(10)
Past due 0-30 days	-	-	46	(46)
Past due more than 120 days	88	(88)	86	(86)
	430	(112)	252	(142)

Allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during reporting period was as follows:

mln RUB	2020	2019
Balance at 1 January	747	719
Amounts written off	(137)	(89)
Net remeasurement of loss allowance	52	117
Balance at 31 December	662	747

The Group calculates lifetime expected credit losses for trade receivables at an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information published by Moody's Investors Service about the probabilities of default (PD) and losses given default (LGD) for issuers with different credit ratings and financial instruments with different durations.

To assess the probability of default of individual debtors, the Group assigned to them credit ratings similar to the classification of Moody's Investors Service. Speculative ratings (speculative-grade) were assigned to debtors that do not have official ratings and are not undergoing bankruptcy procedures. Such counterparties represent a major part of the Group debtors.

The Group defines a default event when a financial asset is more than 90 days past due.

The Group established an allowance for accounts receivable arising from the sale of real estate, in accordance with the methodology, described in the note 3(c)(vi).

During the reporting period, there were no changes in the quality of the collateral. There were no changes in the collateral policies of the Group during the year 2020.

Allowance for impairment in respect of other receivables

The movement in the allowance for impairment in respect of other receivables during the reporting period was as follows:

mln RUB	2020	2019
Balance at 1 January	763	524
Amounts written off	(72)	(129)
Net remeasurement of loss allowance	273	368
Balance at 31 December	964	763

Allowance for impairment in respect of financial investments (loans given and promissory notes)

The movement in the allowance for impairment in respect of loans given during the reporting period was as follows:

mln RUB	2020	2019
Balance at 1 January	143	157
Amounts written off	(43)	(6)
Net remeasurement of loss allowance	12	(8)
Balance at 31 December	112	143

Allowance for impairment of cash and cash equivalents

The Group assessed impairment of cash and cash equivalents on the 12-month expected loss basis that reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Group uses a similar approach for assessment of expected credit losses for cash and cash equivalents to those used for debt securities.

Allowance for impairment in respect of advances paid to suppliers

During the reporting period, the movement in the allowance for impairment in respect of advances paid to suppliers, which are outside the scope of IFRS 9, was as follows:

mln RUB	2020	2019
Balance at 1 January	238	348
Amounts written off	(68)	(212)
Increase during the year	77	102
Balance at 31 December	247	238

The Group includes a specific loss component that relates to individually significant exposures in its allowance for impairment of advances paid to suppliers.

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Each year the Group prepares a cash flow budget to forecast possible liquidity deficits and to define the sources of financing of those deficits.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts. However, repayment of secured project financing may occur prior to their contractual maturities – as soon as construction projects are completed and funds from escrow accounts are released.

Contractual maturities of financial liabilities were as follows:

31 December 2020

mln RUB	Carrying amount	Contractual cash flows	0 - 12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Non-derivative financial liabilities								
Loans and borrowings	50 505	60 507	18 994	11 779	9 984	11 395	4 358	3 997
Trade and other payables (excluding taxes payable and contract liabilities)	42 313	42 315	11 810	1 881	9 836	18 569	217	2
Lease liabilities	1 862	1 460	593	366	183	25	26	267
	94 680	104 282	31 397	14 026	20 003	29 989	4 601	4 266

31 December 2019

mln RUB	Carrying amount	Contractual cash flows	0 - 12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Non-derivative financial liabilities								
Loans and borrowings	52 692	66 263	14 655	17 164	10 227	9 847	6 864	7 506
Trade and other payables (excluding taxes payable and contract liabilities)	16 495	16 587	10 155	3 032	1 271	1 217	867	45
Lease liabilities	2 038	2 622	972	806	388	182	20	254
	71 225	85 472	25 782	21 002	11 886	11 246	7 751	7 805

d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group's exposure to foreign currency risk is limited. As at 31 December 2020 and 31 December 2019 the Group's net positions in foreign currency were as follows:

mln RUB	2020			2019		
	USD	GBP	EUR	USD	GBP	EUR
Cash and cash equivalents (see note 20)	163	2	18	89	2	15
Net exposure	163	2	18	89	2	15

The following significant exchange rates applied during the year:

in RUB	Average rate		Reporting date spot rate	
	2020	2019	31 December 2020	31 December 2019
USD 1	72,32	64,62	73,88	61,91
EUR 1	82,84	72,32	90,68	69,34

(ii) Interest rate risk

Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Group. The Group does not use any derivative instruments to manage interest rate risk exposure.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

mln RUB	Carrying amount	
	2020	2019
Fixed rate instruments		
Financial assets	19 806	17 598
Financial liabilities	(22 602)	(22 009)
	(2 796)	(4 411)
Variable rate instruments		
Financial liabilities	(29 765)	(31 356)
	(29 765)	(31 356)

Cash flow sensitivity analysis for variable rate instruments

mln RUB	Profit or loss		Equity	
	200 bp increase	100 bp decrease	200 bp increase	100 bp decrease
31 December 2020				
Variable rate instruments	(595)	298	(595)	298
Cash flow sensitivity (net)	(595)	298	(595)	298
31 December 2019				
Variable rate instruments	(627)	314	(627)	314
Cash flow sensitivity (net)	(627)	314	(627)	314

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to equity holders through the optimisation of the debt and equity balance. The management of the Group reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with it.

The capital structure of the Group consists of net debt (total loans and borrowings offset by cash and bank balances and bank deposits over 3 months) and equity of the Group (comprising issued capital and retained earnings as detailed in note 21). Certain subsidiaries of the Group may be subject to externally imposed capital requirements in accordance with Russian law.

The Group's debt to capital ratio at the end of the reporting period was as follows:

mln RUB	2020	2019
Loans and borrowings, note 23	50 505	52 692
Less: cash and cash equivalents, note 20	(25 830)	(31 128)
Less: bank deposits over 3 months, notes 19 and 15	(100)	(80)
Net debt	24 575	21 484
Total equity	51 073	52 576
Debt to capital ratio at end of period	0,48	0,41

At 31 December 2020, lease liabilities of RUB 1 888 million (31 December 2019: RUB 2 038 million) are included in trade and other payables (see notes 25 and 28) and are not included in the total amount of borrowings.

27 Acquisition of subsidiary

On 19 February 2019, the Group acquired 51% of the shares and voting interests in JSC "Leader-Invest" from Sistema PJSFC and its affiliates for the cash consideration of RUB 15 185 million. JSC "Leader-Invest" is a Moscow-based residential developer focusing on projects in the comfort, business and premium-class segments. As at 19 February 2019, its portfolio included 31 projects

under construction and development or at the design stage, unsold inventory at twelve completed residential complexes, and commercial real estate, with a total NSA of 1.3 million square meters.

The primary reason for the acquisition was to increase the Group's share of the Moscow residential real estate market and to replenish its land bank.

Consideration transferred

The acquisition-date fair value of the total consideration transferred (cash payment) amounted to RUB 15 185 million.

Contingent consideration

The Group has agreed to pay the selling shareholders the Group's share of dividends received from Leader-Invest's affiliate company for three years following the acquisition as a deferred adjustment to the consideration described above. Due to the uncertainty of the outcome, the Group did not adjust the cost of combination in these consolidated financial statements.

During the year ended 31 December 2020, the Group paid out the consideration in the amount of RUB 143 million, which was recognised within net other expenses.

Acquisition-related costs

The Group incurred acquisition-related costs of RUB 256 million related to external legal fees and due diligence costs, which have been included in administrative expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

mln RUB	Note	Recognised fair values on acquisition
Non-current assets		
Property, plant and equipment	13	403
Investment property	14	838
Other long term investments		4
Deferred tax assets		94
Current assets		
Inventories		45 655
Trade and other receivables		1 057
Advances issued		1 781
Short-term investment		752
Cash and cash equivalents		4 704
Other current assets		187
Non-current liabilities		
Loans and borrowings		(5 779)
Long-term trade and other payables		(998)
Deferred tax liabilities		(5 657)
Current liabilities		
Loans and borrowings		(374)
Trade and other payables		(11 322)
Provisions	24	(143)
Total identifiable net assets		31 202
Total identifiable net assets acquired (51%)		15 913
Non-controlling interest (49%)		15 289

Trade and other receivables comprised gross contractual amounts due of RUB 1 383 million, of which RUB 326 million was expected to be uncollectable at the date of acquisition.

Indemnification assets

The seller in a business combination had contractually indemnified the Group for the outcome of uncertainties related to specific liabilities, including losses above a specified amount by specified subsidiaries, liabilities arising from tax contingencies and recultivation costs above specified limit.

The Group did not recognise such liabilities at the acquisition date and therefore did not recognise any indemnification assets.

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Inventories

The acquiree's inventories are mainly represented by real estate development projects at different stages of development.

The fair values of real estate development projects were determined by an independent appraiser based on discounted cash flows from the construction and sale of such real estate.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction and sale of real estate;
- Inflation rates – in the range 3,5%-4,5% per annum;
- Discount rates – 12,3% - 23% per annum, depending on the class of the project, stage of development of a particular project and the availability of construction permits.

Bargain purchase

The Group recognised the excess of the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed over consideration transferred in the amount of RUB 729 million as a gain from bargain purchase in its consolidated statement of profit or loss and other comprehensive income.

From the date of acquisition to 31 December 2019 JSC “Leader-Invest” and its subsidiaries contributed revenues of RUB 11 198 million and a loss of RUB 3 145 million.

If the acquisition of the business had occurred on 1 January 2019, management estimates that consolidated revenue would have been RUB 86 132 million, and consolidated loss for the year would have been RUB 58 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

28 Leases

The Group leases a number of land plots for the purpose of the construction of residential and commercial premises for sale, as well as land plots occupied by its own production and office facilities. The leases typically run for the years of construction of premises for sale.

The following table summarises the movement in the right-of-use assets and lease liabilities during the reporting period.

mln RUB	Inventories under construction	Property, plant and equipment	Total
Right-of-use assets			
Balance at 1 January 2020	2 080	400	2 480
Additions to right-of-use assets	482	69	551
Modifications of lease contracts	(31)	(41)	(72)
Depreciation charge	(136)	(116)	(252)
Balance at 31 December 2020	2 395	312	2 707
Lease liabilities			
Balance at 1 January 2020	1 636	402	2 038
Settlement of lease liabilities, including interest	(632)	(180)	(812)
Interest expense on lease liabilities	132	35	167
Additions to lease liabilities	481	66	547
Modifications of lease contracts	(31)	(47)	(78)
Balance at 31 December 2020	1 586	276	1 862

mln RUB	Inventories under construction	Property, plant and equipment	Total
Right-of-use assets			
Balance at 1 January 2019	1 786	135	1 921
Additions to right-of-use assets	4	134	138
Termination of lease contracts	-	(39)	(39)
Depreciation charge	(342)	(149)	(491)
Acquired through business combination	631	319	950
Balance at 31 December 2019	2 079	400	2 479
Lease liabilities			
Balance at 1 January 2019	1 786	135	1 921
Settlement of lease liabilities, including interest	(975)	(197)	(1 172)
Interest expense on lease liabilities	190	43	233
Additions to lease liabilities	4	136	140
Termination of lease contracts	-	(34)	(34)
Assumed through business combination	631	319	950
Balance at 31 December 2019	1 636	402	2 038

Future cash outflows to which the Group is exposed that are not reflected in the measurement of lease liabilities arising from variable lease payments amount to RUB 812 million (31 December 2019: RUB 789 million).

29 Capital commitments

As at 31 December 2020, the Group had no capital commitments (31 December 2019: nil).

30 Contingencies

a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

b) Litigation

During the year ended 31 December 2019 and 2020, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business.

One of the Group's subsidiaries was involved in an arbitral process as defendant, where plaintiff obliges the Group to purchase from the plaintiff 22% of share capital of LLC "Specialized Developer "ZIL-YUG" for the consideration of RUB 7 305 million. The Group declined to proceed with the

acquisition since the project planning documentation provided by the plaintiff contradicted technical and economical parameters established in the initial tender documentation and agreed with the plaintiff.

On 30 July 2020, a mediation agreement, involving independent professional mediator of the Board of Mediators for Conciliatory Procedures at the Chamber of Commerce and Industry of the Russian Federation was prepared and signed by the parties. Under the terms of the agreement, the Group accepted project planning documentation provided by the plaintiff, and the plaintiff agreed to transfer to the Group the remaining 88% of share capital of LLC “Specialized Developer “ZIL-YUG” for the consideration of RUB 32 200 million payable in 2021-2024.

As a result of the mediation agreement, the plaintiff dismissed the claims to the Group described above.

In the opinion of management, there are no other current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

31 Related party transactions

a) Transactions with management

(i) Management remuneration

Key management received the following remuneration during the year, which is included in personnel costs (see note 9):

mln RUB	2020	2019
Short-term employee benefits - salaries and bonuses	312	1 599
Termination benefit paid to key management personnel	3	57
	315	1 656

During the year ended 31 December 2020 and 2019, the Group did not grant any loans and pensions to its key management personnel.

During the year ended 31 December 2020, the remuneration of the members of the Board of Directors of the Company amounted to RUB 28 million (2019: RUB 48 million).

b) Transactions with other related parties

The Group's other related party transactions are disclosed below.

(i) Revenue

mln RUB	Transaction value		Outstanding balance	
	2020	2019	2020	2019
Other related parties	409	113	218	613
	409	113	218	613

All outstanding balances with related parties are to be settled in cash. None of the balances are secured.

(ii) Expenses

mln RUB	Transaction value		Outstanding balance	
	2020	2019	2020	2019
Other related parties	(178)	(123)	(116)	(221)
	(178)	(123)	(116)	(221)

All outstanding balances with related parties are to be settled in cash. None of the balances are secured.

(iii) Loans

mln RUB	Amount loaned / received		Outstanding balance	
	2020	2019	2020	2019
Loans given	(5)	4	2	6
Loans received	(1 210)	(298)	(5 145)	(3 935)
	(1 215)	(294)	(5 143)	(3 929)

All outstanding balances with related parties are to be settled in cash. None of the balances are secured.

(iv) Other transactions

mln RUB	Transaction value		Outstanding balance	
	2020	2019	2020	2019
Current accounts in banks - related parties	262	(469)	276	14
Proceeds from investments in associates	12	117	-	-
Interest payable	157	(51)	(6)	(163)
	431	(403)	270	(149)

32 Group entities

Significant subsidiaries

Subsidiary	Country of incorporation	31 December 2020	31 December 2019
“Etalon Group company” AO	Russian Federation	100,00%	100,00%
LLC “EtalonAktiv”	Russian Federation	100,00%	100,00%
JSC “Etalon LenSpetsSMU”	Russian Federation	100,00%	100,00%
JSC “Novator”	Russian Federation	100,00%	100,00%
JSC “LenSpetsSMU-Rekonstruktsiya”	Russian Federation	100,00%	100,00%
LLC “Etalon-Invest”	Russian Federation	100,00%	100,00%
JSC “Zatonskoe”	Russian Federation	100,00%	100,00%
LLC “SPM-Zhilstroy”	Russian Federation	100,00%	100,00%
LLC “Specialized Developer “Serebryaniy Fontan”	Russian Federation	99,97%	99,97%
LLC “Specialized Developer “Etalon Galaktika”	Russian Federation	100,00%	100,00%
LLC “Specialized Developer “Etalon Development”	Russian Federation	100,00%	100,00%
JSC “Leader-Invest”	Russian Federation	100,00%	100,00%
LLC “Razvitiye”	Russian Federation	100,00%	100,00%
LLC “Specialized Developer “ZIL-YUG”	Russian Federation	100,00%	12,00%
LLC “Specialized Developer “MBI”	Russian Federation	100,00%	100,00%
JSC “Lobachevskogo 120”	Russian Federation	100,00%	100,00%

As at 31 December 2020, the Group controlled 119 legal entities (31 December 2019: 128). Their assets, liabilities, revenues and expenses have been included in these consolidated financial statements. The above is a list of the most significant subsidiaries.

33 Events subsequent to the reporting date

Operating events

Commitment for acquisition of a land plot

The Group is finalising negotiations on the acquisition of a land plot located in the St. Petersburg metropolitan area for the consideration of RUB 1 100 million payable in 2021 - 2022

Share capital increase and offering of newly issued ordinary shares

On 26 February 2021, the Board of Directors of the Company held a meeting where it was proposed that extraordinary general meeting of shareholders (“EGM”) of the Company authorises the Board of Directors to consider a potential share capital increase for a potential public or private placement. If approved, proceeds from such placement will enable the Company to replenish and develop its land bank, as well as finance the early development of new projects.

Subject to approval of EGM, the authorised share capital of the Company will be increased from £34,747.899 to £39,172.2686 by the creation of 88,487,391 ordinary shares of nominal value of £0.00005 each, and the authority will be given to the Board of Directors to allot and issue, out of the authorised but unissued share capital of the Company, up to 88,487,391 ordinary shares at par or at a premium as they deem appropriate, and such authority to expire on 22 March 2023. The share capital increase is expected to be structured in the form of one or several public and /or institutional offerings of newly issued ordinary shares represented by GDRs.

On 22 March 2021, the EGM resolved that the authorised share capital of the Company be increased from £34,747.899 to £39,172.2686 by the creation of 88,487,391 ordinary shares of nominal value of £0.00005 each.

Financing events

Subsequent to the reporting date, the Group has repaid loans and borrowings outstanding as at 31 December 2020 for the total amount of RUB 2 609 million and unsecured bonds for the total amount of RUB 1 257 million.

Subsequent to the reporting date, the Group has obtained additional tranches of loans for the total amount of RUB 6 019 million with nominal interest rates of 0,01% - 10,5% and repayable by 2025.

Subsequent to the reporting date, coupon rate on JSC «Leader-Invest» unsecured bond issue decreased from 11,7% to 7,95%.

Supplementary information

In this note, additional information is disclosed. We believe that the adjusted net debt/adjusted EBITDA ratio, together with measures determined in accordance with IFRS, provides the readers with valuable information and a further understanding of the underlying performance of the business.

The below non-IFRS measures should be considered and read in addition to, but not as a substitute for, the information contained in the consolidated financial statements. Non-IFRS measures are not uniformly defined by all companies, including those in the Group's industry. Therefore, the non-IFRS measures used by the Group may not be comparable to similar measures and disclosures made by other companies.

Adjusted net debt/Adjusted EBITDA ratio

mln RUB	2020	2019
Loans and borrowings	50 505	52 692
Less: cash and cash equivalents	(25 830)	(31 128)
Less: bank deposits over 3 months, note 19	(100)	(80)
Add: contract liabilities, reportable segment Residential development	25 530	32 798
Less: Inventories under construction, note 17	(102 179)	(85 270)
Adjusted net debt	(52 074)	(30 988)
	2020	2019
Gross profit	21 915	20 057
Less: General and administrative expenses	(5 235)	(7 280)
Less: Selling expenses	(4 560)	(4 822)
Adjusted operating profit	12 120	7 955
Add: Depreciation and amortisation	481	542
EBITDA	12 601	8 497
Add: Purchase price allocation from acquisition of Leader-Invest included in cost of sales	3 881	2 678
Adjusted EBITDA	16 482	11 175
Adjusted net debt/Adjusted EBITDA	(3,16)	(2,77)

Adjusted net debt represents net total of loans and borrowings less cash and cash equivalents and bank deposits over 3 months adjusted for contract liabilities in the Residential development segment less balance of inventories under construction and development. Adjusted net debt measures the Group's net indebtedness that provides an indicator of the overall balance sheet strength.

Adjusted EBITDA represents gross profit for the year adjusted by general and administrative expenses, selling expenses, depreciation and amortisation and effect of purchase price allocation from acquisition of subsidiary.

The result is the equivalent of profit (loss) for the year before net finance costs, income tax expense, depreciation and amortization and effect of purchase price allocation, impairment loss on trade and other receivables, gain from bargain purchase from acquisition of subsidiary and other operating expenses.

We believe that adjusted EBITDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures and other investments and our ability to incur and service debt.

Adjusted net debt/adjusted EBITDA ratio is used by creditors, credit rating agencies and other stakeholders.

Net corporate debt/Adjusted EBITDA

Net corporate debt represents net debt as defined in the note 26 (e) adjusted for the amount of project financing (borrowings backed by balances on escrow accounts).

mln RUB	2020	2019
Loans and borrowings	50 505	52 692
Less: secured project financing	(4 995)	-
Total corporate borrowings	45 510	52 692
Less: cash and cash equivalents	(25 830)	(31 128)
Less: bank deposits over 3 months, notes 15 and 19	(100)	(80)
Net corporate debt	19 580	21 484
Net corporate debt/Adjusted EBITDA	1,19	1,92

Net corporate debt and Adjusted net debt are not balance sheet measures under IFRS and they should not be considered as an alternative to other measures of financial position. Although Net corporate debt and Adjusted net debt are non-IFRS measures, they are widely used to assess liquidity and the adequacy of a company's financial structure. The Group believes that Net corporate debt and Adjusted net debt provide an accurate indicator of its ability to meet financial obligations, represented by gross debt, from available cash and future proceeds from sales. However, the use of Net corporate debt and Adjusted net debt effectively assumes that gross debt can be reduced by cash. In fact, it is unlikely that the Group would, or could, use all of its cash to reduce gross debt all at once, as those Group companies which sell properties using shared construction agreements are not entitled to use cash received from their customers for any purposes until commissioning of the relevant project.

The movement of the purchase price allocation (PPA) from the acquisition of Leader-Invest, recognised within Property, plant and equipment, Investment property, Inventories

PPA is a significant non-operational factor that significantly affects the Group's financial performance and will continue to do so in the next few years. The disclosure increases the transparency of the reporting and enables users of the financial statements to correctly assess the effect of PPA on the financial results.

mln RUB	2020	2019
Balance at 1 January	25 695	-
Adjustment to fair value of identified net assets of Leader-Invest	-	29 386
Included in Cost of sales	(3 881)	(2 678)
Included in General and administrative expenses	-	(38)
Included in Other expenses, net	(918)	(975)
Balance at 31 December	20 896	25 695

ETALON GROUP PLC

FINANCIAL STATEMENTS

For the year ended 31 December 2019

Etalon Group PLC

ETALON GROUP PLC

FINANCIAL STATEMENTS

For the year ended 31 December 2019

C O N T E N T S

	<u>Page</u>
Board of Directors and other Officers	1
Management report	2-6
Responsibility statement of the Directors and management of the Company in accordance with the Transparency Requirements	7
Independent Auditors' Report	8-13
Statement of financial position	14
Statement of profit or loss and other comprehensive income	15
Statement of changes in equity	16
Statement of cash flows	17
Notes to the financial statements	18-41

Etalon Group PLC

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors	Sergey Egorov (appointed on 19 February 2019) Oleg Mubarakshin (appointed on 19 February 2019) Marina Ogloblina (appointed on 19 February 2019) Ganna Khomenko (appointed on 19 February 2019) Viacheslav Adamovich Zarenkov (resigned on 19 February 2019) Alexey Kalinin (resigned on 29 March 2019) Martin Robert Cocker Boris Svetlichny Kirill Bagachenko (resigned on 20 February 2020) Dmitry Viacheslavovich Zarenkov (resigned on 19 February 2019) Charalampos Avgousti Maksim Berlovich Denis Vinokurov Anton Shatov (resigned on 19 February 2019) Olga Shevchuk (resigned on 19 February 2019)
Secretary	G.T. Globaltrust Services Limited Themistokli Dervi, 15 Margarita House, 5 th floor, flat/office 502 1066 Nicosia Cyprus
Registered Office	2-4 Arch. Makariou III Avenue Capital Center, 9th floor 1065 Nicosia Cyprus
Independent auditors	Deloitte Limited Certified Public Accountants and Registered Auditors 24 Spyrou Kyprianou Avenue CY 1075 Nicosia Cyprus

Etalon Group PLC

MANAGEMENT REPORT

The Board of Directors presents its report together with the audited financial statements of Etalon Group PLC (the “Company”) for the year ended 31 December 2019.

Country of incorporation

Etalon Group PLC was registered in the Republic of Cyprus on 5 April 2017. Its registered office is 2-4 Arch. Makariou III Avenue, Capital Center, 9th floor, 1065 Nicosia, Cyprus.

In April 2011, the Company completed an initial public offering and placed its ordinary shares in the form of global depository receipts (“GDR”) on the London Stock Exchange’s Main Market. In 2017 the Company was re-domiciled from Guernsey to Cyprus.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the holding of investments and provision of financing to related parties.

The Company’s financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113.

Changes in group structure

On 19 February 2019, the Company’s subsidiary JSC “GK Etalon” acquired 51% of the share capital and voting rights of JSC “Leader-Invest” for a cash consideration of RUB 15.185 million. JSC “Leader-Invest” is a Moscow-based residential developer focusing on projects in the comfort, business and premium-class segments with a total net sellable area (NSA) of 1.3 million square meters.

On 19 February 2019, Sistema PJSFC acquired 25% of the Company’s issued share capital (in the form of GDRs) from a major shareholder, making Sistema PJSFC the largest shareholder of the Company.

On 16 August 2019, the Company’s subsidiary JSC “GK Etalon” acquired the remaining 49% of the share capital and voting rights of JSC “Leader-Invest”.

Review of developments, position and performance of the Company’s business

The profit of the Company for the year ended 31 December 2019 was Russian Ruble (‘RUB’)’000 2.266.908 (2018: profit of RUB’000 4.442.362). The main source of profit for the period is the dividend income from subsidiaries in the amount of RUB’000 1.647.653 (2018: RUB’000 2.822.961).

On 31 December 2019, the total assets of the Company were RUB’000 69.145.867 (31 December 2018: RUB’000 70.634.175) and the net assets were RUB’000 68.578.137 (31 December 2018: RUB’000 69.888.615). Investment in subsidiaries was RUB’000 60.311.656 (31 December 2018: RUB’000 59.122.033).

The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

More details are set out on pages 14 and 15 (statement of financial position and statement of profit or loss and other comprehensive income).

Dividends

As at 31 December 2019, the retained earnings were RUB’000 36.506.258 (31 December 2018: RUB’000 37.816.736). During the year ended 31 December 2019, Annual General Meeting of shareholders approved the Board of Directors recommendation for dividends of RUB’000 3.577.386 (31 December 2018: RUB’000 3.260.357).

Etalon Group PLC

MANAGEMENT REPORT (CONTINUED)

Research and development activities

The Company did not carry out any research and development activities during the year.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in Note 3 of the financial statements.

This operating environment may have a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Use of financial instruments by the Company

The Company's activities expose it to a variety of financial risks: market risk, currency risk, credit risk and liquidity risk.

The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Board provides principles for overall risk management, such as foreign exchange risk, interest rate risk, credit risk and liquidity risk.

The detailed analysis of the Company's exposure to financial risks as at the reporting date and the measures taken by the Management in order to mitigate those risks are disclosed in Note 3 of the financial statements.

Future developments of the Company

The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future.

Share capital

During the year ended 31 December 2019, there were no changes to the share capital of the Company.

Acquisition of own shares

As of 31 December 2019 and 31 December 2018 the total number of own shares acquired by the Company amounted to 3,946 shares or 0,001% of issued share capital.

Board of Directors

The members of the Board of Directors of the Company at 31 December 2019 and at the date of this report are shown on page 1. The details of all appointment and resignations of Directors are shown on page 1.

MANAGEMENT REPORT (CONTINUED)

Events that occurred after the reporting period

As the Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. In March 2020, oil prices dropped by more than 40%, which resulted in the immediate weakening of Russian Ruble against major currencies.

In addition, starting from early 2020, a new coronavirus disease (COVID-19) began rapidly spreading all over the world resulting in an announcement of pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have had a significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on the business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantining of personnel, reduced demand and difficulties in raising financing. In addition, the Company and its subsidiaries (the “Group”) may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the impact of COVID-19 on the Group’s business largely depends on the duration and the incidence of the pandemic effects on the world and Russian economy.

The Group developed a stress scenario of the possible impact on the current operating environment on the Group’s demand and supply chain, including the availability of construction workers and management personnel being on self-isolation, and eventually on cash flows and liquidity position, including the consideration of debt covenants. The scenario demonstrated the Group’s ability to continue as a going concern.

Recommendation regarding the distribution of profits

In recent years, the Company aimed to pay out in the form of dividends between 40% and 70% of its consolidated net profit adjusted for non-cash items, if warranted.

On 24 January 2020, the Board of Directors of the Company proposed to supplement the dividend policy by setting a minimal amount of dividend of at least RUB 12 per share/GDR, whilst keeping the same range for dividend payments of 40%–70% of net profit. At the same time, the Board of Directors retains the right to refrain from recommending dividend payments if the Company’s EBITDA/interest expense ratio falls below 1.5x. The updated dividend policy will apply to Etalon Group’s results starting with the year 2019.

On 20 July 2020, the Board of Directors recommended that the Company pay a final dividend for FY 2019 in the amount of RUB 12 per share. The decision was not yet approved by Annual General Meeting of shareholders.

Branches

The Company did not operate through any branches during the year ended 31 December 2019.

Independent auditors

On 19 December 2019, an extraordinary general meeting of the Company passed a resolution to dismiss KPMG Limited from the position of auditor of the Company and to appoint Deloitte Limited in its place to hold office until the conclusion of the next annual general meeting and to authorise the Board of Directors to fix the auditor’s remuneration.

MANAGEMENT REPORT (CONTINUED)

CORPORATE GOVERNANCE REPORT

Company's internal control and risk management in relation to the preparation of the financial statements

The main documents regulating the activities of the Company are the Cyprus Companies Law, Cap. 113, the UKLA Listing, Prospectus and Disclosure and Transparency Rules, together with the Memorandum and Articles of Association of the Company. The Company has also enacted a number of governance policies and procedures to ensure that a proper system of corporate governance is in place, such as the Management Policy and Committee terms of reference.

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for making an assessment of the Company's ability to continue as a going concern, taking into account all available information about the future and for disclosing any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Those charged with governance are responsible for implementation of internal control necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and in particular for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

The Audit Committee is responsible for monitoring the financial reporting process and the integrity of the Company's financial statements. It is also responsible for reviewing internal controls, overseeing how management monitors compliance with the Company's risk management policies and procedures, the effectiveness of the Company's Internal Audit function and the independence, objectivity and the effectiveness of the external audit process. The Audit Committee is also responsible for considering the terms of appointment and remuneration of the external auditor.

The Company believes that its financial reporting functions and internal control systems are sufficient to ensure the compliance with the requirements of the FSA's Disclosure and Transparency Rules as a listed company and with the requirement of Cyprus Companies Law, Cap. 113.

Significant direct or indirect shareholdings

As at 31 December 2019, the Company is aware of the following interests in its share capital:

Shareholders	%
Free float	62,7%
Sistema PJSFC	23,7%
Zarenkov family	5,7%
Baring Vostok Funds	5,7%
Management of the Company	2,2%
Total	100%

The holders of any shares with special control rights and a description of these rights

The Company does not have any shares with special control rights.

MANAGEMENT REPORT (CONTINUED)

CORPORATE GOVERNANCE REPORT (CONTINUED)

Restrictions in exercising of voting rights of shares

The 20,000 preference shares having the par value of GBP 1 each issued by the Company, bear no voting rights. The Company does not have any other restrictions in exercising of the voting rights of its shares.

The rules regarding the appointment and replacement of board members

The Company may by ordinary resolution appoint any person as a director and may by ordinary resolution of which special notice has been given, in accordance with sections 178 and 136 of the Cyprus Companies Law, cap. 113 (the Law), remove a director. Any such director will receive special notice of the meeting and is entitled to be heard at the meeting. Any director has to confirm in writing that he is eligible under the Law.

A director may resign from office as a director by giving notice in writing to that effect to the Company, which notice shall be effective upon such date as may be specified in the notice. The directors have the power from time to time, without sanction of the Company in general meeting, to appoint any person to be a director, either to fill a casual vacancy or as an additional director. Any director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

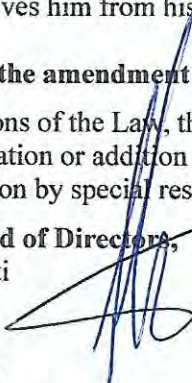
The office of a director shall be vacated if:

- (a) he becomes of unsound mind or an order is made by a court having jurisdiction (whether in Cyprus or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator or other person to exercise powers with respect to his property or affairs; or
- (b) he is prohibited from acting as director in accordance with section 180 of the Law; or
- (c) becomes bankrupt or makes any arrangement or composition with his creditors generally or otherwise has any judgment executed on any of his assets; or
- (d) he dies; or
- (e) he resigns his office by written notice to the Company; or
- (f) the Company removes him from his position in accordance with section 178 of the Law.

The rules regarding the amendment of the articles of association

Subject to the provisions of the Law, the Company may, by special resolution, alter or add to its articles of association. Any alteration or addition shall be as valid as if originally contained therein, and be subject in like manner to alteration by special resolution.

By order of the Board of Directors,
Charalampos Avgousti
Director



Nicosia, 31 July 2020

Etalon Group PLC

Responsibility statement of the Directors and management of the Company in accordance with the Transparency Requirements (Securities Admitted to Trading) Law of 2007












We, the members of the Board of Directors and the Company officials responsible for the drafting of the financial statements of ETALON GROUP PLC (the 'Company'), the names of which are listed below, in accordance with the requirements of the Section 9 of the Transparency Requirements (Security Admitted to Trading) Law 190(I)/2007 (hereinafter the "Transparency Law"), as amended, confirm that we have complied with the requirements in preparing the financial statement and that to the best of our knowledge:

(a) The annual financial statements for year ended 31 December 2019:

(i) Have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), in accordance with the provisions of section 9(4) of the Transparency Law and in accordance with Cyprus Companies Law, Cap.113;

(ii) Give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent Company included in the financial account, and

(b) The Management Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company face. The management report provides a fair overview on information required as per Section 9(6)(a) of the Transparency Law.

SERGEY EGOROV, Chairman of the Board of Directors	
MAKSIM BERLOVICH, Member of the Board of Directors	
OLEG MUBARAKSHIN, Member of the Board of Directors	
MARINA OGLOBLINA, Member of the Board of Directors	
GANNA KHOMENKO, Member of the Board of Directors	
MARTIN ROBERT COCKER, Member of the Board of Directors	
BORIS SVETLICHNY, Member of the Board of Directors	
CHARALAMPOS AVGOUSTI, Member of the Board of Directors	
DENIS VINOKUROV, Member of the Board of Directors	
GENNADII SHCHERBINA, Chief Executive Officer	
ILYA KOSOLAPOV, Chief Financial Officer	

Independent Auditor's Report

To the Members of Etalon Group PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of parent company Etalon Group PLC (the "Company"), which are presented in pages 14 to 41 and comprise the statement of financial position as at 31 December 2019 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the parent company Etalon Group PLC as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of our report. We remained independent of the Company throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Fair value of investments in subsidiaries	
<p>As at 31 December 2019, the carrying value of the Company's investments in subsidiaries is RUB'000 60.311.656 which represented 87% of the total assets of the Company.</p> <p>The Company's accounting policy for investments in subsidiaries, disclosed in Note 2, is to measure them at fair value through profit or loss.</p> <p>Determination of fair value of investments in subsidiaries is a key audit matter given the significance of the balance and the significant degree of judgement involving estimations associated with the fair value assessment.</p>	<p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none"> - we have reviewed the report by independent valuer on which the valuation was based - evaluating, with the assistance of internal experts, the appropriateness of the methodology and the reasonableness of the assumptions underlying the estimation of fair value of investments in subsidiaries as at 31 December 2019; - we assessed the competence, capabilities and objectivity of management's third party valuer, as well as independence; - evaluating the appropriateness of management's assumptions used in calculating the fair value of investments in subsidiaries including: <ul style="list-style-type: none"> • assessing the appropriateness of the discount rate used; • reviewing, recalculating and critically assessing the reasonableness of the assumptions including: <ul style="list-style-type: none"> • prices of sales in residential projects considering historical sales; • budgeted costs to complete construction; • total area available for sale and actual sales occurring before 31 December 2019 - assessing completeness and accuracy of cash flows from financing activities through review of existing portfolio of loans and borrowings - assessing whether the disclosure in the financial statements in respect of the fair value accounting of investments in subsidiaries is in compliance with IFRS requirements. <p>All the above procedures were completed in a satisfactory manner.</p>

Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Recoverability of loans receivable

.At 31 December 2019, the Company had loans receivable from related parties amounting to RUB'000 8.451.946, which represented 12% of the total assets of the Company.

The Company's accounting policy for loans receivable is disclosed in Note 2.

The recoverability of the loans receivable and the estimation of expected credit losses ("ECL") is a key audit matter due to the significance of the balances and the significant degree of judgement involving estimations associated with the ECLs assessment.

Our audit procedures included amongst others:

- assessing the appropriateness of the methodology applied for estimation of expected credit losses for loans receivables;
- testing the completeness and accuracy of the data used in the calculation of ECLs, through reconciliation to the source systems and testing inputs;
- assessing mathematical accuracy of the model used for calculation of ECLs;
- identification and measurement the individually assessed provisions,
- assessing whether the disclosure in the financial statements in respect of the ECL is in compliance with IFRS requirements.

All the above procedures were completed in a satisfactory manner.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report and the Responsibility Statement of the Directors and Management of the Company, which are presented in pages 2 to 6, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company on 19 December 2019 by an Extraordinary Meeting of shareholders.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 29 July 2020 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Company and which have not been disclosed in the financial statements or the management report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.

Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other Matters

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We also have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2019.

The financial statements of Etalon Group PLC for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on 26 April 2019.

The engagement partner on the audit resulting in this independent auditor's report is Kerry Whyte.


Kerry Whyte

Certified Public Accountant and Registered Auditor
for and on behalf of

Deloitte Limited
Certified Public Accountants and Registered Auditors

Nicosia, 31 July 2020

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		31 December 2019	31 December 2018
		RUB'000	RUB'000
Assets			
Non-current assets			
Investments in subsidiaries	10	60,311,656	59,122,033
Loans receivable	11	8,451,946	8,713,630
Total non-current assets		68,763,602	67,835,663
Current assets			
Loans receivable	11	-	2,149,549
Other receivables and prepayments	12	300,922	547,767
Cash and cash equivalents	13	81,343	101,196
Total current assets		382,265	2,798,512
Total assets		69,145,867	70,634,175
Equity			
Share capital	14	2,266	2,266
Share premium	14	15,486,109	15,486,109
Reserve for own shares	14	(694)	(694)
Capital contribution	14	16,584,198	16,584,198
Retained earnings		36,506,258	37,816,736
Total equity		68,578,137	69,888,615
Current liabilities			
Other payables and accruals	15	25,251	159,872
Borrowings	16	542,479	585,688
Total current liabilities		567,730	745,560
Total equity and liabilities		69,145,867	70,634,175

On 31 July 2020, the Board of Directors of Etalon Group PLC authorized these financial statements for issue.

.....
Charalampos Avgousti

Director

.....
Sergey Egorov

Director

The notes on pages 17 to 41 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 RUB'000	2018 RUB'000
Change in fair value of investments in subsidiaries	10	1.189.623	2.822.961
Interest income		424.174	459.484
Interest expenses	17(vi)	(21.416)	(8.359)
Dividend income from subsidiaries	17(vii)	1.647.653	-
Reversal of impairment/(impairment) on trade, other receivables and loans	17(iii), (iv)	77.438	(20.559)
Loss from write-off of loans and receivables		-	(21.257)
Administrative expenses	5	(189.619)	(327.011)
Other expenses		(8.204)	(57.572)
Other income	6	241	8.083
Operating profit before net finance (expenses)/income		3.119.890	2.855.770
Finance income		67.388	1.964.727
Finance expenses		(919.032)	(378.135)
Net finance (expenses)/income	7	(851.644)	1.586.592
Profit before tax		2.268.246	4.442.362
Income tax expense	9	(1.338)	-
Profit for the year		2.266.908	4.442.362
Other comprehensive income for the year		-	-
Total comprehensive income for the year		2.266.908	4.442.362

The notes on pages 17 to 41 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital RUB'000	Share premium RUB'000	Capital contribution RUB'000	Reserve for own shares RUB'000	Share options reserve RUB'000	Retained earnings RUB'000	Total RUB'000
Balance at 1 January 2018	2.266	15.486.109	16.584.198	(1.188.952)	221.882	37.448.893	68.554.396
Adjustment from adoption of IFRS 9 (Note 2(e))	-	-	-	-	-	(213.424)	(213.424)
Adjusted balance at 1 January 2019	2.266	15.486.109	16.584.198	(1.188.952)	221.882	37.235.469	68.340.972
Profit for the year							
Profit for the year	-	-	-	-	-	4.442.362	4.442.362
Total comprehensive income for the year	-	-	-	-	-	4.442.362	4.442.362
Transactions with owners							
Share- based payment arrangements (Note 8)	-	-	-	1.668.211	(221.882)	(600.738)	845.591
Acquisition of own shares (Note 14)	-	-	-	(479.953)	-	-	(479.953)
Dividends paid	-	-	-	-	-	(3.260.357)	(3.260.357)
Total transactions with owners	-	-	-	1.188.258	(221.882)	(3.861.095)	(2.894.719)
Balance at 31 December 2018	2.266	15.486.109	16.584.198	(694)	-	37.816.736	69.888.615
Balance at 1 January 2019	2.266	15.486.109	16.584.198	(694)	-	37.816.736	69.888.615
Profit for the year							
Profit for the year	-	-	-	-	-	2.266.908	2.266.908
Total comprehensive income for the year	-	-	-	-	-	2.266.908	2.266.908
Transactions with owners							
Dividends paid	-	-	-	-	-	(3.577.386)	(3.577.386)
Total transactions with owners	-	-	-	-	-	(3.577.386)	(3.577.386)
Balance at 31 December 2019	2.266	15.486.109	16.584.198	(694)	-	36.506.258	68.578.137

The notes on pages 17 to 41 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 RUB'000	2018 RUB'000
Cash flows from operating activities			
Profit for the year before tax		2.266.908	4.442.362
<i>Adjustments for:</i>			
Change in fair value of investments in subsidiaries	10	(1.189.623)	(2.822.961)
Reversal of impairment/(impairment) on trade, other receivables and loans	17(iii), (iv)	(77.438)	20.559
Loss from write-off of loans and receivables	5	1.785	21.257
Reversal of prior year over accrual	5	(114.823)	-
Dividend income from subsidiaries	17(vii)	(1.647.653)	-
Interest income on bank deposits		(95)	(4.369)
Interest income on loans issued	17(iii)	(424.079)	(455.115)
Interest expenses	17 (vi)	21.416	8.359
Foreign exchange losses/(gains), net		851.338	(1.586.954)
Cash flows used in operations before changes in working capital		(312.264)	(376.862)
Change in other receivables and prepayments		359.462	(138.533)
Change in other payables and accruals		(16.941)	77.700
Net cash from /(used in) operating activities		30.257	(437.695)
Cash flows from investing activities			
Repayment of loans by subsidiaries	17(iii)	1.287.255	1.125.456
Repayment of interest on loans by subsidiaries	17(iii)	853.327	102.462
Payment of loans to subsidiaries	17(iii)	-	(409.098)
Dividends received from subsidiaries	17(vii)	1.511.762	-
Net cash from investing activities		3.652.344	818.820
Cash flows from financing activities			
Acquisition of own shares		-	(651.121)
Dividends paid		(3.577.386)	(3.566.787)
Borrowings received from related parties	17(vi)	-	555.616
Net cash used in financing activities		(3.577.386)	(3.662.292)
Net increase/(decrease) in cash and cash equivalents		105.215	(3.281.167)
Cash and cash equivalents at beginning of year		101.196	2.979.330
Effects of exchange rate changes on cash and cash equivalents		(125.068)	403.033
Cash and cash equivalents at end of year	13	81.343	101.196

The notes on pages 17 to 41 are an integral part of these financial statements.

1. GENERAL INFORMATION

Country of incorporation

Etalon Group PLC (the “Company”) was incorporated on 8 November 2007 in Bailiwick of Guernsey as a limited liability company under the Companies (Guernsey) Law. Its registered office was St. Julian’s Avenue, Redwood House, St. Peter Port, Guernsey, GY1 1WA, the Channel Islands.

In April 2011, the Company completed initial public offering and placed its ordinary shares in the form of global depository receipts ("GDR") on the London Stock Exchange's Main Market.

On 5 April 2017, the Company migrated from Guernsey, Channel Islands, and was registered in the Republic of Cyprus under the name of Etalon Group Public Company Limited. Its registered office became 2-4 Arch. Makariou III Avenue, Capital Center, 9th floor, 1065 Nicosia, Cyprus.

On 27 July 2017, the shareholders at the Annual General Meeting resolved to change the name of the Company from Etalon Group Public Company Limited to Etalon Group PLC. On 8 August 2017, the change of the Company’s name was approved by the Registrar of Companies and Official Receiver of the Republic of Cyprus.

Principal activity

The principal activity of the Company, which remained unchanged from the prior year, is the holding of investments and provision of financing services to related companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113.

The Company has also prepared consolidated financial statements in accordance with IFRS as adopted by EU and Cyprus Companies Law, Cap. 113 for the Company and its subsidiaries (the “Group”). The consolidated financial statements can be obtained from the registered office of the Company at 2-4 Arch. Makariou III Avenue, Capital Center, 9th floor, 1065 Nicosia, Cyprus and the Company’s website.

Users of these separate financial statements should be read together with the Group’s consolidated financial statements as at and for the year ended 31 December 2019 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

(b) Basis of measurement

The financial statements have been prepared under the historic cost conversion except for investments in subsidiaries that are measured at fair value. The preparation of financial statements in conformity with IFRS-EUs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

(c) Going concern

Management prepared these financial statements on a going concern basis. In making this judgement management considered the developments discussed in Note 18.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

(i) Functional and presentation currency

The financial statements are presented in Russian Rubles (RUB), which is the Company's functional and presentation currency.

All financial information has been rounded to the nearest thousand, except when otherwise indicated.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

Adoption of new and revised IFRS-EUs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2019. This adoption did not have a material effect on the accounting policies of the Company.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- IFRS 16 – Leases;
- IFRIC 23 – Uncertainty over Income Tax Treatments;
- Prepayment Features with Negative Compensation - Amendments to IFRS 9;
- Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28;
- Employee Benefits Plan Amendment, Curtailment or Settlement – Amendments to IAS 19;
- Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23.

New Standards and Interpretations

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted.

The Company has not early adopted these new or amended standards in preparing these financial statements and has not yet analysed the likely impact of the new standards and interpretations on its financial position or performance.

- Amendments to IAS 1 and IAS 8 – Definition of Material;
- Amendments to IFRS 3 – Definition of a Business;
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform;
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- IFRS 17 - Insurance Contracts;
- Amendments to references to Conceptual Framework for Financial Reporting;
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 3 Business Combinations (issued on 22 October 2018);
- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets (all issued on 14 May 2020);
- Annual Improvements 2018-2020 (issued on 14 May 2020).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

(i) Financial assets

The Company's financial assets, classified at amortised cost category as defined by IFRS 9, comprise of loans receivable, other receivables and cash and cash equivalents.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Classification and measurement of financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL: it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see "Impairment of financial assets" below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

The impairment model under IFRS 9 - an "expected credit loss" (ECL) model - applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments.

The Company assesses on a forward-looking basis the ECL for debt instruments measured at amortised cost.

The financial assets at amortised cost consist of loans receivable, other receivables and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month expected credit losses: these are expected credit losses that result from possible default events within the 12 months after the reporting date, and
- lifetime expected credit losses: these are expected credit losses that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets (continued)

The Company considers a financial asset to be in default when:

- there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of Expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the contractual cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables are presented separately in the statement of profit or loss.

Investments in subsidiaries

Subsidiaries are all the entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

As at 31 December 2018 considering the fact that the Company financial statements are publically available and can be used by investors for their economic decisions, the management has decided that measurement of investments in subsidiaries at fair value would provide more reliable and more relevant information about the Company's financial position than the measurement of investments at cost. Therefore the Company management decided to change the accounting policy and from 2018 financial statements started to measure investments in its subsidiaries at fair value in accordance with IFRS 9.

Investments in subsidiary companies are classified as investments at fair value through profit or loss and are measured at fair value. Gains or losses on investments in subsidiary companies are recognised in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables are held to collect the contractual cash flows, and their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. Such financial assets are classified at amortised cost in accordance with IFRS 9.

The company assessed individual impairment based on discounted cash flows attributed to certain loans amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(i) *Financial assets (continued)*

Loans and receivables (continued)

For others loans and receivables the Company calculates ECL based on of the credit risk rating assigned to respective debtors and the remaining maturity of financial instruments. The Company determines the inputs for calculation of ECL such as probability of default and loss given default using both internal and external statistical data.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. In accordance with IFRS 9, cash and cash equivalents are classified at amortised cost.

(ii) *Financial liabilities*

The Company has the following non-derivative financial liabilities: loans and borrowings, trade and other payables.

At initial recognition, the Company measures a financial liability at its fair value plus transaction costs that are directly attributable to the issuance of the financial liability. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Company derecognises a financial liability when its obligations specified in the contracts are discharged or cancelled or expire.

The Company recognises financial assets or financial liabilities in its statement of financial position when it becomes party to the contractual provisions of the instrument and, as a consequence, has a legal right to receive or a legal obligation to pay cash.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Other payables and accruals

Other payables and accruals represent amounts outstanding at the reporting date and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Tax

Tax is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country in which the Company operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes a provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account. The capital contribution reserve relates to the fair value of the shares issued to the shareholders in exchange for investment in subsidiary (Note 14).

The preference shares bear no voting rights and no rights to dividend, and shall be redeemed within thirty days of giving notice by the Company to a holder of shares at a price per share at which each share was issued. Since the option to redeem the Company's shares are at the discretion of the Company and not the holders of the shares, the preference shares are classified as equity.

Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase of share options reserve in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. For share based-payment awards with vesting market conditions, which creates variability in the number of equity instruments that will be received by employees, the Company determines the grant-date fair value of the right to receive a variable number of equity instruments reflecting the probability of different outcomes.

Interest income

Interest income includes loan interest income which is recognised in the statement of profit or loss on an accrual basis using the effective interest rate method.

Interest expenses

Interest expenses include interest expense on amounts payable to related parties which is recognised in the statement of profit or loss on an accrual basis using the effective interest rate method.

Dividend income

Dividend income is recognised in the statement of profit or loss and other comprehensive income when the right to receive payment is established.

Finance income

Finance income includes foreign exchange gains, which are recognised in the statement of profit or loss and other comprehensive income as incurred.

Finance expenses

Finance expenses include foreign exchange losses and bank charges, which are recognised in the statement of profit or loss and other comprehensive income as incurred and on an accrual basis, respectively.

3. FINANCIAL RISK MANAGEMENT AND TAX RISK

Financial risk factors

The Company's activities expose it to credit risk, liquidity risk, market price risk and currency risk, arising from the financial instruments it holds. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. FINANCIAL RISK MANAGEMENT AND TAX RISK (CONTINUED)**Financial risk factors (continued)**

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect in market conditions and the Company's activities.

- **Credit risk**

Credit risk arises when a failure by counter parties to discharge their obligation could reduce the amount of future cash inflows from financial assets on hand at the reporting date.

Credit risk arises from cash and cash equivalents as well as credit exposures to outstanding receivables and committed transactions.

Credit risk with regards to cash and cash equivalents is managed by placing funds primarily in the banks with high credit-ratings assigned by international credit-rating agencies.

In order to minimise credit risk of other receivables, the Company has a policy of dealing with creditworthy counterparties, obtaining sufficient collateral, where appropriate, and monitoring on a continuous basis the ageing profile of its receivables as a means of mitigating the risk of financial loss from defaults.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

In particular, the following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- future cash flows from construction projects are compared to the current value of the financial asset;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower/counterparty;
- significant increases in credit risk on other financial instruments of the same borrower/counterparty;
- significant changes in the value of the collateral supporting the obligation;
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the borrower.

The Company's current credit risk grading framework comprises the following categories and the assumptions underpinning the Company's expected credit loss model:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. FINANCIAL RISK MANAGEMENT AND TAX RISK (CONTINUED)

Financial risk factors (continued)

• Credit risk (continued)

The carrying amount of financial assets represents the maximum credit exposure.

The tables below detail the credit quality of the Company's financial assets, as well as the Company's maximum exposure to credit risk by category of financial assets:

31.12.2019	Note	12-month/ lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Loans receivable	11	Lifetime ECL	12,198,255	(3,746,309)	8,451,946
Other receivables	12	Lifetime ECL	301,614	(692)	300,922
Cash and cash equivalents	13	12-month	81,343	-	81,343

31.12.2018	Note	12-month/ lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Loans receivable	11	Lifetime ECL	15,120,806	(4,257,627)	10,863,179
Other receivables	12	Lifetime ECL	549,952	(2,338)	547,614
Cash and cash equivalents	13	12-month	101,196	-	101,196

Allowance for impairment in respect of loans given

The movement in the allowance for impairment in respect of loans given during the reporting period was as follows:

	2019	2018
	RUB'000	RUB'000
Balance at 1 January	(4,257,627)	(3,356,921)
Adjustment on initial application of IFRS 9	-	(210,552)
Balance at 1 January per IFRS 9	(4,257,627)	(3,567,473)
Change of impairment for the period	75,792	(21,093)
FOREX	435,526	(669,061)
Balance at 31 December	(3,746,309)	(4,257,627)

• Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's management monitors its liquidity on a continuous basis and acts accordingly. Each year the Company prepares a cash flow budget to forecast possible liquidity deficits and to define the sources of financing of those deficits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. FINANCIAL RISK MANAGEMENT AND TAX RISK (CONTINUED)

Financial risk factors (continued)

- Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amounts RUB'000	Contractual cash flows RUB'000	Between 0-12 months RUB'000
31 December 2019			
Borrowings	542.479	563.047	563.047
Other payables and accruals	25.251	25.251	25.251
	<u>567.730</u>	<u>588.298</u>	<u>588.298</u>
	Carrying amounts RUB'000	Contractual cash flows RUB'000	Between 0-12 months RUB'000
31 December 2018			
Borrowings	585.688	601.076	601.076
Other payables and accruals	159.872	159.872	159.872
	<u>745.560</u>	<u>760.948</u>	<u>760.948</u>

- Market price risk

Market risk is the risk that changes in market prices, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Loans receivable and borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

- Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency.

The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollars (US\$) and Euro. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. FINANCIAL RISK MANAGEMENT AND TAX RISK (CONTINUED)

Financial risk factors (continued)

• Currency risk (continued)

	31 December 2019 RUB'000	31 December 2018 RUB'000
Assets		
US Dollar		
Cash and cash equivalents	76.586	40.286
Loans receivable	5.572.412	8.092.279
Other receivables	132.441	258.674
Total	5.781.439	8.391.239
Euro		
Cash and cash equivalents	1.030	3.109
Other receivables	188.132	180.140
Total	189.162	183.249
Liabilities		
US Dollar		
Other payables and accruals	(236.732)	(183)
Borrowings	(542.479)	(585.688)
Total	(779.211)	(585.871)
Euro		
Other payables and accruals	(8.747)	(153.180)
Total	(8.747)	(153.180)
Net position		
US Dollar	5.002.228	7.805.368
Euro	180.415	30.069

The following significant exchange rates applied during the year:

in RUB	Average rate		Reporting date spot rate	
	2019	2018	31 December 2019	31 December 2018
USD 1	64,73	62,71	61,90	69,47
EUR 1	72,50	73,95	69,34	79,46

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. FINANCIAL RISK MANAGEMENT AND TAX RISK (CONTINUED)

Financial risk factors (continued)

• **Currency risk (continued)**

Sensitivity analysis

A 10% strengthening of the US\$ against the RUB at 31 December 2019 and 31 December 2018 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the US\$ against the RUB, there would be an equal and opposite impact on profit and equity.

	Equity	Profit or Loss
	2019	2019
	RUB'000	RUB'000
US Dollar	<u>500.223</u>	<u>500.223</u>
	Equity	Profit or Loss
	2018	2018
	RUB'000	RUB'000
US Dollar	<u>780.537</u>	<u>780.537</u>

A 10% strengthening of the Euro against the RUB at 31 December 2019 and 31 December 2018 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the RUB, there would be an equal and opposite impact on profit and equity.

	Equity	Profit or Loss
	2019	2019
	RUB'000	RUB'000
Euro	<u>18.042</u>	<u>18.042</u>
	Equity	Profit or loss
	2018	2018
	RUB'000	RUB'000
Euro	<u>3.007</u>	<u>3.007</u>

A 10% strengthening of the GB Pound against the RUB at 31 December 2019 and 31 December 2018 would not have any material effect on equity and profit or loss.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

- **Critical accounting estimates and assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Estimation of expected credit losses**

Expected credit losses are an estimate weighted by the probability of credit losses. Credit losses are measured as the present value of all expected cash losses. The amount of expected credit losses is discounted using the effective interest rate on the relevant financial asset.

The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

In assessing ECL, the Company used information published by Moody's Investors Service about the probabilities of default (PD) and losses given default (LGD) for counterparties with different credit ratings and financial instruments with different durations.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

The other assumptions and methods used for estimating of expected credit losses are disclosed in note 2 ("Impairment of financial assets", "Loans and receivables") and note 3 ("Credit risk").

- **Fair value of investments in subsidiaries**

The fair value of investments in subsidiaries recorded in the statement of financial position cannot be derived from active markets, and they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates and assumptions were made, and a degree of judgment has been applied in establishing fair values. Changes in assumptions about these factors could affect the reported fair value of investments in subsidiaries. The assumptions and methods used for estimating the fair value of investments in subsidiaries are disclosed in Note 10.

- **Functional currency**

The Management of the Company has considered which currency is the currency of the primary economic environment in which the Company operates. In making this assessment, Management has used judgment to determine the functional currency that most faithfully represents the underlying transactions, events and conditions of the Company. Management has concluded that the functional currency of the Company is the RUB because the Company is seen as an extension of its subsidiaries operating in the Russian Federation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

5. ADMINISTRATIVE EXPENSES

	2019 RUB'000	2018 RUB'000
Legal, consulting and other professional services	180.893	32.723
Staff costs (Note 17(i))	51.138	212.781
Reversal of prior year over accrual	(114.823)	-
Auditors' remuneration	27.486	35.941
Payroll tax	19.738	25.174
Insurance expenses	13.426	8.440
Accounting and administration expenses	8.371	10.100
Social insurance contribution	827	939
Secretarial fees	778	913
Other expenses	1.785	-
Total	189.619	327.011

Reversal of prior year accrual include the amounts of staff costs, that were over-accrued in the previous year. In 2019, the excessive accruals were written off, since the obligations to certain directors no longer existed.

Remuneration of the statutory auditor firm for the year ended 31 December 2019 amounted to RUB 5.9 million for audit services (2018: RUB 9.1 million) and RUB 3 million for other assurance services (2018: RUB 2.1 million).

6. OTHER INCOME

	2019 RUB'000	2018 RUB'000 restated
Other income	241	8.083
Total	241	8.083

7. NET FINANCE (EXPENSES)/INCOME

	2019 RUB'000	2018 RUB'000
Foreign exchange gains	67.388	1.964.727
Finance income	67.388	1.964.727
Foreign exchange losses	(918.726)	(377.773)
Bank charges	(306)	(362)
Finance expenses	(919.032)	(378.135)
Net finance (expenses)/income	(851.644)	1.586.592

8. SHARE-BASED PAYMENT ARRANGEMENTS

Share option programme (equity-settled)

On 1 July 2017, the Company granted share options to certain members of top management of the Company and its subsidiaries as part of a management long-term incentive plan. Each option entitles the holder to a predetermined number of the Company's GDRs based on an increase in the market price of the GDRs in the respective calculating period of each year of the vesting schedule over the maximum market price of the GDRs in the previous years of the vesting schedule. The vesting schedule commences from 1 July 2017 and lasts until 31 December 2021.

The fair value of the share options was estimated at the grant date by an independent appraiser using a Monte Carlo simulation, assuming that all participants will remain within the Company's subsidiaries.

The following key assumptions were used by the appraiser:

- Monthly volatility – 7,6%;
- Annual yield rate – 2,3%;
- Risk-free interest rate (USD) – 2,3% per annum.

Expected volatility was determined based on the historical volatility of the Company's GDRs during 2017.

In 2018, the Company modified the formula for market performance condition. The incremental fair value granted as a result of the modification, as estimated at the grant date by an independent appraiser using a Monte Carlo simulation, amounted to RUB 323 million. The following key assumptions were used by the appraiser:

- Volatility – 14,88%;
- Annual yield rate – (2,2) %;
- Discount rate – 2,56%;
- Risk-free interest rate (USD) - 2,56% per annum;
- Dividend yield – 4,76%.

Expected volatility was determined based on the historical volatility of the Company's GDRs for the period from April 14, 2011 to June 08, 2018. Dividend yield was the average actual dividend yield of the Company's shares for the period 2014 – 2017.

As a result of the modification, the Company distributed to the participants of the incentive plan the 2 258 536 GDRs. In May 2018, the incentive plan was terminated for 2 participants of the incentive plan.

In April 2018, the company granted awards in the form of 403 896 GDRs for the Company's ordinary shares under the Company's management incentive plan to the senior management team of the Company and its subsidiaries. The fair value of the equity instruments granted as measured on the basis of the observable market price for the Company's shares at the grant date, amounted to RUB 71 million.

In June 2018, the Company replaced the share option programme dated 1 July 2017 with another share based payment with a grant date of 8 June 2018. There were no vesting conditions in the replacement share based payment. The lock up period is 7 years, during which the participants are not entitled to sell, transfer or otherwise dispose any respective GDRs received from the Company, unless such sale, transfer or disposal have been approved by the Company.

Following the replacement of the share based payment dated 8 June 2018, the Company has no share-based payment arrangements in place.

In respect of the share based payment granted in June, 5 550 000 GDRs were transferred to the participants of the incentive plan in June 2018. The fair value at the measurement date, as estimated by an independent appraiser, amounted to RUB 543 million. The fair value was measured using Chaffe put option model based on the following inputs to the model:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

8. SHARE-BASED PAYMENT ARRANGEMENTS (CONTINUED)**Share option programme (equity-settled) (continued)**

- Dividend yield – 4,76%;
- Risk-free rate – 2,95% (yield to maturity of US Treasury bonds with a 10-year maturity);
- Volatility – 50,79%;
- Actual and strike price – 2,78 USD;
- Validity period of the sales restriction - 7 years.

Expected volatility was determined based on the historical volatility of the Company's GDRs for the period from April 14, 2011 to June 08, 2018. Dividend yield was the average actual dividend yield of Company's shares for the period 2014 - 2017.

The fair value of the original program with a modified formula at the modification date amounted to RUB 266 million. The fair value was estimated by an independent appraiser applying a Monte Carlo simulation, with the following inputs to that model:

- Volatility – 14,66%;
- Annual yield rate – (1,98) %;
- Discount rate – 2,78%;
- Risk-free interest rate (USD) - 2,78% per annum;
- Dividend yield – 4,76%.

Expected volatility was determined based on the historical monthly volatility of the Company's GDRs for the period from April 14, 2011 to June 08, 2018. Dividend yield was the average actual dividend yield of Company's shares for the period 2014 – 2017.

9. INCOME TAX EXPENSE

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2019	2018
	RUB'000	RUB'000
Profit before tax	2.268.246	4.442.362
Tax calculated at the applicable tax rate of 12,5% (2018: tax rate of 12,5%)	283.531	555.295
Tax effect of expenses not deductible and income not taxable for income tax purposes, net	(236.777)	(508.581)
Tax withheld on dividends from Russian Federation	1.338	-
Notional Interest Deduction (NID)	(40.592)	(37.371)
Application of group relief	(6.162)	(9.343)
Tax for the period	1.338	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

10. INVESTMENTS IN SUBSIDIARIES

	2019 RUB'000	2018 RUB'000
At beginning of year 01 January	59.122.033	55.734.380
Change in fair value of investments in subsidiaries	1.189.623	2.822.961
Set-off investments due to shares buy-back	-	(280.899)
Share-based payments arrangements with top-management of subsidiaries (Note 8)	-	845.591
At end of year 31 December	60.311.656	59.122.033

The Company's main subsidiaries, which are unlisted, are as follows:

Name	Principal Activity	Country of incorporation	31 December 2019	31 December 2018
Etalon Group Limited	Holding of investments	Cyprus	99,99%	99,99%
Elzinga Holdings Limited	Holding of investments	Cyprus	100%	100%
Fagestrom Limited	Provision of financing services	Cyprus	100%	100%
JSC GK Etalon	Holding of investments	Russia	1%	1%

The investments are measured at fair value.

As at 31 December 2019 and 31 December 2018 the Company holds 1% in JSC GK Etalon, but the Company is exposed to variable returns from its involvement with the entity and has the ability to affect those returns through its power over other subsidiaries owning remaining 99% in the subsidiary.

The fair value of investments in subsidiaries at 31 December 2019 and 31 December 2018 was assessed by an independent appraiser. The fair value hierarchy of investments in subsidiaries belongs to Level 3 as a fair value measurement uses unobservable inputs that require significant adjustment.

To determine the fair value of investments in subsidiaries, the independent appraiser projected cash flows from development projects and objects completely constructed and owned by the respective subsidiaries. These cash flows were adjusted by the fair value of other assets and liabilities controlled by those subsidiaries, and minority interest, where applicable and discounted at an-applicable, risk-adjusted rate.

The key assumptions used in the estimation of the fair value of subsidiaries are set out below.

	31 December 2019	31 December 2018
CAPM (discount rate)	19,00%	17,93%

The values assigned to the key assumptions represented management's assessment of future trends in residential development and were based on historical data from both external and internal sources.

The cash flows projections included specific estimates for 8 years.

As a result of this assessment, the Company has recognized an increase in the fair value of investments in subsidiaries in the amount of RUB'000 1.189.623 for the year ended 31 December 2019 (31 December 2018: increase of RUB'000 2.822.961).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Sensitivity analysis

The following tables demonstrate changes in key inputs and sensitivity of fair value measurement:

31 December 2019			
	Change of parameter	Impact on fair value	In monetary terms, RUB'000
Growth of discount rate	1%	(1,77%)	(1.069.408)
Growth of cost of construction projects	5%	(10,92%)	(6.584.595)
Reducing of revenue from construction projects	(5%)	(14,93%)	(9.004.814)
Growth of expenses on non-developer types of activities	5%	(5,72%)	(3.451.783)
31 December 2018			
	Change of parameter	Impact on fair value	In monetary terms, RUB'000
Growth of discount rate	1%	(2,23%)	(1.318.433)
Growth of cost of construction projects	5%	(2,49%)	(1.472.975)
Reducing of revenue from construction projects	(5%)	(4,80%)	(2.837.901)
Growth of expenses on non-developer types of activities	5%	(11,94%)	(7.250.765)

11. LOANS RECEIVABLE

	31 December 2019 RUB'000	31 December 2018 RUB'000
Non-current		
Loans to related parties (Note 17(iii))	8.451.946	8.713.630
Total non-current loans receivable	8.451.946	8.713.630
Current		
Loans to related parties (Note 17(iii))	-	2.149.549
Total current loans receivable	-	2.149.549
Total loans receivable	8.451.946	10.863.179

Due to the significant devaluation of the RUB against the US\$ subsequent to the issuance of US\$-denominated loans, the Company concluded that there is an objective evidence that an impairment loss on loans has been incurred.

The Company assessed individual impairment based on discounted cash flows attributed for part of its loans through their recoverable amount.

The recoverable amount of loans was determined based on the present value of the expected cash flows to be received from the loans, discounted at the original effective interest rate of 3,5%, and a provision in the amount of RUB'000 3.683.671 was recognised as at 31 December 2019 (31 December 2018: RUB'000 4.186.004).

For others loans, the Company calculates ECL based on of the credit risk rating assigned to respective debtors and the remaining terms to maturity. The Company determines the inputs for calculation of ECL such as probability of default and loss given default using both internal and external statistical data.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets. The Board of Directors believes carrying values of loans approximate its fair value. The fair value hierarchy of loans receivable belongs to Level 3.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

12. OTHER RECEIVABLES AND PREPAYMENTS

	31 December 2019 RUB'000	31 December 2018 RUB'000
Receivable from related parties (Note 17(iv))	300.922	547.614
Prepayments	-	153
	<u>300.922</u>	<u>547.767</u>

The fair values of other receivables and prepayments approximate their carrying amounts.

For receivables, the Company calculates ECL based on of the credit risk rating assigned to respective debtors and the remaining maturity of the financial instruments. The Company determines the inputs for calculation of ECL such as probability of default and loss given default using both internal and external statistical data.

13. CASH AND CASH EQUIVALENTS

	31 December 2019 RUB'000	31 December 2018 RUB'000
Cash at bank	<u>81.343</u>	<u>101.196</u>

14. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Number of redeemable preference shares	Share capital RUB'000	Reserve for own shares RUB'000	Share premium RUB'000	Total RUB'000
At 1 January 2018	289.469.593	20.000	2.266	(1.188.952)	15.486.109	14.299.423
Acquisition of own shares	8.212.432	-	-	1.668.211	-	1.668.211
Redeemable preference shares	<u>(2.728.000)</u>	<u>-</u>	<u>-</u>	<u>(479.953)</u>	<u>-</u>	<u>(479.953)</u>
At 31 December 2018 and 31 December 2019	<u>294.954.025</u>	<u>20.000</u>	<u>2.266</u>	<u>(694)</u>	<u>15.486.109</u>	<u>15.487.681</u>

At 1 January 2018, 31 December 2018 and at 31 December 2019, the authorized share capital of the Company was GBP 14.748 divided into 294.957.971 ordinary shares having a par value of GBP £0,00005 each. All issued ordinary shares are fully paid. The holders of ordinary shares are entitled to receive dividends and to one vote per share at meetings of the Company.

14. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

During the year ended 31 December 2017, the Company issued 20,000 preference shares of GBP 1 each. The shares bear no voting rights and no rights to dividend and shall be redeemed within thirty days of giving notice by the Company to a holder of shares at a price per share at which each share was issued. Preference shares were fully paid in February 2017. Since the option to redeem the Company's shares is at the discretion of the Company and not the holders of the shares, the preference shares are classified as equity.

During the year ended 31 December 2018, the Company signed an agreement for the set-off of a loan given to its subsidiary, Etalon Development Limited. Under the agreement, Etalon Development Limited transferred 2,728,000 global depository receipts for the ordinary shares of the Company to the Company as a means of repayment of the loan due to the Company and accrued interest in the total amount RUB'000 199.056 and a capital contribution to the subsidiary in the amount of RUB'000 280.899.

(i) Own shares

During the year ended 31 December 2018, the Company transferred 8,212,432 shares to certain members of key management personnel of its subsidiaries as part of their remuneration.

As of 31 December 2019, the total number of own shares acquired by the Company amounted to 3,946 shares or 0,001% of issued share capital.

(ii) Share premium

The Company's share premium account originated from initial public offering of 71 428 571 ordinary shares at a value USD 7 each in form of global depository receipts (GDR's) on the London Stock Exchange on 4 April 2011, and from issuance of 117 647 ordinary £0.01 shares for a consideration of USD 82 352 900 in March 2008.

(iii) Share options reserve

The share options reserve is used to recognise the value of equity-settled share-based payments provided to certain members of the Company's subsidiaries' key management personnel, as part of their remuneration.

(iv) Dividends

As at 31 December 2019, the retained earnings were RUB'000 36,506,258 (31 December 2018: RUB'000 37,816,736). During the year ended 31 December 2019, the AGM of shareholders approved Board of Directors recommendation for dividends in the amount of RUB' 000 3,577,386 (31 December 2018: RUB'000 3,260,357).

(v) Capital contribution

Capital contribution represents the excess of the deemed cost of shares in its subsidiary, Etalon Group Limited, transferred to the Company by its shareholder in 2008, over the book value of these shares as at the date of transaction. Deemed cost was determined at the date of transfer by reference to the terms of a transaction with an unrelated party for the acquisition of a minority stake in the Company which took place close to the date of issuance of shares by the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

15. OTHER PAYABLES AND ACCRUALS

	31 December 2019 RUB'000	31 December 2018 RUB'000
Remuneration payable to Board of Directors	11.579	134.694
Accrued audit fees	11.714	21.600
Other payables and accruals	1.105	2.600
Accrued accounting and administration expenses	853	978
	<u>25.251</u>	<u>159.872</u>

The fair value of other payables and accruals which are due within one year approximates to their carrying amount at the reporting date.

16. BORROWINGS

	31 December 2019 RUB'000	31 December 2018 RUB'000
Current		
Borrowings to related parties (Note 17(vi))	<u>542.479</u>	<u>585.688</u>
Total current borrowings	<u>542.479</u>	<u>585.688</u>

On 14 August 2018, the Company signed a loan agreement with a related party for a total amount of US\$10.000.000. The loan bears interest of 4% per annum and is repayable by 31 December 2020.

The Board of Directors believes carrying values of loans approximate its fair value. The fair value hierarchy of loans belongs to Level 3.

17. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

(i) Directors' remuneration

	2019 RUB'000	2018 RUB'000
Directors' remuneration (Note 5)	51.138	212.781
Payroll and social tax (Note 5)	<u>20.565</u>	<u>26.113</u>
	<u>71.703</u>	<u>238.894</u>

As at 31 December 2019, outstanding balances of remuneration payable to the Board of Directors was RUB'000 11.579 (Note 15) (31 December 2018: RUB'000 134.694).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Year-end balances

	31 December 2019 RUB'000	31 December 2018 RUB'000
Receivables from subsidiary companies (Note 12)	300.922	547.614
Borrowings from subsidiary company (Note 16)	(542.479)	(585.688)
Loans due from subsidiary companies (Note 11)	8.451.946	10.863.179

(iii) Loans due from subsidiary companies

	2019 RUB'000	2018 RUB'000
On 1 January	10.863.179	10.165.045
Adjustment from adoption of IFRS 9, net of tax	-	(210.552)
Adjusted balance at 1 January	10.863.179	9.954.493
Loans issued during the year	-	409.098
Loans repaid during the year	(1.287.255)	(1.125.456)
Set off of settlement agreement	-	(199.056)
Interest charged	424.079	455.115
Interest repaid during the year	(853.327)	(102.462)
Impairment for loans receivable	75.792	(21.093)
Foreign exchange (losses)/gains	(770.522)	1.492.540
On 31 December	8.451.946	10.863.179

During 2018, the Company issued a loan to a related party in the amount of US\$7.300.000 (RUB'000 409.098). The loan is denominated in US Dollars and bears interest at 3.5% per annum.

As at 31 December 2019, the loans amounted to RUB'000 8.451.946 (31 December 2018: RUB'000 10.863.179) were denominated in US Dollars and Russian rubles and bear interest 3,5-6 % per annum. During 2019, the loans were prolonged from 31 December 2019 to 31 December 2021 and 31 December 2025. Modification of loans maturity dates had no material impact on the fair value of the loans.

Loans amounting to RUB'000 8.451.946 were classified as non-current as at 31 December 2019, based on management's intention to collect them in 2021-2025, when development projects, for which these loans were issued, are scheduled to be completed.

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(iv) Receivables from subsidiary companies

	2019 RUB'000	2018 RUB'000
On 1 January	547.614	363.547
Adjustment from adoption of IFRS 9, net of tax	-	(2.872)
Adjusted balance at 1 January	547.614	360.675
Transfers of funds under reimbursement agreements	(356.785)	149.138
Set-off agreements payables and receivables	-	(11.496)
Write-off of receivables	(2.987)	(21.257)
Reversal of impairment for receivables	1.646	534
Dividends receivables (Note 17(vii))	132.379	-
Foreign exchange (losses)/gains	(20.945)	70.020
On 31 December (Note 12)	<u>300.922</u>	<u>547.614</u>

(v) Payables to subsidiary companies

	2019 RUB'000	2018 RUB'000
On 1 January	-	18.896
Other changes	-	(1.104)
Set-off agreements payables and receivables	-	(11.496)
Write-off payables with subsidiary company	-	(8.083)
Foreign exchange losses	-	1.787
On 31 December (Note 15)	<u>-</u>	<u>-</u>

(vi) Borrowings from subsidiary company

	2019 RUB'000	2018 RUB'000
On 1 January	585.688	-
Borrowings received during the year	-	555.616
Interest accrued	21.416	8.359
Foreign exchange (gains)/losses	(64.625)	21.713
On 31 December (Note 16)	<u>542.479</u>	<u>585.688</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(vii) Dividend income from subsidiary companies

	2019 RUB'000	2018 RUB'000
On 1 January	-	-
Dividends declared by subsidiaries	1.647.653	-
Income tax withheld on dividends (Note 9)	(1.338)	-
Dividends received by subsidiaries	(1.511.762)	-
Foreign exchange (gains)/losses	(2.174)	-
On 31 December (Note 17(iv))	<u>132.379</u>	<u>-</u>

18. EVENTS AFTER THE REPORTING PERIOD

GDR buyback programme

On 24 January 2020, the Board of Directors of the Company authorised a buyback programme that started in the first quarter of 2020, aiming to purchase up to 10% of the Company's issued capital in the form of Global Depositary Receipts ("GDR"). The program is subject to approval by a forthcoming annual general meeting of shareholders.

On 15 April 2020, the Extraordinary General Meeting authorized the Board of Directors of the Company to acquire the GDRs within twelve months from the date of the EGM resolution (15 April 2020) until 14 April 2021 subject to compliance with the terms set out below and the provisions of sections 57A to 57F of the Companies Law Cap. 113 ("the Law"):

- the maximum number of the GDRs (with each GDR representing 1 ordinary share of the Company) that may be acquired and held by or on behalf of the Company shall not exceed 10% of the subscribed capital of the Company;
- the duration of the period for which GDRs bought back may be held by the Company may not exceed two years;
- the minimum price for acquiring the GDRs shall be GBP £0.00005 per GDR (or the U.S. dollar or Rouble equivalent at the time of the purchase);
- the maximum price for acquiring the GDRs shall not exceed by more than 5% the average market price for acquiring the GDRs of the Company during the last five stock exchange sessions (on the London Stock Exchange or the Moscow Exchange) immediately preceding the day on which the GDRs are acquired;
- the monetary consideration payable by the Company in respect of the acquisition of GDRs is to be paid out of the realized and non-distributed profits of the Company; and
- the acquisition of GDRs (including those previously acquired and held by or on behalf of the Company) shall not have the effect of reducing the net assets of the Company below the amount of the subscribed capital plus those reserves which may not be distributed under the Law or the articles of association in accordance with section 169A of the Law.

18. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Operating Environment

As the Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. In March 2020, oil prices dropped by more than 40%, which resulted in the immediate weakening of Russian Ruble against major currencies.

In addition, starting from early 2020, a new coronavirus disease (COVID-19) began rapidly spreading all over the world resulting in an announcement of pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have had a significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on the business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantining of personnel, reduced demand and difficulties in raising financing. In addition, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the impact of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and the Russian economy.

The Group developed a stress scenario of the possible impact on the current operating environment on the Group's on demand and on supply chain, including the availability of construction workers and management personnel being on self-isolation, and eventually on cash flows and liquidity position, including the consideration of debt covenants. The scenario demonstrated the Group's ability to continue as a going concern.

There were no other material events after the reporting period, which have a bearing on the understanding of the financial statements of the Company for the year ended 31 December 2019.

Etalon Group PLC

Consolidated Financial Statements

For the year ended 31 December 2018

Contents

Board of Directors and other Officers	3
Consolidated Management Report	4
Responsibility statement of the Directors and management of the Company in accordance with the Transparency Law	10
Independent Auditors' Report	12
Consolidated Statement of Profit or Loss and Other Comprehensive Income	20
Consolidated Statement of Financial Position	21
Consolidated Statement of Changes in Equity	23
Consolidated Statement of Cash Flows	25
Notes to the Consolidated Financial Statements	26

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Oleg Mubarakshin (appointed on 19 February 2019)
Sergey Egorov (appointed on 19 February 2019)
Marina Ogloblina (appointed on 19 February 2019)
Ganna Khomenko (appointed on 19 February 2019)
Alexey Kalinin (appointed on 12 November 2010 and resigned on 29 March 2019)
Martin Robert Cocker (appointed on 12 November 2010)
Boris Svetlichny (appointed on 15 April 2013)
Charalampos Avgousti (appointed on 10 November 2016)
Kirill Bagachenko (appointed on 15 November 2013)
Maksim Berlovich (appointed on 27 April 2018)
Denis Vinokurov (appointed on 9 November 2018)
Viacheslav Adamovich Zarenkov (appointed on 8 November 2007 and resigned on 19 February 2019)
Dmitry Viacheslavovich Zarenkov (appointed on 29 July 2016 and resigned on 19 February 2019)
Olga Shevchuk (appointed on 9 November 2018 and resigned on 19 February 2019)
Anton Shatov (appointed on 9 November 2018 and resigned on 19 February 2019)
Dmitry Kashinskiy (appointed on 10 November 2016 and resigned on 14 December 2018)
Michael Calvey (appointed on 12 November 2010 and resigned on 27 April 2018)
Marios Theodosiou (appointed on 10 November 2016 and resigned on 27 April 2018)

Secretary

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Registered Office

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Cyprus

Independent auditors

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087, Nicosia
Cyprus

CONSOLIDATED MANAGEMENT REPORT

The Board of Directors of Etalon Group PLC (the “Company”) presents to the members its Consolidated Management Report together with the audited Consolidated Financial Statements of the Company and its subsidiaries (together referred to as the “Group”) for the year ended 31 December 2018. The Group’s financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Review of the development and performance of the Group’s business and its position

The results of the Group for the year ended 31 December 2018 are set out on page 20 of the consolidated financial statements.

(a) Revenue

The Group’s total revenue for the year ended 31 December 2018 amounted to RUB 72 327 million as compared to RUB 70 645 million for the year ended 31 December 2017, recording an increase of RUB 1 682 million or 2%.

Revenue of reportable segment “Residential development” increased by RUB 3 108 million or 6%, due to increase in revenue recognised from sales of flats by RUB 3 865 million or 8% and decrease in revenue recognised from sales of parking places by RUB 1 440 million or 51%, offset by increase in revenue recognised from sale of built-in commercial premises by RUB 683 million or 27%.

External revenues of reportable segment “Construction services” decreased by RUB 712 million or 8% mainly due to completion during the first half of 2018 of project for construction of metro depot in St. Petersburg.

External revenues of reportable segment “Other” decreased by RUB 714 million or 11% due to decrease in sales of construction materials by RUB 545 million or 13%, decrease in sale of stand-alone commercial premises by RUB 437 million or 91%, decrease in rental revenue by RUB 75 million or 11%, offset by increase of other revenue related to servicing of premises by RUB 343 million or 26%.

(b) Gross profit

Gross profit for the year ended 31 December 2018 is RUB 14 492 million as compared to RUB 18 001 million for the year ended 31 December 2017, recording a decrease of RUB 3 509 million or 19%, which was mainly driven by the decrease in gross profit of the reportable segment “Residential development” by RUB 3 517 million or 20%.

Profitability of reportable segment “Residential development” decreased mainly due to recognition of additional liabilities to build social infrastructure for projects under construction, change in estimate regarding allocation of certain construction costs between residential premises and underground parkings (note 17(e)) and completion of construction of less marginal projects in 2018. The application of IFRS 15 starting from 1 January 2017 also contributed to the reduction of profitability for the year 2018 due to partial expensing in 2018 of significant financing component capitalised in 2017.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

(c) Results from operating activities

Results from operating activities during the year ended 31 December 2018 amounted to RUB 1 076 million as compared to RUB 9 712 million for the year ended 31 December 2017 showing a decrease of RUB 8 636 million or 89%.

During the year ended 31 December 2018, general and administrative expenses increased by RUB 1 870 million or 37%, selling expenses increased by RUB 388 million or 13%, other expenses, net increased by RUB 2 742 million or 749%, as compared to the year ended 31 December 2017.

During the year ended 31 December 2018, growth in general and administrative expenses was mainly caused by growth in payroll and related taxes by RUB 991 million or 29% and by increase in share based payment expenses by RUB 625 million or 283%, while the remaining increase of RUB 254 million is represented mainly by growth in third-party services.

Selling expenses increased mainly due to growth of agency fees, caused by increase in overall number of new contracts concluded in 2018 as compared to 2017.

(d) Other expenses, net

During the year ended 31 December 2018, other expenses, net, increased by RUB 2 742 million or 749% mainly due to non-recurring income received from a financial institution in 2017 in respect of the issuance of the Company's GDRs, and the accrual in 2018 of costs to construct social infrastructure for two completed projects in the amount of RUB 1 594 million.

(e) Net finance income

Net finance income for the year ended 31 December 2018 decreased by RUB 436 million or 62% as compared to the year ended 31 December 2017.

Finance income increased by RUB 572 million or 33% mainly due to increase in unwinding of discount on trade receivables by RUB 198 million or 25%, increase in interest income on cash and cash equivalents (except bank deposits) by RUB 259 million or 63%, increase in gain on write-off of accounts payable by RUB 85 million or 531% and increase in net foreign exchange gain of RUB 64 million (as opposed to net foreign exchange loss of RUB 79 million during the year ended 31 December 2017).

Finance costs increased by RUB 1 008 million or 100% due to the increase in expensed financing component and borrowing costs by RUB 974 million or 107% (caused by reduction of capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation), offset by decrease in impairment loss on advances paid to suppliers by RUB 117 million and net foreign exchange loss of RUB 79 million (recognised during the year ended 31 December 2017).

(f) Income tax expense

Income tax expense for the year ended 31 December 2018 amounted to RUB 1 308 million as compared to income tax expense of RUB 2 524 million during the year ended 31 December 2017.

(g) Profit for the year ended 31 December 2018

The profit for the year attributable to the owners of the Company amounted to RUB 35 million (as compared to the profit of RUB 7 890 million for year ended 31 December 2017) and was transferred to retained earnings.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are disclosed in the notes 1(b) and 26 of the Consolidated Financial Statements.

Changes during the year relating to the nature of the operations and the classes of business that the Company has an interest

During the year ended 31 December 2018, there were no changes relating to the nature of the operations of the Company or its subsidiaries and in the classes of business that the Company has an interest as a member of another company. There were no takeovers or mergers that have been realised. For takeovers or mergers that took place after 31 December 2018, please refer to note 32.

Nonrecurring or unusual activities and other significant events

During the year ended 31 December 2018, the Company granted awards in the form of global depository receipts for the Company's ordinary shares to certain members of top management of the Group and made certain modifications to previously existing incentive programme, as disclosed in note 10 to these consolidated financial statements.

Future developments of the Group

The Board of Directors expects continued growth in the Group's operations in all markets of its presence, and further improvement in the financial position and financial performance of the Group.

Activities related to research and development

The Group has not undertaken any activities in the field of research and development during the year ended 31 December 2018.

Branches

The Group operated through branches in Moscow and Saint Petersburg and 15 representative (sales) offices across the Russian Federation during the year ended 31 December 2018. The Company did not operate through any branches.

Use of financial instruments by the Group

The classes of financial instruments used by the Group, the Group's financial risk management objectives and policies as well as Group's exposure to credit risk, liquidity risk and market risk are disclosed in the note 26 of the consolidated financial statements.

Dividends

On 27 April 2018, the Board of Directors recommended a final dividend of USD 0.18 per share for the year ended 31 December 2017. The final dividend in the total amount of RUB 3 260 million was approved by the Annual General Meeting of shareholders on 25 May 2018, and the dividends were paid on 21 August 2018.

Changes in the Company's share capital

There were no changes in the Company's share capital during 2018.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

Changes in the composition, allocation of responsibilities or compensation of the Board of Directors

The changes in the composition and allocation of responsibilities of the Board of Directors during 2018 are disclosed in the Board of Directors and other Officers section of these consolidated financial statements. The changes in the compensation of certain members of the Board of Directors are disclosed in note 10 to these consolidated financial statements.

Events that occurred after the reporting period

The material events after the reporting period, which have a bearing on the understanding of the consolidated financial statements for the year ended 31 December 2018, are disclosed in note 32 of the consolidated financial statements.

Recommendation regarding the distribution of profits

The Company aims to pay out in the form of dividends between 40% and 70% of its consolidated net profit adjusted for non-cash items if warranted. The Board will recommend the payment of a final dividend for the year ended 31 December 2018 at its meeting to be held subsequent to the date of this report.

Independent Auditors

The decision about re-appointment of the Company's and the Group's auditors and giving authority to the Board of Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

CORPORATE GOVERNANCE REPORT

Company's internal control and risk management in relation to the preparation of the financial statements

The main documents regulating the activities of the Company are the Cyprus Companies Law, Cap. 113, the UKLA Listing, Prospectus and Disclosure and Transparency Rules, together with the Memorandum and Articles of Association of the Company. The Company has also enacted a number of governance policies and procedures to ensure that a proper system of corporate governance is in place, such as the Management Policy and Committee terms of reference.

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for making an assessment of the Group's and the Company's ability to continue as a going concern, taking into account all available information about the future and for disclosing any material uncertainties related to events or conditions that may cast significant doubt upon the Group's and the Company's ability to continue as a going concern.

Those charged with governance are responsible for implementation of internal control necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and in particular for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Audit Committee is responsible for monitoring the financial reporting process and the integrity of the Company's financial statements together with any other regulatory announcements relating to financial performance. It is also responsible for reviewing internal controls, overseeing how management monitors compliance with the Group's risk management policies and procedures, the effectiveness of the Group's Internal Audit function and the independence, objectivity and the effectiveness of the external audit process. The Audit Committee is also responsible for considering the terms of appointment and remuneration of the external auditor.

Each of the subsidiaries of the Group keeps accounting records for statutory purposes. The preparation of consolidated IFRS financial statements involves the transformation of the statutory accounting records into IFRS and the consolidation of financial statements. The Group continues the process of implementing of a single Group-wide information system featuring automated consolidation of the accounts that will strengthen internal control and risk management in relation to the preparation of the consolidated financial statements.

The Group believes that its financial reporting functions and internal control systems are sufficient to ensure the compliance with the requirements of the FSA's Disclosure and Transparency Rules as a listed company and with the requirement of Cyprus Companies Law, Cap. 113.

Significant direct or indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings)

The share capital of the Company is GBP 34 748 divided into 294 957 971 ordinary Shares having the par value of GBP £0.00005 each and 20 000 preference shares having the par value of GBP 1 each. 193 747 322 ordinary shares (65,7%) are deposited for the issuance of Global Depositary Receipts (GDRs) pursuant to the Deposit Agreement between the Company and the Bank of New York Mellon. The GDRs represent one ordinary share each and are listed and traded on the Main Market of the London Stock Exchange.

As at 31 December 2018, the Company was aware of the following interests in its share capital:

Shareholders	%
Free float	61,9%
Zarenkov family	30,7%
Baring Vostok Funds	5,7%
Management of the Company	1,7%
Total	100%

The holders of any shares with special control rights and a description of these rights

The Company does not have any shares with special control rights.

Restrictions in exercising of voting rights of shares

The 20 000 shares having the par value of GBP 1 each issued by the Company, bear no voting rights. The Company does not have any other restrictions in exercising of the voting rights of its shares.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

CORPORATE GOVERNANCE REPORT (CONTINUED)

The rules regarding the appointment and replacement of board members

The Company may by ordinary resolution appoint any person as a director and may by ordinary resolution of which special notice has been given, in accordance with sections 178 and 136 of the Cyprus Companies Law, cap. 113 (the Law), remove a director. Any such director will receive special notice of the meeting and is entitled to be heard at the meeting. Any director has to confirm in writing that he is eligible under the Law.

A director may resign from office as a director by giving notice in writing to that effect to the Company, which notice shall be effective upon such date as may be specified in the notice.

The directors have the power from time to time, without sanction of the Company in general meeting, to appoint any person to be a director, either to fill a casual vacancy or as an additional director. Any director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

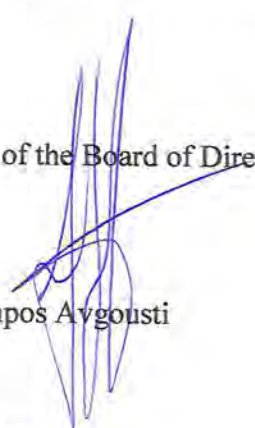
The office of a director shall be vacated if:

- (a) he becomes of unsound mind or an order is made by a court having jurisdiction (whether in Cyprus or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator or other person to exercise powers with respect to his property or affairs; or
- (b) he is prohibited from acting as director in accordance with section 180 of the Law; or
- (c) becomes bankrupt or makes any arrangement or composition with his creditors generally or otherwise has any judgment executed on any of his assets; or
- (d) he dies; or
- (e) he resigns his office by written notice to the Company; or
- (f) the Company removes him from his position in accordance with section 178 of the Law.

The rules regarding the amendment of the articles of association

Subject to the provisions of the Law, the Company may, by special resolution, alter or add to its articles of association. Any alteration or addition shall be as valid as if originally contained therein, and be subject in like manner to alteration by special resolution.

By order of the Board of Directors,

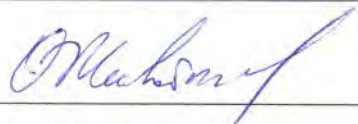



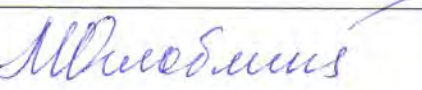
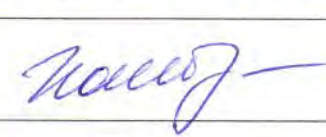
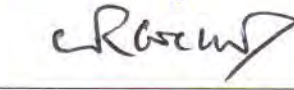
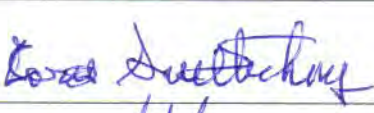


Charalampos Avgousti
Director


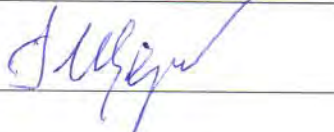
Nicosia
1 April 2019

Responsibility statement of the Directors and management of the Company in accordance with the Transparency Law

We, the members of the Board of Directors and the Company officials responsible for the drafting of the consolidated financial statements of ETALON GROUP PLC (the 'Company'), the names of which are listed below, in accordance with the requirements of the Section 9 of the Transparency Requirements (Security Admitted to Trading) Law 190(I)/2007 (hereinafter the "Transparency Law"), as amended, confirm that we have complied with the requirements in preparing the financial statement and that to the best of our knowledge:

- (a) The consolidated annual financial statements for year ended 31 December 2018:
 - (i) Have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), in accordance with the provisions of section 9(4) of the Transparency Law and in accordance with Cyprus Companies Law, Cap.113;
 - (ii) Give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidated financial account as a whole, and
- (b) The management report provides a fair overview on information required as per Section 9(6)(a) of the Transparency Law.

OLEG MUBARAKSHIN, Chairman of the Board of Directors	
KIRILL BAGACHENKO, Member of the Board of Directors, Chief Financial Officer	
MAKSIM BERLOVICH, Member of the Board of Directors	
SERGEY EGOROV, Member of the Board of Directors	
MARINA OGLOBLINA, Member of the Board of Directors	
GANNA KHOMENKO, Member of the Board of Directors	
MARTIN ROBERT COCKER, Member of the Board of Directors	
BORIS SVETLICHNY, Member of the Board of Directors	
CHARALAMPOS AVGOUSTI, Member of the Board of Directors	

DENIS VINOKUROV, Member of the Board of Directors	
GENNADII SHCHERBINA, Chief Executive Officer	

April 1, 2019



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Independent Auditors' report

TO THE MEMBERS OF ETALON GROUP PLC

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Etalon Group PLC (the "Company"), and its subsidiaries ("the Group") which are presented on pages 20 to 81, and comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and of its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap. 113").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We remained independent of the Group throughout the period of our appointment in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code"), and the ethical requirements in Cyprus that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Sales of premises transferred over time	
Please refer to Note 3(h)(i) and Note 6 in the financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>The Group recognizes revenue for premises sold to customers under share participation agreements regulated by law over time whereby the progress towards complete satisfaction of the performance obligation is measured using the input method.</p> <p>We focused on this area, due to significant estimates and judgements related to the measurement of the progress towards complete satisfaction of performance obligation affecting the amount of revenue recognized for the reporting period and complexity of supporting calculations.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> - Testing the accuracy of construction budgets underlying the calculations under the input method for a sample of projects, by assessing the budget to actual variance analysis of costs incurred performed by the Group. - Testing the operating effectiveness of controls over existence, accuracy and completeness of costs incurred as at reporting date to construct a multiunit building; - Examining the mathematical accuracy of the calculations underlying the achieved progress towards complete satisfaction of performance obligation. - Evaluating the reasonableness of key judgements and assumptions underlying the calculations of the progress towards completed satisfaction of performance obligation. Within the context of this evaluation we: <ul style="list-style-type: none"> o enquired management of the Group and divisional management about the process and controls in place to understand how the total costs to construct the building are initially estimated and approved and the process of approval of subsequent revisions of the total costs; o evaluated accuracy of the planned construction costs by the following substantive audit procedures: <ul style="list-style-type: none"> ▪ we agreed planned construction costs to signed construction budgets and compared planned construction costs used to determine the progress towards complete satisfaction of performance obligation as at

	<p>reporting date to planned construction costs used as at previous reporting date;</p> <ul style="list-style-type: none"> ▪ we compared planned construction costs per square meter in different buildings in the same project and investigated unusual fluctuations; ○ we evaluated the existence, accuracy and completeness of costs incurred to date by comparing the amount of those costs to the supporting progress schedule, prepared by planning economic department.
Carrying value of inventories relating to parking places	
Please refer to Note 17(b) in the financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>The balance of parking places is increasing year on year. Due to the current economic environment, the demand for parking places is rather low. Therefore, the parking places' sales are much slower than the sales of other types of the Group's inventory.</p> <p>In the consolidated financial statements, the parking places (finished parking places and parking places under construction) form part of the inventory and are stated at the lower of cost and net realisable value (i.e. the forecasted selling price less remaining costs to build and sell). The assessment of the net realisable value of the parking places depends on the Group's estimate of selling prices and allocation of building costs. Accordingly, a change in the Group's estimate of selling prices and the allocation of percentage of building costs could have a material impact on the carrying value of parking places in the Group's consolidated financial statements. Thus, there is a risk that a parking places may be overstated as at the reporting date.</p> <p>We identified the carrying value of parking places as a key audit matter due to:</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> - testing the accuracy of construction budgets for a sample of projects, by reviewing the budget to actual variance analysis performed by the Group. - assessing the model used by the Group to calculate the net realisable value by: <ul style="list-style-type: none"> - Testing the Group's expected period of sales of parking places by comparing it with the historical turnover of parking places determined based on historical information relating to contracts entered into with customers; - Assessing the appropriateness of inflation rates used in the model by comparing them to external independent sources; - Assessing the appropriateness of discount rate involving our own valuation specialists; - Challenging the Group's forecasted selling prices by comparing the forecasted with actual selling prices for a sample of the parking places; - Assessing the reasonableness of the Group's selection of similar parking places, in cases where there was no historical information on sales of certain parking places;

<ul style="list-style-type: none"> - Significant carrying amount of parking places as at the reporting date; - Estimates and judgements affecting the net realisable value; - Complex manual calculations performed by the Group for the purpose of estimation of the net realisable value of the parking places. 	<ul style="list-style-type: none"> - Testing the Group's forecasted costs to complete by comparing them to construction budgets. <p>Our audit work was focused on sites with lower turnover of parking places, which are hence considered most sensitive to changes in the Group's assumptions.</p> <p>We also considered the adequacy of the Group's disclosures on the allowance for obsolete inventory and assessed whether they meet the requirements of the relevant accounting standards.</p>
Construction of social infrastructure	
Please refer to Note 17 in the financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>In the course of implementation of development projects the Group may be obliged to construct and transfer certain social infrastructure objects to the City Authorities without compensation of construction cost. These costs are recoverable as part of the projects they relate to.</p> <p>The risk specifically relates to the level of judgement involved in measuring the obligation described above and identifying the moment when the obligation becomes unavoidable.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> - We enquired management of the Group, divisional management and in-house legal counsel about actual or potential obligations to construct social infrastructure objects and transfer it to the City Authorities without compensation of construction cost. - We inspected the construction permitting documentation for a sample of projects to evaluate the completeness of the obligations. - For significant known obligations, when a provision has been recognised, we inspected the calculation of the provision and evaluated the amount of internal costs included in the provision by comparing them to supporting construction budgets; - We evaluated significant judgements made and the assumptions used by management in recognizing obligation for the construction of social infrastructure objects by involving our own legal specialists, considering the previous experience on how the issues with construction of social infrastructure were resolved and customary business practice.

	We also considered the accuracy of the Group's disclosures on the obligations to construct social infrastructure objects.
Share based payment arrangements - Recognition	
Please refer to Note 9, Note 10 and Note 30(a)(i) in the financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>In 2017 the Group implemented a share based payment arrangement with certain members of the Group's top management as part of management long-term incentive plan. In 2018 the Group changed the conditions of the arrangement established in 2017.</p> <p>We focused on this area, as the share based payments is a complex accounting area and there is a risk that the amounts are incorrectly determined and/or inappropriately accounted for and disclosed in the consolidated financial statements.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> - Enquiries with the Group management to understand the share based payment schemes in place and the changes made to the arrangement introduced in 2017; - Inspection of documents supporting the approval by the Group and communications made to participants of the program regarding these changes; - Agreed new conditions of the arrangement used by management for evaluation of accounting treatment and measurement of the transaction to the revised arrangement documents; - Evaluating, involving our own valuation specialists the methodology and assumptions underlying the estimation of fair value of equity instruments granted to the participants of the incentive plan at the measurement date; - Evaluating, involving our own IFRS specialists, the accounting treatment and its compliance with the relevant accounting standards; - Evaluating the adequacy of the Group's disclosures in respect of share based payment arrangements in accordance with the requirements of IFRS 2.

Other information

The Board of Directors is responsible for the other information. The other information comprises the consolidated management report, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap.113.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit

or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors and those charged with governance.

With regards to the consolidated management report, our report is presented in the "*Report on other legal and regulatory requirements*" section.

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to either liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors and those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material

uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Report on other legal and regulatory requirements

Other regulatory requirements

Pursuant to the requirements of Article 10(2) of EU Regulation 537/2014 we provide the following information in our Independent Auditors' Report, which is required in addition to the requirements of ISAs.

Date of our appointment and period of engagement

We were first appointed auditors of the Group by the General Meeting of the Company's members on 27 July 2017. Our appointment was renewed annually by shareholders' resolution on 29 May 2018. Our total uninterrupted period of engagement is two years covering the years ended 31 December 2017 to 31 December 2018.

Consistency of the auditors' report to the additional report to the Audit Committee

We confirm that our audit opinion is consistent with the additional report presented to the Audit Committee dated 28 March 2019.

Provision of non-audit services ("NAS")

We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(I)2017, as amended from time to time ("Law L53(I)/2017").



Other legal requirements

Pursuant to the additional requirements of law L.53(I)2017, and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the consolidated management report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In the light of the knowledge and understanding of the business and the Group's environment obtained in the course of the audit, we have not identified material misstatements in the consolidated management report.
- In our opinion, the information included in the corporate governance report in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113, and which is included as a specific section of the consolidated management report, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of the subparagraph 2(a) of Article 151 of the Companies Law, Cap. 113. We have nothing to report in this respect.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of Law L53(I)/2017, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditors' report is Antonis Shiammoutis.



Antonis Shiammoutis

Certified Public Accountant and Registered Auditor

for and on behalf of

KPMG Limited

Certified Public Accountants and Registered Auditors

14 Esperidon Street

1087 Nicosia, Cyprus

1 April 2019

mln RUB	Note	2018	2017*
Revenue	6	72 327	70 645
Cost of sales		(57 835)	(52 644)
Gross profit		14 492	18 001
General and administrative expenses	7	(6 922)	(5 052)
Selling expenses		(3 318)	(2 930)
Impairment loss on trade and other receivables	26 (b)(iii)	(800)	(673)
Other (expenses)/income, net	8	(2 376)	366
Results from operating activities		1 076	9 712
Finance income – interest revenue	11	2 101	1 696
Finance income - other	11	183	16
Finance costs	11	(2 015)	(1 007)
Net finance income		269	705
Profit before income tax		1 345	10 417
Income tax expense	12	(1 308)	(2 524)
Profit for the year		37	7 893
Total comprehensive income for the year		37	7 893
Profit attributable to:			
Owners of the Company		35	7 890
Non-controlling interest		2	3
Profit for the year		37	7 893
Total comprehensive income attributable to:			
Owners of the Company		35	7 890
Non-controlling interest		2	3
Total comprehensive income for the year		37	7 893
Earnings per share			
Basic and diluted earnings per share (RUB)	22	0,12	27,15

* - The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated, see note 2(e)(i). Comparative information has been re-presented due to a new impairment loss line item.

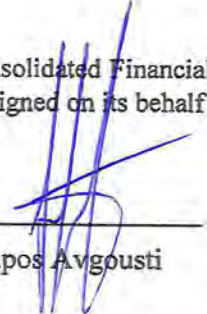
mln RUB	Note	2018	2017*
ASSETS			
Non-current assets			
Property, plant and equipment	13	3 195	3 085
Investment property	14	306	333
Other long-term investments	15	758	739
Trade and other receivables	18	5 777	5 867
Deferred tax assets	16	2 805	2 173
Total non-current assets		12 841	12 197
Current assets			
Inventories under construction	17	56 096	55 441
Inventories - finished goods	17	15 638	21 458
Other inventories	17	1 995	1 223
Advances paid to suppliers	18	7 727	10 664
Costs to obtain contracts		324	-
Contract assets	18	1 244	1 187
Trade receivables	18	7 971	13 551
Other receivables	18	3 466	4 782
Short-term investments	19	203	185
Cash and cash equivalents	20	23 066	14 125
Total current assets		117 730	122 616
Total assets		130 571	134 813
EQUITY AND LIABILITIES			
Equity			
Share capital	21	2	2
Share premium	21	15 486	15 486
Reserve for own shares	21	(1)	(1 606)
Share options reserve	21	-	221
Retained earnings		44 627	48 702
Total equity attributable to equity holders of the Company		60 114	62 805
Non-controlling interest		2	-
Total equity		60 116	62 805

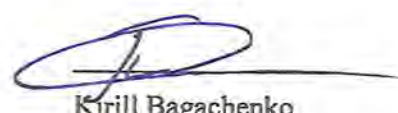
* - The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated, see note 2(e).

mln RUB	Note	2018	2017*
Non-current liabilities			
Loans and borrowings	23	17 559	21 418
Trade and other payables	25	1 777	2 546
Contract liabilities	25	218	-
Provisions	24	121	102
Deferred tax liabilities	16	2 808	2 941
Total non-current liabilities		22 483	27 007
Current liabilities			
Loans and borrowings	23	3 353	2 569
Trade and other payables	25	16 727	14 920
Contract liabilities	25	26 931	25 649
Provisions	24	961	1 863
Total current liabilities		47 972	45 001
Total equity and liabilities		130 571	134 813

* - The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated, see note 2(e).

These Consolidated Financial Statements were approved by the Board of Directors on 1 April 2019 and were signed on its behalf by:


 Charalampos Avgousti
 Director


 Kirill Bagachenko
 Director

mln RUB

	Attributable to equity holders of the Company					Non-controlling interest	Total equity
	Share capital	Share premium	Reserve for own shares	Share options reserve	Retained earnings		
Balance at 1 January 2017	1	15 509	(440)	-	43 354	28	58 452
Total comprehensive income for the year							
Profit for the year	-	-	-	-	7 890	3	7 893
Total comprehensive income for the year	-	-	-	-	7 890	3	7 893
Transactions with owners, recorded directly in equity							
Issuance of preference shares	1	-	-	-	-	-	1
Dividends to equity holders	-	-	-	-	(2 542)	-	(2 542)
Equity-settled share-based payment	-	-	-	221	-	-	221
Acquisition of own shares	-	-	(1 189)	-	-	-	(1 189)
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Changes in ownership interest in subsidiaries	-	-	-	-	-	(31)	(31)
Other reclassifications	-	(23)	23	-	-	-	-
Total transactions with owners	1	(23)	(1 166)	221	(2 542)	(31)	(3 540)
Balance at 31 December 2017	2	15 486	(1 606)	221	48 702	-	62 805

mln RUB	Attributable to equity holders of the Company					Non-controlling interest	Total equity
	Share capital	Share premium	Reserve for own shares	Share options reserve	Retained earnings		
Balance at 1 January 2018, as previously reported*	2	15 486	(1 606)	221	48 702	-	62 805
Adjustment from adoption of IFRS 9, net of tax, note 2(e)	-	-	-	-	(312)	-	(312)
Adjusted balance at 1 January 2018	2	15 486	(1 606)	221	48 390	-	62 493
Total comprehensive income for the year							
Profit for the year	-	-	-	-	35	2	37
Total comprehensive income for the year	-	-	-	-	35	2	37
Transactions with owners, recorded directly in equity							
Dividends to equity holders	-	-	-	-	(3 260)	-	(3 260)
Equity-settled share-based payment	-	-	1 605	(221)	(538)	-	846
Total transactions with owners	-	-	1 605	(221)	(3 798)	-	(2 414)
Balance at 31 December 2018	2	15 486	(1)	-	44 627	2	60 116

* - The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated, see note 2(e).

mln RUB

	Notes	2018	2017
OPERATING ACTIVITIES:			
Profit for the year		37	7 893
<i>Adjustments for:</i>			
Depreciation	13, 14	365	340
Loss/(gain) on disposal of property, plant and equipment	8	8	(113)
Gain on disposal of investment property	8	-	(27)
Impairment loss on inventories	17	512	819
Impairment loss/reversal on trade and other receivables, advances paid to suppliers and investments	26 (b)(iii)	900	673
Equity-settled share-based payment transactions	10	846	221
Finance income, net	11	(269)	(705)
Income tax expense	12	1 308	2 524
Cash from operating activities before changes in working capital and provisions		3 707	11 625
Change in inventories		5 648	(1 009)
Change in accounts receivable		9 036	(6 953)
Change in accounts payable		(65)	161
Change in provisions	24	(883)	112
Change in contract assets	18	(57)	(203)
Change in contract liabilities	25	1 500	1 329
Cash generated from operating activities		18 886	5 062
Income tax paid		(1 483)	(2 381)
Interest paid		(2 246)	(2 257)
Net cash from operating activities		15 157	424
INVESTING ACTIVITIES:			
Proceeds from disposal of property, plant and equipment		57	294
Proceeds from disposal of investment property		8	232
Interest received		1 125	918
Acquisition of property, plant and equipment		(550)	(707)
Loans given		(91)	(60)
Loans repaid		6	93
Acquisition of other investments	15, 19	(112)	(263)
Disposal of other investments	15, 19	153	385
Net cash from investing activities		596	892
FINANCING ACTIVITIES:			
Acquisition of non-controlling interest		-	(29)
Proceeds from borrowings		4 707	15 889
Repayments of borrowings		(7 719)	(10 009)
Acquisition of own shares		(651)	(628)
Dividends paid		(3 567)	(2 542)
Net cash (used in)/from financing activities		(7 230)	2 681
Net increase in cash and cash equivalents		8 523	3 997
Cash and cash equivalents at the beginning of the year		14 125	10 206
Effect of exchange rate fluctuations on cash and cash equivalents		418	(78)
Cash and cash equivalents at the end of the year	20	23 066	14 125

1 Background

a) Organisation and operations

Etalon Group PLC (Etalon Group Public Company Limited before 27 July 2017 and Etalon Group Limited before 5 April 2017) (or the “Company”) and its subsidiaries (together referred to as the “Group”) comprise Russian joint stock companies and limited liability companies as defined in the Civil Code of the Russian Federation and companies located abroad.

The Company was incorporated on 8 November 2007 in the Bailiwick of Guernsey.

On 5 April 2017, the Company migrated from Guernsey, Channel Islands, and was registered in the Republic of Cyprus under the name of Etalon Group Public Company Limited.

On 27 July 2017, the Annual General Meeting of Shareholders resolved to change the name of the Company from Etalon Group Public Company Limited to Etalon Group PLC. On 8 August 2017, the change of the Company’s name was approved by the Registrar of Companies and Official Receiver of the Republic of Cyprus.

The Company’s registered office is located at:

2-4 Arch. Makariou III Avenue
Capital Center, 9th floor
1065 Nicosia
Cyprus

The Group’s principal activity is residential development in Saint-Petersburg metropolitan area and Moscow metropolitan area, the Russian Federation.

In April 2011, the Company completed initial public offering and placed its ordinary shares in the form of global depository receipts (“GDR”) on the London Stock Exchange's Main Market.

b) Business environment

The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which display the characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which contribute together with other legal and fiscal impediments to the challenges faced by entities operating in the Russian Federation.

Starting in 2014, the United States of America, the European Union and some other countries have imposed and gradually expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

The consolidated financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

2 Basis of preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

This is the first set of the Group’s consolidated financial statements where IFRS 9 has been applied. Changes to significant accounting policies are described in note 2(e).

b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis.

c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (“RUB”), which is the Company’s functional currency and the currency in which these consolidated financial statements are presented. The functional currency of the most Group’s subsidiaries is RUB.

All financial information presented in RUB has been rounded to the nearest million.

d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements, as well as information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 6 – revenue;
- Note 10 – share based payments;
- Note 17 – inventories –impairment provisions; recognition of obligations for construction of social infrastructure;
- Note 24 – provisions;
- Note 26(b) – measurement of ECL allowance for trade and other receivables and contract assets;
- Note 29 – contingencies.

e) Changes in accounting policies

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements, except for the adoption of new accounting standard as described below.

i) Adoption of IFRS 9

Effective from 1 January 2018, the Group has initially adopted IFRS 9 *Financial Instruments* that replaced international Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard set out new requirements for classification and measurement of financial assets and liabilities and for impairment of financial assets.

In accordance with the transition provisions of IFRS 9, the Group applied the new standard retrospectively, except for the items that have already been derecognised at the date of initial application. The Group did not restate prior periods presented as a result of adoption of the new classification and measurement requirements, and recognised any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application of these amendments in the opening retained earnings as at 1 January 2018.

As result of the adoption of IFRS 9, the Group adopted consequential amendments to IAS 1 *Presentation of Financial Statements* which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in finance expenses. Additionally, the Group adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities. The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies in respect of financial assets are set out below.

Classification and measurement of financial assets

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL: it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see "Impairment of financial assets" below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The adoption of IFRS 9 had the following impact on the measurement categories of financial assets in the consolidated financial statements of the Group:

Financial assets previously classified in accordance with IAS 39 within categories loans and receivables and investments held to maturity, in accordance with IFRS 9 were classified as financial assets measured at amortised cost using the effective interest method.

Impairment of financial assets

IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade receivables, cash and cash equivalents, and corporate debt securities.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month expected credit losses: these are expected credit losses that result from possible default events within the 12 months after the reporting date, and
- lifetime expected credit losses: these are expected credit losses that result from all possible default events over the expected life of a financial instrument.

Lifetime expected credit losses measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month expected credit losses measurement applies if it has not.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

The adoption of IFRS 9 resulted in an increase in the allowance for impairment of financial assets in amount of RUB 312 million due to recognition of expected credit losses recognized in retained earnings net of tax, at 1 January 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table shows the original carrying amounts under IAS 39 and the new carrying amounts under IFRS 9 for each class of the Group’s financial assets as at 1 January 2018.

mln RUB	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets		
Trade and other receivables	21 119	20 768
Bank promissory notes	652	633
Loans given	119	99
Bank deposits (over 3 months)	153	153
Cash and cash equivalents	14 125	14 125
Total financial assets	36 168	35 778

Measurement of Expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and other comprehensive income. As a result, the Group reclassified impairment losses amounting to RUB 673 million, recognised under IAS 39, from 'finance expenses' to 'impairment loss on trade and other receivables' in the statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and other comprehensive income due to materiality considerations.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

– The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

- The determination of the business model within which a financial asset is held have been made on the basis of the facts and circumstances that existed at the date of initial application.

3 Significant accounting policies

a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The Group's significant subsidiaries are disclosed in note 31.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

c) Financial instruments**(i) Financial assets**

The Group's financial assets comprise debt securities (bank promissory notes), loans given, trade and other receivables, bank deposits with maturity over 3 months and cash and cash equivalents. All of them are classified at amortised cost category as defined by IFRS 9.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables are held to collect the contractual cash flows, and their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. Such financial assets are classified at amortised cost in accordance with IFRS 9.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's

cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. In accordance with IFRS 9, cash and cash equivalents are classified at amortised cost.

(ii) Financial liabilities

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, trade and other payables and contract liabilities.

At initial recognition, the Group measures a financial liability at its fair value plus transaction costs that are directly attributable to the issuance of the financial liability. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Group derecognises a financial liability when its obligations specified in the contracts are discharged or cancelled or expire. For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

The Group recognises financial assets or financial liabilities in its statement of financial position when it becomes party to the contractual provisions of the instrument and, as a consequence, has a legal right to receive or a legal obligation to pay cash.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iii) Impairment of financial assets

The Group uses a simplified approach to measure loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets that result from transactions that are within the scope of IFRS 15, irrespective of whether they contain a significant financing component or not.

For measuring of loss allowance for trade receivables and contract assets, the Group allocates those financial assets into the following two categories based on shared credit risk characteristics that are determined by existence of a collateral:

1. Trade receivables and contract assets arising from sales of real estate;
2. Trade receivables and contract assets arising from provision of construction services and other operations.

The Group does not transfer title for sold properties to the customers until they settle their accounts in full. In case a customer fails to settle obligations in a reasonable time as determined in sales contract, the Group initiates termination of sales contract, the properties are returned to the Group and in addition to that, the Group withholds penalty from the amount of consideration it returns to the customer. The properties are subsequently sold to other customers, and the cash flows from sale of collateral are included into the cash flows that the Group expects to receive under the initial contract. The Group estimates and recognises expected credit losses on trade receivables based on its own statistics about contract termination and credit losses incurred.

For the second category of receivables and contract assets, the Group calculates ECL based on individual credit risk ratings of each debtor and the remaining terms to maturity. The Group determines the inputs for calculation of ECL such as probability of default and loss given default using both internal and external statistical data.

The Group defines default event when a financial asset is more than 90 days past due or it is unlikely that the debtor's obligations to the Group will be repaid in full without the Group taking such actions as the sale of the collateral (if any).

The Group does not recognise a loss allowance for the following financial assets:

- Bank deposits, cash and cash equivalents - as they are short-term and held with major Russian and international banks

d) Advances received and paid

Due to the nature of its activities, the Group receives significant advances from customers, and makes significant prepayments to sub-contractors and other suppliers. Advances paid are recognised on undiscounted basis. The Group adjusts contract liabilities (including advances received) for the significant financing component if the timing of payments agreed to by the parties provides the Group with a significant benefit of financing.

e) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment loss.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1 January 2008, the date of transition to IFRSs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within “other income” in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- | | |
|-------------------------------|-------------|
| • Buildings and constructions | 7-30 years; |
| • Machinery and equipment | 5-15 years; |
| • Vehicles | 5-10 years; |
| • Other assets | 3-7 years. |

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. No estimates in respect of plant and equipment were revised in 2018.

f) Inventories

Inventories comprise real estate properties under construction (including residential premises, stand-alone and built-in commercial premises) when the Group acts in the capacity of a developer, finished goods, and construction and other materials.

The Group accounts for stand-alone and built-in commercial properties within inventories because it does not intend to engage in renting-out those assets and keeping those as investment properties to generate rental income and benefit from appreciation. Properties classified as inventory may be rented out on a temporary basis while the Group is searching for a buyer. Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of real estate properties under construction is determined on the basis of specific identification of their individual costs. The costs of individual residential units and built-in commercial premises are arrived at by allocating the costs of a particular development project to individual apartments and built-in premises on a pro rata basis relative to their size.

Since 1 January 2017, for items on which revenue is recognized over time, real estate property under construction is treated as asset ready for sale in its current condition and is not a qualifying asset for the capitalization of borrowing costs.

The costs of real estate property comprise costs of construction and other expenditure directly attributable to a particular development project, including finance costs.

The cost of inventories, other than construction work in progress intended for sale, is based on the weighted average cost formula and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost of manufactured inventories and work in progress includes an appropriate share of overheads based on normal operating capacity. Transfer from real estate properties under construction to the stock of finished goods occurs when the respective building is approved by the State commission established by the local regulating authorities for acceptance of finished buildings.

The Group's inventory is not limited to 12 months and may be of longer term since the development cycle exceeds 12 months. Inventories are classified as current assets even when they are not expected to be realised within twelve months after the reporting date.

g) Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase of share options reserve in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. For share based-payment awards with vesting market conditions, which creates variability in the number of equity instruments that will be received by employees, the Group determines the grant-date fair value of the right to receive a variable number of equity instruments reflecting the probability of different outcomes.

h) Revenue**(i) *Revenue from sale of real estate properties (including flats, commercial premises and parking places)***

Revenue is measured based on the consideration specified in a contract with a customer adjusted for the effect of the time value of money (significant financing component) if the timing of payments agreed to by the parties provides the customer or the Group with a significant benefit of financing. The timing of satisfaction of the Group's performance obligations does not necessarily correspond to the typical payment terms, as the Group either accepts full down payments at the inception of construction, or provides instalment plans for the whole period of construction or beyond it.

The Group recognises revenue when (or as) it transfers control over an asset to a customer. Transfer of control may vary depending on the individual terms of the sales contracts.

For contracts for sale of finished goods, the Group generally considers that control have been transferred on the date when a buyer signs the act of acceptance of the property.

Effective 1 January 2017, the amendments were made to the Federal law 214-FZ, according to which in case a real estate developer properly fulfills his obligations under share participation agreement, the buyer has no right to terminate the contract unilaterally. Following the amendments made to the Federal law No.214-FZ, the Group has an enforceable right to payment under the agreements since 1 January 2017. Share participation agreements specify the exact apartment to be delivered to the customer, which cannot be delivered to another customer and thus represents an asset with no alternative use to the Group. In accordance with the requirements of IFRS 15, share participation agreements concluded on or after 1 January 2017 qualify for revenue recognition over time as control over the property is transferred to the customer over time.

For sales contracted under share participation agreements concluded with customers before 1 January 2017 there was a contradictory court practice in respect of the right for the buyer to terminate the contract unilaterally. Until 1 July 2018, for share participation agreements concluded with customers before 1 January 2017, the control was considered to have been transferred to individual buyers, when the construction is completed and the buildings has been approved by the State commission for acceptance of finished buildings. As of 1 July 2018, following the development of the court practice, management reassessed whether the Group has an enforceable right to payment for performance completed to date in accordance with IFRS 15 paragraph 35(c). Following the result of reassessment, management concluded that the Group has an enforceable right to payment for performance completed to date. In accordance with the requirements of IFRS 15, share participation agreements concluded before 1 January 2017 qualify for revenue recognition over time since 1 July 2018. The corresponding catch up adjustment for the contracts as of 1 July 2018 was recognized in the second half of 2018 prospectively.

For each performance obligation satisfied over time (promise to transfer an apartment specified in the contract with a customer in a multicompartment building under construction), the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation using the input method. Under the input method, revenue is recognised on the basis of costs incurred relative to the total expected costs to the satisfaction of that performance obligation that is the proportion of costs incurred to date to construct a multicompartment building to the total costs to construct this building in accordance with a business plan.

The progress is considered to be the same for all apartments within a building, irrespective of their floors, and revenue is recognised with respect to apartments that are contracted under share participation agreements. Costs used to measure progress towards complete satisfaction of performance obligation include costs of design and construction of a multicompartment building and exclude the cost of acquisition of land plots. The cost of acquisition of land plot is recognised in cost of sales consistently with the transfer to the customers of the apartments to which the land plot relates.

In relation to sales via housing cooperatives, revenue is recognized on the date when sold real estate property is transferred to, and accepted by, the cooperative. Before that date, the respective building has to be approved by the State commission for acceptance of finished buildings.

When adjusting the promised amount of consideration (monetary or non-monetary) for a significant financing component, the Group applies discount rates that would be reflected in a separate financing transaction between the entity and its customer at contract inception that is typically the average mortgage rate for contract assets and the Group's incremental borrowing rate for contract liabilities.

Except as described in note 3(f), finance costs, recognized as a result of separating the significant financing component are accounted for as borrowing costs incurred specifically for the purpose of obtaining a qualifying asset and are capitalized into the cost of real estate properties under construction.

As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between the transfer of a promised good to a customer and the customer's payment for that good will be one year or less.

(ii) Revenue from construction services

For accounting purposes, the Group distinguishes two types of construction contracts:

- 1) Contracts for provision of construction services;
- 2) Contracts for construction of an asset.

For the first type of contracts, revenue from construction services rendered is recognized in the consolidated statement of Profit or Loss and Other Comprehensive Income when the Group transfers control of a service to customer. These contracts are normally short-term, therefore revenue is recognised when the customer signs the act of acceptance of the construction service.

For the second type of contracts revenue is recognized over time by measuring progress towards complete satisfaction of the performance obligation at the reporting date, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, using the input method. Contract costs are recognised as expenses in the period in which they are incurred except when the costs are the costs that generate or enhance resources of the entity that will be used in satisfying performance obligation in future.

Some or all of an amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when that uncertainty associated with the variable consideration is subsequently resolved.

The Group accounts for a contract modification (change in the scope or price (or both)) when that is approved by the parties to the contract.

Where the outcome of a performance obligation cannot be reasonably measured, contract revenue is recognised to the extent of costs incurred in satisfying the performance obligation that is expected to be recovered.

When it becomes probable that total contract costs will exceed total contract revenue, the Group recognize expected losses from onerous contract as an expense immediately.

(iii) Revenue from sale of construction materials

Revenue from the sale of construction materials is recognised in the consolidated statement of profit or loss and other comprehensive income when the Customer obtains control of a promised asset.

i) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

j) New Standards and Interpretations

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

The following standards are expected to have a material impact on the Group's financial statements in the period of initial application.

IFRS 16 Leases

IFRS 16 replaces the existing lease accounting guidance in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing

its obligation to make lease payments. Recognition exemptions exist for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group plans to apply IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

On transition to IFRS 16, while determining whether an arrangement contains a lease, the Group will apply the IFRS 16 definition of a lease to all its contracts, and will not apply the practical expedient to grandfather the definition of a lease on transition.

The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

The Group will recognise new assets and liabilities primarily for its operating leases of land plots for development purposes. The nature of expenses related to operating leases under IFRS 16 generally changes because the lessee starts to recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

As the Group capitalises expenses related to leases of land plots into cost of inventories under construction, the Group will not recognize a separate right of use asset. Instead, right of use asset will be included into inventories under construction and will be recognised within cost of sales on the same basis as the cost of acquisition of land plots, see note 3(h)(i)).

When capitalisation criteria are met, interest expense on lease liabilities will also be capitalised into inventories under construction (similar to borrowing costs and significant financing component).

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities and inventories under construction in the amount of up to RUB 1 200 million as at 1 January 2019.

As at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases are disclosed in note 27.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

Other standards and interpretations

Various *Improvements to IFRSs* and other amendments have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning on or after 1 January 2019. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further

information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Non-derivative financial assets

The fair value of trade and other receivables, excluding construction work in progress and held to maturity investments, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- *Residential development.* Includes construction of residential real estate including flats, built-in premises and parking places.
- *Construction services.* Includes construction services for third parties and for internal purpose.
- *Other operations.* Include selling of construction materials, construction of stand-alone premises for commercial use and various services related to sale and servicing of premises. None of these meet any of the quantitative thresholds for determining reportable segments during the year ended 31 December 2018 or 2017.

Performance of the reporting segments is measured by the management based on gross profits, on the way in which the management organises the segments within the entity for making operating decisions and in assessing performance. General and administrative expenses, selling expenses, finance income and finance costs are treated as equally attributable to all reporting segments and are not analysed by the Group on a segment-by-segment basis and therefore not reported for each individual segment.

Segments' assets and segments' liabilities being analysed by the Board of Directors include inventories and contract liabilities as the key indicators relevant for segment performance measurement. Therefore, other assets and liabilities are not allocated between the segments.

a) Information about reportable segments

mln RUB	Residential development		Construction services		Other		Total	
	2018	2017 (recalculated*)	2018	2017	2018	2017	2018	2017 (recalculated*)
External revenues	58 072	54 964	8 312	9 024	5 943	6 657	72 327	70 645
Inter-segment revenue	-	-	14 964	13 341	629	584	15 593	13 925
Total segment revenue	58 072	54 964	23 276	22 365	6 572	7 241	87 920	84 570
Gross profit	13 992	17 509	393	358	107	134	14 492	18 001
Borrowing costs and significant financing component in cost of sales	3 105	3 871	-	-	-	-	3 105	3 871
Gross profit adjusted for interest in cost of sales	17 097	21 380	393	358	107	134	17 597	21 872
Gross profit adjusted, %	29%	39%						
Reportable segment assets: inventories	2018	2017 (recalculated*)	2018	2017	2018	2017	2018	2017 (recalculated*)
	70 263	75 426	1 541	779	1 925	1 917	73 729	78 122
Total liabilities for reportable segments: contract liabilities	26 716	25 501	83	35	350	113	27 149	25 649

* The Group represented segment information for consistency with 2018

b) Geographical information

In presenting information on the basis of geographical information, revenue is based on the geographical location of properties. Non-current assets exclude financial instruments and deferred tax assets.

mln RUB	Revenues		Non-current assets	
	2018	2017 (recalculated)	2018	2017
St. Petersburg metropolitan area	40 502	41 617	3 027	2 968
Moscow metropolitan area	31 825	29 028	474	450
	72 327	70 645	3 501	3 418

c) Major customer

Revenue from one customer of the Group, recognised within the segment “Residential development”, amounted to RUB 1 906 million or 3% of the Group’s total revenue for the year ended 31 December 2018 (revenue from one customer of the Group, recognised within the segment “Construction services”, amounted to 3 274 million or 5% of the Group’s total revenue for the year ended 31 December 2017).

d) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

mln RUB

	2018	2017 (recalculated)
Revenues		
Total revenue for reportable segments	87 920	84 570
Elimination of inter-segment revenue	(15 593)	(13 925)
Consolidated revenue	72 327	70 645
Profit or loss		
Gross profit for reportable segments	14 492	18 001
General and administrative expenses	(6 922)	(5 052)
Selling expenses	(3 318)	(2 930)
Impairment loss on trade and other receivables	(800)	(673)
Other expenses, net	(2 376)	366
Finance income and interest revenue	2 284	1 712
Finance costs	(2 015)	(1 007)
Consolidated profit before income tax	1 345	10 417
	2018	2017
Assets		
Total assets for reportable segments: inventories	73 729	78 122
Total inventories	73 729	78 122
Liabilities		
Total liabilities for reportable segments: contract liabilities	27 149	25 649
Total contract liabilities	27 149	25 649

6 Revenue

mln RUB	2018	2017
Sale of flats - transferred at a point in time	26 187	33 379
Sale of flats - transferred over time	27 327	16 270
Sale of built-in commercial premises - transferred at a point in time	1 650	1 940
Sale of built-in commercial premises - transferred over time	1 519	546
Sale of parking places - transferred at a point in time	1 025	2 723
Sale of parking places - transferred over time	364	106
<i>Total revenue - segment Residential development (note 5 (a))</i>	<i>58 072</i>	<i>54 964</i>
Long term construction contracts - transferred over time	7 459	8 105
Short term construction services - transferred over time	853	919
<i>Total revenue of segment Construction services (note 5 (a))</i>	<i>8 312</i>	<i>9 024</i>
Sale of construction materials - transferred at a point in time	3 601	4 146
Sale of stand-alone commercial premises - transferred at a point in time	42	479
Other revenue - transferred at a point in time	1 677	1 334
<i>Total other revenue (note 5 (a))</i>	<i>5 320</i>	<i>5 959</i>
Total revenues from contracts with customers	71 704	69 947
Rental revenue (note 5 (a))	623	698
Total revenues	72 327	70 645

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers

mln RUB	2018	2017
Trade receivables	13 515	19 291
Contract assets	1 244	1 187
Contract liabilities	(27 149)	(25 649)

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on sale of flats and built-in commercial premises under share participation agreements and for long-term construction contracts. Contract assets are transferred to trade receivables when the rights become unconditional.

Contract liabilities relate to advance consideration received from customers.

The explanation of the significant changes in the contract asset and the contract liability balances during the reporting period is presented in the table below.

mln RUB	2018		2017	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period	-	20 780	-	20 514
Increases due to cash received, excluding amounts recognized as revenue during the period	-	(22 280)	-	(21 843)
Transfers from contract assets recognised at the beginning of the period to receivables	(1 154)	-	(843)	-
Increase as a result of changes in the measure of progress	1 211	-	1 046	-
Total change in the reporting period	57	(1 500)	203	(1 329)

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

31 December 2018	2019	2020	2021	2022	Total
mln RUB					
Residential development	18 683	9 484	1 439	169	29 775
Construction services	6 523	785	9	-	7 317
Total	25 206	10 269	1 448	169	37 092

31 December 2017	2018	2019	2020	2021	Total
mln RUB					
Residential development	8 215	6 229	811	-	15 255
Construction services	9 202	2 002	545	9	11 758
Total	17 417	8 231	1 356	9	27 013

The Group applies practical expedient included in par. 121 of IFRS 15 and does not disclose information about its remaining performance obligations for contracts that have an original expected duration of one year or less.

7 General and administrative expenses

mln RUB	2018	2017
Payroll and related taxes	4 446	3 455
Equity-settled share based payments (note 10)	846	221
Services	468	405
Audit and consulting services	217	150
Bank fees and commissions	173	122
Other taxes	160	162
Materials	96	57
Depreciation	85	47
Repair and maintenance	75	89
Other	356	344
Total	6 922	5 052

Remuneration of the statutory audit firm for the year ended 31 December 2018 amounted to RUB 9.1 million for audit services (2017: RUB 4.3 million) and RUB 2.1 million for other assurance services (2016: RUB 1.7 million). Remuneration of other members of the statutory auditors' network for the year ended 31 December 2018 amounted to RUB 9.6 million for audit services (2017: RUB 11.1 million) and RUB 5.1 million for non-audit services (2017: RUB 8.4 million).

8 Other (expenses)/income, net

mln RUB	2018	2017
<i>Other income</i>		
Fees and penalties received	226	17
Other income	186	1 186
Gain on disposal of property, plant and equipment	-	113
Gain on disposal of investment property	-	27
Gain on disposal of inventory	-	2
	412	1 345
<i>Other expenses</i>		
Impairment loss on inventories (Note 17)	(512)	(819)
Cost of social infrastructure for completed projects	(1 594)	-
Charity	(410)	(11)
Loss on disposal of inventories	(4)	-
Loss on disposal of property, plant and equipment	(8)	-
Other expenses	(260)	(149)
	(2 788)	(979)
Other (expenses)/income, net	(2 376)	366

Other income for the year ended 31 December 2017 includes fees received from a financial institution in respect of the issuance of the Company's GDRs.

9 Personnel costs

mln RUB	2018	2017
Wages and salaries	7 299	5 832
Contributions to the State pension fund	1 547	1 340
Equity-settled share based payments (note 10)	846	221
	9 692	7 393

Remuneration to employees in respect of services rendered during the year is recognised on an undiscounted basis as an expense in the consolidated statement of profit or loss and other comprehensive income as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or other profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The Group pays fixed contributions to Russia's State pension fund and has no legal or constructive obligation to pay further amounts.

During the year ended 31 December 2018 personnel costs and related taxes included in cost of production amounted to RUB 3 749 million (year ended 31 December 2017: RUB 3 004 million). The remaining part of personnel expenses was subsumed within general and administrative expenses with equity-settled share based payments (see note 7) and selling expenses in the total amount of RUB 676 million (year ended 31 December 2017: RUB 713 million).

The average number of staff employed by the Group during the year ended 31 December 2018 was 4 803 employees (year ended 31 December 2017: 4 558 employees).

10 Share-based payment arrangements

Share option programme (equity-settled)

On 1 July 2017, the Group granted share options to certain members of top management of the Group as part of management long-term incentive plan. Each option entitles the holder to a predetermined number of GDRs of the Group based on an increase in the market price of the GDRs in the respective calculating period of each year of the vesting schedule over the maximum market price of the GDRs in the previous years of the vesting schedule. The vesting schedule commenced from 1 July 2017 and was planned to last up to 31 December 2021.

The Group recognised employee benefit expense of RUB 221 million arising from share-based payment arrangements for the year ended 31 December 2017 with the corresponding increase in equity as of 31 December 2017.

The fair value of the share options was estimated at the grant date by an independent appraiser using a Monte Carlo simulation, assuming that all participants will remain within the Group's service.

The following key assumptions were used by the appraiser:

- Monthly volatility – 7,6%;
- Annual yield rate – 2,3%;
- Risk-free interest rate (USD) – 2,3% per annum.

Expected volatility was determined based on historical volatility of the Company's GDRs during 2017.

In 2018, the Group modified the formula for market performance condition. The incremental fair value granted as a result of modification, as estimated at the grant date by independent appraiser

using a Monte Carlo simulation, amounted to RUB 323 million. The following key assumptions were used by the appraiser:

- Volatility – 14,88%;
- Annual yield rate – (2,2)%;
- Discount rate – 2,56%;
- Risk-free interest rate (USD) - 2,56% per annum;
- Dividend yield – 4,76%.

Expected volatility was determined based on historical monthly volatility of the Company's GDRs for the period from April 14, 2011 to June 08, 2018. Dividend yield - as average actual dividend yield of Company's shares for the period 2014 – 2017.

As a result of modification, the Group distributed to the participants of the incentive plan the 2 258 536 GDRs. In May 2018, the incentive plan was terminated for two participants of the incentive plan.

In April 2018, the company granted awards in the form of 403 896 GDRs for Company's ordinary shares under the Company's management incentive plan to senior management team employees and executive directors. The fair value of the equity instruments granted as measured on the basis of the observable market price for the Company's shares at the grant date of 1 April 2018 amounted to RUB 71 million.

In June 2018, the Group replaced the share option programme dated 1 July 2017 by another share based payment with grant date of 8 June 2018. There were no vesting conditions in the replacement share based payment. The lock up period of 7 years, during which the participants were not entitled to sell, transfer or otherwise dispose any respective GDRs received from the Group, unless such sell, transfer or disposal have been approved by the Group.

In respect of the share based payment granted in June 5 550 000 GDRs were transferred to the participants of the incentive plan in June 2018. The fair value at the measurement date, as estimated by an independent appraiser, amounted to RUB 543 million. The fair value was measured using Chaffe put option model based on the following inputs to the model:

- Dividend yield – 4,76%;
- Risk-free rate – 2,95% (yield to maturity of US Treasury bonds with a 10-year maturity);
- Volatility – 50,79%;
- Actual and strike price – 2,78 USD;
- Validity period of the sales restriction - 7 years.

Expected volatility was determined based on historical annual volatility of the Company's GDRs for the period from April 14, 2011 to June 08, 2018. Dividend yield - as average actual dividend yield of Company's shares for the period 2014 - 2017.

The fair value of the original program with modified formula at modification date amounted to RUB 266 million. The fair value was estimated by an independent appraiser applying a Monte Carlo simulation, with the following inputs to that model:

- Volatility – 14,66%;
- Annual yield rate – (1,98)%;
- Discount rate – 2,78%;
- Risk-free interest rate (USD) - 2,78% per annum;
- Dividend yield – 4,76%.

Expected volatility was determined based on historical monthly volatility of the Company's GDRs for the period from April 14, 2011 to June 08, 2018. Dividend yield - as average actual dividend yield of Company's shares for the period 2014 – 2017.

For details of the related employee benefit expenses, see note 9.

11 Finance income and finance costs

mln RUB	2018	2017
Recognised in profit or loss		
Finance income		
Interest income under the effective interest method on:		
- Bank deposits - at amortised cost	453	-
- Bank deposits - loans and receivables	-	505
- Unwinding of discount on trade receivables	976	778
- Cash and cash equivalents (except bank deposits)	672	413
Total interest income arising from financial assets measured at amortised cost	2 101	1 696
Net foreign exchange gain	64	-
Gain on write-off of accounts payable	101	16
Reversal of impairment loss on investments	18	-
Finance income - other	183	16
Finance costs		
Financial liabilities measured at amortised cost:		
- Interest expenses - financing component under IFRS 15	(1 387)	(909)
- Interest expenses - borrowing costs	(496)	-
- Interest expense on finance leases	-	(3)
Impairment loss on advances paid to suppliers	(118)	(1)
Net foreign exchange loss	-	(79)
Other finance costs	(14)	(15)
Finance costs	(2 015)	(1 007)
Net finance income recognised in profit or loss	269	705

In addition to interest expense recognised in the consolidated statement of profit or loss and other comprehensive income, the following amounts of borrowing costs and significant financing component have been capitalised into the cost of real estate properties under construction:

mln RUB	2018	2017
Borrowing costs and significant financing component capitalised during the period	3 327	4 150
Weighted average capitalisation rate	10,1%	9,8%

During the year ended 31 December 2018, borrowing costs and significant financing component that have been capitalised into the cost of real estate properties under construction in the amount of RUB 3 105 million (year ended 31 December 2017: RUB 3 871 million), were included into the cost of sales upon construction and sale of those properties – including borrowing costs in the amount of RUB 1 689 million (year ended 31 December 2017: RUB 2 247 million), significant financing

component in the amount of RUB 1 416 million (year ended 31 December 2017: RUB 1 624 million).

12 Income tax expense

For the period from 1 January to 4 April 2017, the Company's applicable tax rate under the Income Tax (0%/10%) (Guernsey) Law, 2007 was 0%. Effective from 5 April 2017, the Company's applicable tax rate under the Cyprus Income Tax Law became 12,5%. The Cypriot subsidiaries' applicable tax rate is 12,5%. For the Russian companies of the Group the applicable income tax rate is 20% (year ended 31 December 2017: 20%).

mln RUB	2018	2017
Current tax expense		
Current year	2 310	1 931
(Over-provided)/Under-provided in prior year	(314)	44
	<u>1 996</u>	<u>1 975</u>
Deferred tax expense		
Origination and reversal of temporary differences	(688)	549
Income tax expense	<u>1 308</u>	<u>2 524</u>

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate 20% :

mln RUB	2018	2017
Profit before income tax	1 345	10 417
Theoretical income tax at statutory rate of 20%	269	2 083
<i>Adjustments due to:</i>		
(Over-provided)/Under-provided in prior year	(312)	-
Effect of 16,5% tax rate *	106	(117)
Expenses not deductible and income not taxable for tax purposes, net	1 245	558
Income tax expense	<u>1 308</u>	<u>2 524</u>

* - the operations of JSC "Etalon LenSpetsSMU" (JSC "SSMO LenSpetsSMU" before 18 April 2017) are taxable at a rate of 16,5% due to applied tax concession. In December 2018, changes of JSC "SSMO LenSpecSMU" tax rate was enacted. Consequently, as of 1 January 2019, the income tax rate of JSC "SSMO LenSpecSMU" will be increased from 16.5% to 20%. This change resulted in a loss of RUB 217 million related to the remeasurement of deferred tax assets and liabilities of the Group's subsidiary.

13 Property, plant and equipment

During the year ended 31 December 2018, depreciation expense of RUB 250 million (year ended 31 December 2017: RUB 261 million) has been charged to cost of sales, RUB 29 million (year ended 31 December 2017: RUB 45 million) to cost of real estate properties under construction,

RUB 11 million (year ended 31 December 2017: RUB 10 million) to selling expenses and RUB 85 million (year ended 31 December 2017: RUB 47 million) to general and administrative expenses.

Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 31 December 2018 the Group did not have leased plant and machinery (31 December 2017: RUB 187 million). The leased equipment secures lease obligations.

mln RUB	Buildings and constructions	Machinery and equipment	Vehicles	Other	Land	Construction in progress	Total
Cost							
Balance at 1 January 2017	1 155	2 425	134	189	117	910	4 930
Additions	204	135	18	48	-	302	707
Reclassification from inventories	33	-	-	-	-	-	33
Disposals	(246)	(51)	(13)	(20)	-	-	(330)
Transfers	30	-	-	-	-	(30)	-
Balance at 31 December 2017	1 176	2 509	139	217	117	1 182	5 340
Balance at 1 January 2018	1 176	2 509	139	217	117	1 182	5 340
Additions	264	95	17	71	4	99	550
Disposals	(166)	(67)	(23)	(19)	-	-	(275)
Transfers	1 070	-	-	1	-	(1 071)	-
Balance at 31 December 2018	2 344	2 537	133	270	121	210	5 615
Depreciation and impairment losses							
Balance at 1 January 2017	(296)	(1 547)	(80)	(118)	-	-	(2 041)
Depreciation for the year	(129)	(189)	(19)	(26)	-	-	(363)
Disposals	87	41	10	11	-	-	149
Balance at 31 December 2017	(338)	(1 695)	(89)	(133)	-	-	(2 255)
Balance at 1 January 2018	(338)	(1 695)	(89)	(133)	-	-	(2 255)
Depreciation for the year	(165)	(152)	(17)	(41)	-	-	(375)
Disposals	125	59	15	11	-	-	210
Balance at 31 December 2018	(378)	(1 788)	(91)	(163)	-	-	(2 420)
Carrying amounts							
Balance at 1 January 2017	859	878	54	71	117	910	2 889
Balance at 31 December 2017	838	814	50	84	117	1 182	3 085
Balance at 1 January 2018	838	814	50	84	117	1 182	3 085
Balance at 31 December 2018	1 966	749	42	107	121	210	3 195

14 Investment property

mln RUB	2018	2017
Cost		
Balance at 1 January	596	806
Disposals	(9)	(210)
Balance at 31 December	587	596
Accumulated depreciation and impairment losses		
Balance at 1 January	(263)	(245)
Depreciation for the year	(19)	(22)
Disposals	1	4
Balance at 31 December	(281)	(263)
Carrying amount at 1 January	333	561
Carrying amount at 31 December	306	333

The Group's investment properties represent various commercial property. The Group accounts for investment properties at cost less accumulated depreciation and impairment losses.

As at 31 December 2018, fair value amounted to RUB 463 million (31 December 2017: RUB 458 million), which was determined based on discounted cash flows from the use of the property using the income approach.

15 Other long-term investments

mln RUB	2018	2017
Bank promissory notes - at amortised cost	654	-
Bank promissory notes - loans and receivables	-	652
Loans - at amortised cost	101	87
Bank deposits - at amortised cost	23	-
	778	739
Loss allowance for loans given	(13)	-
Loss allowance for promissory notes	(7)	-
	758	739

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 26.

As at 31 December 2018, bank promissory notes in the amount of RUB 451 million are pledged as security of secured bank loans (as at 31 December 2017: RUB 451 million), see note 23.

16 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

mln RUB	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Property, plant and equipment	236	318	(928)	(738)	(692)	(420)
Investments	14	273	(41)	(23)	(27)	250
Inventories	4 897	3 775	(1 670)	(994)	3 227	2 781
Contract assets and trade and other receivables	289	504	(3 937)	(4 842)	(3 648)	(4 338)
Deferred expenses	384	239	(714)	(555)	(330)	(316)
Loans and borrowings	34	172	(14)	(28)	20	144
Provisions	394	100	(32)	44	362	144
Contract liabilities and trade and other payables	1 935	2 032	(833)	(1 166)	1 102	866
Tax loss carry-forwards	74	150	(1)	(1)	73	149
Other	75	73	(165)	(101)	(90)	(28)
Tax assets/(liabilities)	8 332	7 636	(8 335)	(8 404)	(3)	(768)
Set off of tax	(5 527)	(5 463)	5 527	5 463	-	-
Net tax assets/(liabilities)	2 805	2 173	(2 808)	(2 941)	(3)	(768)

(b) Unrecognised deferred tax liability

At 31 December 2018 a deferred tax liability arising on temporary differences of RUB 53 401 million (31 December 2017: RUB 47 494 million) related to investments in subsidiaries was not recognized because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

(c) Movement in temporary differences during the year

mln RUB	1 January 2018	Recognised in profit or loss	Recognised in equity	31 December 2018
Property, plant and equipment	(420)	(272)	-	(692)
Investments	250	(277)	-	(27)
Inventories	2 781	446	-	3 227
Contract assets and trade and other receivables	(4 338)	626	64	(3 648)
Deferred expenses	(316)	(14)	-	(330)
Loans and borrowings	144	(137)	13	20
Provisions	144	218	-	362
Contract liabilities and trade and other payables	866	236	-	1 102
Tax loss carry-forwards	149	(76)	-	73
Other	(28)	(62)	-	(90)
	(768)	688	77	(3)

mln RUB	1 January 2017	Recognised in profit or loss	Recognised in equity	31 December 2017
Property, plant and equipment	(311)	(109)	-	(420)
Investments	9	241	-	250
Inventories	1 066	1 715	-	2 781
Contract assets and trade and other receivables	(1 890)	(2 448)	-	(4 338)
Deferred expenses	(330)	14	-	(316)
Loans and borrowings	21	123	-	144
Provisions	127	17	-	144
Contract liabilities and trade and other payables	923	19	(76)	866
Tax loss carry-forwards	131	18	-	149
Other	111	(139)	-	(28)
	(143)	(549)	(76)	(768)

17 Inventories

mln RUB	2018	2017
<i>Inventories under construction</i>		
Own flats under construction	43 981	43 595
Built-in commercial premises under construction	4 533	5 809
Parking places under construction	9 733	7 775
	58 247	57 179
Less: Allowance for inventories under construction	(2 151)	(1 738)
<i>Total inventories under construction</i>	56 096	55 441
<i>Inventories - finished goods</i>		
Own flats	8 922	14 925
Built-in and stand-alone commercial premises	4 593	3 715
Parking places	2 618	3 233
	16 133	21 873
Less: Allowance for inventories - finished goods	(495)	(415)
<i>Total inventories - finished goods</i>	15 638	21 458
<i>Other inventories</i>		
Construction materials	1 692	879
Other	325	347
	2 017	1 226
Less: Allowance for other inventories	(22)	(3)
<i>Total other inventories</i>	1 995	1 223
Total	73 729	78 122

a) Barter transactions

Project 1

The Group entered into transaction for acquisition of land plot (3 lots) where a part of acquisition price has to be paid by means of transfer of certain percentage of flats constructed on this land plot. In 2013-2016, the Group has recognized the land component of this construction project within inventories at fair value of land plot acquired as follows: in 2013 – RUB 1 862 million, in 2014 – RUB 3 835 million, in 2015 – RUB 3 105 million, in 2016 – RUB 222 million.

The fair value of land plot was determined by an independent appraiser based on discounted cash flows from the construction and sale of properties.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates – within 4,5%-6,4% per annum, a rate within this range was used, depending on year of recognition of land component;

- Discount rates – within 11,5% - 25% per annum, a rate within this range was used, depending on year of recognition of land component and stage of the project.

Project 2

The Group entered into transaction for acquisition of investment rights for land plots where a part of acquisition price has to be paid by means of transfer of certain premises constructed on these land plots. In 2015 the Group has recognized the land component of this construction project within inventories at fair value of investment rights acquired.

The fair value of the investments rights acquired equal to RUB 4 522 million was determined based on discounted cash flows from the construction and sale of properties.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates – within 4,5%-6,4% per annum;
- Discount rates – 23% per annum.

Project 3

The Group entered into transaction for acquisition of investment rights for land plots where a part of acquisition price has to be paid by means of transfer of certain premises constructed on these land plots. The Group included the land component of this construction project into inventories at fair value of investment rights acquired.

The fair value of the investments rights acquired equal to RUB 4 395 million was determined based on discounted cash flows from the construction and sale of properties.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates – within 2,5%-4% per annum;
- Discount rates – 13% per annum.

Project 4

During the year ended 31 December 2017, the Group entered into transaction for acquisition of investment rights for land plots where a part of acquisition price has to be paid by means of transfer of certain premises constructed on these land plots. The Group included the land component of this construction project into inventories at fair value of investment rights acquired.

The fair value of the investments rights acquired equal to RUB 1 800 million was determined based on discounted cash flows from the construction and sale of properties.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates – within 2,5%-4% per annum;
- Discount rates – 13% per annum.

Accordingly, at 31 December 2018, the cost of land plots (Project 1) measured as described above and related to sold premises, was recognised in cost of sales during 2013 – 2018 in the amount of RUB 8 100 million, while the remaining balance of RUB 442 million is included into finished goods and RUB 482 million - into inventories under construction.

At 31 December 2018, the cost of land plots (Project 2) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the year ended 31 December 2018 in the amount of RUB 1 585 million, while the remaining balance of RUB 70 million is included into finished goods and RUB 2 866 million - into inventories under construction.

At 31 December 2018, the cost of land plots (Project 3) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the year ended 31 December 2018 in the amount of RUB 2 381 million, while the remaining balance of RUB 274 million is included into finished goods and RUB 1 739 million - into inventories under construction.

At 31 December 2018, the cost of land plots (Project 4) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the year ended 31 December 2018 in the amount of RUB 348 million, while the remaining balance of RUB 1 452 million is included into inventories under construction.

In the course of implementation of several development projects the Group has to construct and transfer certain social infrastructure to the City Authorities. As at 31 December 2018, the cost of such social infrastructure amounts RUB 1 360 million and is included into the balance of finished goods and inventories under construction (31 December 2017: RUB 1 570 million). These costs are recoverable as part of projects they relate to. The cost of social infrastructure is recognised in cost of sales consistently with the transfer to the customers of the apartments to which this social infrastructure relates.

b) Allowance for impairment of inventories

The following is movement in the allowance for impairment of inventories:

mln RUB	2018	2017
Balance at 1 January	2 156	1 416
Impairment loss on inventories (Note 8)	512	819
Reversed in equity due to change in accounting policy	-	(79)
Balance at 31 December	2 668	2 156

As at 31 December 2018, the net realizable value testing resulted in an amount which was less than the carrying amount by RUB 2 668 million (31 December 2017: RUB 2 156 million) and the respective allowance was recognised in other expenses, see note 8. As at 31 December 2018, the allowance of RUB 2 646 million relates to parking places (31 December 2017: RUB 2 153 million).

The balance of parking places is equal to RUB 12 351 million as at 31 December 2018 (31 December 2017: RUB 11 008 million). An impairment allowance was made based on the following key assumptions:

- Cash flows were projected during the expected period of sales equal to years of turnover of parking places determined based on historical information on contracts concluded with customers;
- Discount rates – 10,19% per annum;
- Inflation rates – 4,0 – 4,5% per annum;
- In case there was no historical information on sales of certain parking places, the Group considered historical information of parking places considered analogues.

The determination of net realizable value for parking places is subject to significant estimation uncertainty and, as such, the impairment allowance is judgmental. Changes in the above assumptions - in particular the discount rate and the years of turnover of parking places - could have a material impact on the amount.

c) Rent out of property classified as inventories

The Group has temporarily rented out a part of certain items of property classified as inventories in these consolidated financial statements. As at 31 December 2018, the total carrying value of these items of property was RUB 566 million (31 December 2017: RUB 670 million). The Group is actively seeking buyers for these properties.

d) Pledges

As at 31 December 2018, inventories with a carrying amount of RUB 2 874 million (31 December 2017: RUB 9 371 million) are pledged as security for borrowings, see note 23.

e) Change in estimates

During 2018, the Group conducted a review of estimates that it makes while allocating certain construction costs between residential and commercial premises and underground parking which are located in the same building. Due to continued tightening of the regulations in the St. Petersburg metropolitan area which oblige the Group to reduce maximum number of storeys in residential buildings and increase minimal number of parking places, the Group made a decision that the existing estimate needed a revision as a result of changes that occurred in the circumstances on which the previous estimate was based.

The effect of these changes on revenue that is recognised on the basis of costs incurred relative to the total expected costs, on cost of sales from that which would have been reported had the old estimate been used and other expenses in the current period is as follows:

mln RUB	2018
Sale of flats - transferred over time	325
Cost of sales	(893)
Other (expenses)/income, net	2 236
Income tax expense	(334)
Profit for the year	1 334

The Group does not disclose the effect on future periods because it is impracticable to estimate that effect due to uncertainty in the pace of contraction of residential and commercial premises and parking places in the future periods.

18 Contract assets, trade and other receivables

mln RUB	2018	2017
<i>Long-term trade and other receivables</i>		
Trade receivables	5 600	5 734
Less: Allowance for doubtful trade accounts receivable	(65)	-
<i>Trade long-term less allowance</i>	5 535	5 734
Other receivables	233	131
Less: Allowance for doubtful other accounts receivable	(10)	-
<i>Other long-term less allowance</i>	223	131
Advances paid to suppliers	19	2
Total long-term trade and other receivables	5 777	5 867
<i>Short-term trade and other receivables</i>		
Contract assets	1 244	1 187
Trade receivables	8 625	14 016
Less: Allowance for doubtful trade accounts receivable and contract assets	(654)	(465)
<i>Trade short-term less allowance</i>	9 215	14 738
Advances paid to suppliers	8 075	10 894
Less: Allowance for doubtful advances paid to suppliers	(348)	(230)
<i>Advances paid to suppliers short-term less allowance</i>	7 727	10 664
VAT recoverable	1 380	2 478
Income tax receivable	424	579
Trade receivables due from related parties	9	6
Other taxes receivable	27	22
Other receivables due from related parties	9	9
Other receivables	2 131	1 832
	3 980	4 926
Less: Allowance for doubtful other accounts receivable	(514)	(144)
<i>Other short-term less allowance</i>	3 466	4 782
Total short-term trade and other receivables	20 408	30 184
Total	26 185	36 051

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 26.

19 Short-term investments

mln RUB	2018	2017
Bank promissory notes - at amortised cost	135	-
Bank deposits (over 3 months) - loans and receivables	-	153
Loans - at amortised cost	205	169
	340	322
Loss allowance for loans given	(137)	(137)
Total	203	185

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 26.

20 Cash and cash equivalents

mln RUB	2018	2017
Cash in banks, in RUB	14 597	6 902
Cash in banks, in USD	171	2 936
Cash in banks, in EUR	19	68
Cash in banks, in GBP	2	2
Petty cash	3	49
Cash in transit	-	3
Short-term deposits (less than 3 months)	8 274	4 165
Total	23 066	14 125

The Group keeps major bank balances in the major Russian banks with Standard & Poor's credit ratings of BB+, BB, BB-, B+, B as well as in foreign banks with credit ratings A+, CCC+.

At 31 December 2018, the most significant amount of cash and cash equivalents held with one bank totaled RUB 7 324 million (31 December 2017: RUB 3 786 million). At 31 December 2018, the Group also had outstanding loans and borrowings with the same bank of RUB 3 345 million (31 December 2017: RUB 2 012 million). The bank has Standard & Poor's credit rating of BB+.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26.

21 Capital and reserves

a) Share capital

The table below summarizes the information about the share capital of the Company.

Number of shares unless otherwise stated

	2018		2017	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Authorised shares				
Par value at the beginning of the year	0,00005 GBP	-	0,00005 GBP	-
On issue at the beginning of the year	286 741 593	20 000	292 229 971	20 000
Par value at the end of the year	0,00005 GBP	1 GBP	0,00005 GBP	1 GBP
Own shares disposed/(acquired) during the year	8 212 432	-	(5 488 378)	-
On issue at the end of the year, fully paid	294 954 025	20 000	286 741 593	20 000

During the year ended 31 December 2017, the Company issued 20 000 preference shares of GBP 1 each. The shares bear no voting rights and no rights to dividend, and shall be redeemed within thirty days of giving notice by the Company to a holder of shares at a price per share at which each share was issued. Preference shares were fully paid in February 2017. Since the option to redeem the Company's shares are at the discretion of the Company and not the holders of the shares, the preference shares are classified as equity.

The holders of ordinary shares are entitled to receive dividends and to one vote per share at meetings of the Company.

b) Share premium

The Company's share premium account originated from initial public offering of 71 428 571 ordinary shares at a value USD 7 each in form of global depository receipts (GDR's) on the London Stock Exchange on 4 April 2011, and from issuance of 117 647 ordinary £0.01 shares for a consideration of USD 82 352 900 in March 2008.

c) Reserve for own shares

On 20 June 2017, the Board of Directors of the Company authorised a Global Depository Receipts ("GDRs") repurchase programme. The Company intended to spend USD 20 million to purchase GDRs at market prices during a period between 20 June 2017 and 31 December 2017, subject to change, depending on the Company's assessment of the state of the market for the Company's GDRs.

Between 20 June 2017 and 31 December 2017, the Company acquired 5 488 378 own shares for the consideration of RUB 1 189 million, and as at 31 December 2017, the total number of own shares acquired by the Group amounted to 8 216 378 shares or 2,8% of issued share capital for the consideration of RUB 1 629 million.

During the year ended 31 December 2018, the Group transferred 8 212 432 shares to certain members of its key management personnel as part of their remuneration, see note 10. As at 31 December 2018, the total number of own shares acquired by the Group amounted to 3 946 shares or 0,001% of issued share capital.

The consideration paid for own shares, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. When own shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

d) Share options reserve

The share options reserve is used to recognise the value of equity-settled share-based payments provided to certain members of the Group's key management personnel, as part of their remuneration, see note 10.

e) Dividends

As the majority of the Company's subsidiaries are incorporated in the Russian Federation, and in accordance with Russian legislation, the subsidiaries' distributable reserves are limited to the balance of retained earnings as recorded in their statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2018, the total of subsidiaries' retained earnings, including the profits for the current year were RUB 51 501 million (31 December 2017: RUB 45 846 million).

During the year ended 31 December 2018, the Company paid dividends in the amount of RUB 3 567 million (year ended 31 December 2017 – RUB 2 542 million).

f) Non-controlling interests in subsidiaries

During the year ended 31 December 2018, there were no changes in the non-controlling interest in the Group's subsidiaries (year ended 31 December 2017: a decrease in non-controlling interest of RUB 31 million resulting from acquisition of certain interests in a number of Group's subsidiaries).

22 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding during the year, as shown below. The Company has no dilutive potential ordinary shares.

<i>Number of shares unless otherwise stated</i>	2018	2017
Issued shares at 1 January	286 741 593	292 229 971
Effect of own shares disposed/(acquired) during the year	5 050 739	(1 653 553)
Weighted average number of shares for the year	291 792 332	290 576 418
Profit attributable to the owners of the Company, mln RUB	35	7 890
Basic and diluted earnings per share (RUB)	0,12	27,15

23 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 26.

mln RUB	2018	2017
<i>Non-current liabilities</i>		
Secured bank loans	1 411	5 303
Unsecured bank loans	7 845	6 183
Unsecured bond issues	8 303	9 932
	17 559	21 418
<i>Current liabilities</i>		
Current portion of secured bank loans	211	972
Current portion of unsecured bank loans	1 453	1 482
Current portion of unsecured bond issues	1 689	36
Current portion of other unsecured loans	-	79
	3 353	2 569

The reconciliation of movements of liabilities to cash flows arising from financing activities during the reporting period is presented in the table below.

mln RUB	1 January 2018	Proceeds from borrowings	Repayment of borrowings	Other changes	31 December 2018
Secured bank loans	6 275	124	(4 768)	(8)	1 622
Unsecured bank loans	7 665	4 583	(2 950)	-	9 298
Unsecured bond issues	9 968	-	-	24	9 992
Current portion of other unsecured loans	79	-	(1)	(78)	-
	23 987	4 707	(7 719)	(62)	20 912

mln RUB	Currency	Nominal interest rate	Year of maturity	2018		2017	
				Face value	Carrying amount	Face value	Carrying amount
Secured bank loans				1 622	1 622	6 275	6 275
Secured bank loan	RUB	CBR's key rate + 1,5%	2020	-	-	2 287	2 287
Secured bank loan	RUB	11,75%	2022	802	802	802	802
Secured bank loan	RUB	10,40%	2021	237	237	750	750
Secured bank loan	RUB	13,10%	2020	-	-	1 028	1 028
Secured bank loan	RUB	9,50%	2020	332	332	332	332
Secured bank loan	RUB	9,50%	2020	202	202	127	127
Secured bank loan	RUB	10,68%	2021	49	49	215	215
Secured bank loan	RUB	12,00%	2021	-	-	734	734
Unsecured bank loans				9 298	9 298	7 665	7 665
Unsecured bank loan	RUB	8,75% - 9,70%	2021	2 544	2 544	3 004	3 004
Unsecured bank loan	RUB	8,70% - 8,90%	2021	1 502	1 502	1 246	1 246
Unsecured bank loan	RUB	8,80%	2020	1 300	1 300	1 300	1 300
Unsecured bank loan	RUB	9,00%	2019	1 000	1 000	1 000	1 000
Unsecured bank loan	RUB	8,74 - 9,00%	2020	1 200	1 200	-	-
Unsecured bank loan	RUB	9,00%	2018	-	-	1 000	1 000
Unsecured bank loan	RUB	8,75%	2021	501	501	50	50
Unsecured bank loan	RUB	8,70%	2022	501	501	-	-
Unsecured bank loan	RUB	CBR's key rate + 1,75%	2021	500	500	-	-
Unsecured bank loan	RUB	CBR's key rate + 1,75%	2021	250	250	50	50
Unsecured bank loan	RUB	8,75%	2018	-	-	12	12
Unsecured bank loan	RUB	10,10%	2019	-	-	3	3
Unsecured bond issues				10 039	9 992	10 115	10 047
Unsecured bonds	RUB	8,95%	2022	5 021	4 995	5 020	4 985
Unsecured bonds	RUB	11,85%	2021	5 018	4 997	5 016	4 983
Other unsecured issues	RUB	9,00%	2018	-	-	79	79
				20 959	20 912	24 055	23 987

Bank loans are secured by:

- inventories with a carrying amount of RUB 2 874 million (31 December 2017: RUB 9 371 million), see note 17;
- bank promissory notes with a carrying amount of RUB 451 million (31 December 2017: RUB 451 million), see note 15;
- pledge of 50% of shares in a subsidiary company JSC “Zatonskoe” which represents RUB 3 167 million in its net assets (31 December 2017: pledge of 50% of shares in a subsidiary company JSC “Zatonskoe” which represents RUB 3 555 million in its net assets);
- pledge of 100% of shares in a subsidiary company LLC “Daikar” which represents RUB 4 434 million in its net assets (31 December 2017: RUB 4 542 million).
- pledge of 100% of shares in a subsidiary company LLC “LS-Rielty” which represents RUB 1 024 million in its net assets (31 December 2017: RUB 970 million).
- pledge of 100% of shares in a subsidiary company LLC “UK Dmitrovskaya” and LLC “Parkoviy Kvartal” which represents RUB 2 090 million in its net assets (31 December 2017: RUB 2 057 million).

The bank loans are subject to certain restrictive covenants, which are calculated based on the individual financial statements of certain entities of the Group. Except as described further, there has been no breach of any of the restrictive covenants during the reporting period. However, at the period end, one group entity was not in compliance with a non-financial covenant relating to loans with a combined carrying value of RUB 1 127 million. Management has obtained a waiver from the bank, so that the bank loan was not payable on demand as at 31 December 2018 and was not reclassified into current liabilities at the reporting date.

24 Provisions

mln RUB	Warranties	Provision for deferred works	Provision for onerous contracts	Total
Balance at 1 January 2017	107	1 748	-	1 855
Provisions made during the year	32	2 952	71	3 055
Provisions used during the year	(37)	(2 516)	-	(2 553)
Provision reversed during the year	-	(392)	-	(392)
Balance at 31 December 2017	102	1 792	71	1 965
Balance at 1 January 2018	102	1 792	71	1 965
Provisions made during the year	91	1 512	2	1 605
Provisions used during the year	(72)	(2 203)	-	(2 275)
Provision reversed during the year	-	(192)	(21)	(213)
Balance at 31 December 2018	121	909	52	1 082
Non-current	121	-	-	121
Current	-	909	52	961
	121	909	52	1 082

a) Warranties

The provision for warranties relates mainly to the residential units sold during the year. The provision is based on estimates made from historical experience from the sale of such units. The Group expects the

expenses to be incurred over the next three years in average. The warranty provision relates to construction works done.

b) Provision for deferred works

The Group records provisions in respect of the Group's obligation to incur additional costs associated with landscaping and other works after finishing the construction of apartment buildings. The provision is estimated based on historical experience. The Group expects the expenses to be incurred over the next year.

25 Contract liabilities, trade and other payables

mln RUB	2018	2017
<i>Long-term</i>		
Trade payables	72	62
Contract liabilities	218	-
Other payables	1 705	2 484
	1 995	2 546
<i>Short-term</i>		
Trade payables	4 878	7 260
Contract liabilities	26 931	25 649
VAT payable	2 681	3 188
Payroll liabilities	854	733
Other taxes payable	306	251
Income tax payable	443	85
Finance lease liabilities	-	6
Other payables	7 565	3 397
	43 658	40 569
Total	45 653	43 115

Long-term other payables and short-term other payables mainly consist of obligation equal to RUB 4 624 million (31 December 2017: RUB 1 938 million) to construct the social infrastructure objects and liability of RUB 2 984 million (31 December 2017: RUB 3 526 million) to the City authorities for lease rights and change of intended use of land plot recognised as part of inventories.

Contract liabilities include advances from customers in the amount of RUB 10 709 million which will be satisfied after 12 months from the reporting date (31 December 2017: advances from customers in the amount of RUB 4 430 million). They are classified within short-term liabilities as development cycle of construction projects exceeds one year.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

26 Financial instruments and risk management

a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

mln RUB	Carrying amount			Fair value		
	At amortised cost	Other financial liabilities	Total	Level 1	Level 2	Total
2018						
Financial assets not measured at fair value						
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	15 518	-	15 518	-	15 528	15 528
Bank deposits (over 3 months)	23	-	23	-	23	23
Bank promissory notes	782	-	782	-	939	939
Cash and cash equivalents	23 066	-	23 066	23 066	-	23 066
	39 389	-	39 389	23 066	16 490	39 556
Financial liabilities not measured at fair value						
Secured bank loans	-	(1 622)	(1 622)	-	(1 657)	(1 657)
Unsecured bank loans	-	(9 298)	(9 298)	-	(9 100)	(9 100)
Unsecured bond issues	-	(9 992)	(9 992)	(10 145)	-	(10 145)
Trade and other payables	-	(15 074)	(15 074)	-	(14 984)	(14 984)
	-	(35 986)	(35 986)	(10 145)	(25 741)	(35 886)

mln RUB	Carrying amount			Fair value		
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Total
2017						
Financial assets not measured at fair value						
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	21 238	-	21 238	-	21 278	21 278
Bank deposits (over 3 months)	153	-	153	-	153	153
Bank promissory notes	652	-	652	-	752	752
Cash and cash equivalents	14 125	-	14 125	14 125	-	14 125
	36 168	-	36 168	14 125	22 183	36 308
Financial liabilities not measured at fair value						
Secured bank loans	-	(6 275)	(6 275)	-	(6 358)	(6 358)
Unsecured bank loans	-	(7 665)	(7 665)	-	(7 595)	(7 595)
Unsecured bond issues	-	(9 968)	(9 968)	(10 458)	-	(10 458)
Other unsecured loans	-	(79)	(79)	-	(79)	(79)
Trade and other payables	-	(14 041)	(14 041)	-	(13 555)	(13 555)
	-	(38 028)	(38 028)	(10 458)	(27 587)	(38 045)

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, has developed a disciplined and constructive control environment in which all employees understand their roles and obligations.

b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash and cash equivalents, deposits with banks as well as credit exposures to customers, including outstanding trade and other receivables.

Credit risk with regards to cash and cash equivalents and deposits with banks is managed by placing funds primarily in the banks listed in note 20.

Credit risk connected with trade receivable arising from sale of apartments to individuals is managed by securing those receivables against sold apartments. A significant share of such sales is made on a prepayment basis.

To manage the credit risk of trade receivables from legal entities the Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are applied.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 31 December 2018, receivables from one customer equalled to RUB 1 175 million or 8% of the Group's consolidated trade and other receivables (31 December 2017: RUB 1 338 million or 6%).

(ii) Guarantees

As at 31 December 2018 the Group had not provided any financial guarantees to entities outside the Group (31 December 2017: nil).

(iii) Exposure to credit risk

The carrying amount of financial assets and contract assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows.

mln RUB	Carrying amount	
	2018	2017
Financial assets and contract assets		
Loans and receivables (excluding taxes receivable, advances paid to suppliers), including contract assets	7 488	5 988
Bank promissory notes	782	652
Bank deposits (over 3 months)	23	153
Cash and cash equivalents	23 066	14 125
	31 359	20 918

The information about financial assets is not included into the measures of reportable segments' assets that are provided internally to the key management personnel of the Group, see note 5. Segments' assets being analysed by the Board of Directors are limited to the balance of inventories. The amount of trade and other receivables including contract assets represents its maximum exposure to credit risk without taking account of trade receivables covered by collateral.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was concentrated in the St. Petersburg region.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was concentrated on the industrial customers – legal entities included in the segment "Construction services".

Impairment losses

The ageing of trade receivables at the reporting date was:

mln RUB	Gross	Impairment	Gross	Impairment
	2018		2017	
Not past due	11 411	(85)	18 065	-
Past due 0-30 days	548	(5)	434	-
Past due 31-90 days	475	(42)	179	-
Past due 91-120 days	110	(15)	77	-
Past due more than 120 days	1 690	(572)	1 001	(465)
	14 234	(719)	19 756	(465)

The ageing of loans given at the reporting date was:

mln RUB	Gross	Impairment	Gross	Impairment
	2018		2017	
Not past due	169	(13)	119	-
Past due 0-30 days	-	-	-	-
Past due 31-120 days	-	-	-	-
Past due more than 120 days	137	(137)	137	(137)
	306	(150)	256	(137)

Allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during reporting period was as follows. Comparative amounts for the year ended 31 December 2017 represent the allowance account for impairment losses under IAS 39.

mln RUB	2018	2017
Balance at 1 January	465	392
Adjustment on initial application of IFRS 9	281	-
Balance at 1 January per IFRS 9	746	392
Amounts written off	(399)	(149)
Net remeasurement of loss allowance	372	222
Balance at 31 December	719	465

The following significant change in the gross carrying amounts of trade receivables contributed to the decrease in the impairment loss allowance during the year ended 31 December 2018:

- write-off of uncollectible receivables of three counterparties in the amount of RUB 374 million contributed to the corresponding decrease in loss allowance;
- the increase in the allowance was facilitated by an increase in overdue more than 90 days accounts receivable arising from sale of real estate by RUB 413 million (an increase in the allowance by RUB 28 million), establishing of an allowance for receivables under construction contracts (an increase in the allowance by RUB 311 million).

The impairment loss on trade and other receivables also includes written-off accounts receivable for which no provision for impairment has been made in the amount of RUB 266 million.

The Group calculates lifetime expected credit losses for trade receivables at an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Assets that

were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information published by Moody's Investors Service about the probabilities of default (PD) and losses given default (LGD) for issuers with different credit ratings and financial instruments with different durations.

To assess the probability of default of individual debtors, the Group assigned to them credit ratings similar to the classification of Moody's Investors Service. Speculative ratings (speculative-grade) were assigned to debtors that do not have official ratings and are not undergoing bankruptcy procedures.

The Group defines default event when a financial asset is more than 90 days past due.

The Group established an allowance for accounts receivable arising from sale of real estate, in accordance with the methodology, described in the note 3(c)(iii).

During the reporting period, there were no changes in the quality of the collateral. There were no changes in the collateral policies of the Group during.

In the comparative period, the Group established an allowance for impairment of trade receivables that represented its estimate of incurred losses in accordance with IAS 39. The Group included specific loss component that related to individually significant exposures in its allowance for impairment of trade and other receivables.

Allowance for impairment in respect of other receivables

The movement in the allowance for impairment in respect of other receivables during the reporting period was as follows. Comparative amounts for the year ended 31 December 2017 represent the allowance account for impairment losses under IAS 39.

mln RUB	2018	2017
Balance at 1 January	144	96
Adjustment on initial application of IFRS 9	70	-
Balance at 1 January per IFRS 9	214	96
Amounts written off	(27)	(40)
Net remeasurement of loss allowance	337	88
Balance at 31 December	524	144

The increase in overdue more than 90 days gross carrying amounts of other receivables in the amount of RUB 482 million contributed to the increase in the impairment loss allowance by RUB 337 million during the year ended 31 December 2018.

Allowance for impairment in respect of financial investments (loans given and promissory notes)

The movement in the allowance for impairment in respect of loans given during the reporting period was as follows. Comparative amounts for the year ended 31 December 2017 represent the allowance account for impairment losses under IAS 39:

mln RUB	2018	2017
Balance at 1 January	137	137
Adjustment on initial application of IFRS 9	38	-
Balance at 1 January per IFRS 9	175	137
Amounts written off	-	-
Net remeasurement of loss allowance	(18)	-
Balance at 31 December	157	137

Allowance for impairment of cash and cash equivalents

The Group assessed impairment of cash and cash equivalents on the 12-month expected loss basis that reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Group uses a similar approach for assessment of expected credit losses for cash and cash equivalents to those used for debt securities.

On initial application of IFRS 9, the Group did not recognise any impairment allowance for cash and cash equivalents as at 1 January 2018. The amount of the allowance did not change during the year ended 31 December 2018.

Allowance for impairment in respect of advances paid to suppliers

During the reporting period, the movement in the allowance for impairment in respect of advances paid to suppliers, which are outside the scope of IFRS 9, was as follows:

mln RUB	2018	2017
Balance at 1 January	230	88
Amounts written off	(18)	(77)
Increase during the year	136	219
Balance at 31 December	348	230

The Group includes specific loss component that relates to individually significant exposures in its allowance for impairment of advances paid to suppliers.

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter on difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Each year the Group prepares cash flow budget to forecast possible liquidity deficits and to define the sources of financing of those deficits.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Contractual maturities of financial liabilities were as follows:

31 December 2018

mln RUB	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Non-derivative financial liabilities									
Secured bank loans	1 622	1 961	161	218	931	598	53	-	-
Unsecured bank loans	9 298	10 727	915	1 328	4 923	3 396	165	-	-
Unsecured bond issues	9 992	12 125	1 103	1 571	4 022	3 661	1 768	-	-
Trade and other payables (excluding taxes payable and contract liabilities)	15 074	15 362	12 827	471	1 438	588	38	-	-
	35 986	40 175	15 006	3 588	11 314	8 243	2 024	-	-

31 December 2017

mln RUB	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Non-derivative financial liabilities									
Secured bank loans	6 275	7 643	1 264	296	2 810	2 583	637	53	-
Unsecured bank loans	7 665	9 245	876	1 295	1 976	3 274	1 824	-	-
Unsecured bond issues	9 968	13 093	484	524	2 635	4 022	3 661	1 767	-
Other unsecured loans	79	79	17	62	-	-	-	-	-
Trade and other payables (excluding taxes payable and contract liabilities)	14 041	13 549	3 970	5 733	966	2 288	556	53	2
	38 028	43 609	6 611	7 910	8 387	12 167	6 678	1 873	2

d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group's exposure to foreign currency risk is limited. As at 31 December the Group's net positions in foreign currency were as follows:

mln RUB	USD- denominated	EUR- denominated	USD- denominated	EUR- denominated
	2018		2017	
Cash and cash equivalents (see note 20)	171	19	2 936	68
Net exposure	171	19	2 936	68

The following significant exchange rates applied during the year:

in RUB	Average rate		Reporting date spot rate	
	2018	2017	31 December 2018	31 December 2017
USD 1	62,71	58,35	69,47	57,60
EUR 1	73,95	65,90	79,46	68,87

(ii) Interest rate risk

Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Group. The Group does not use any derivative instruments to manage interest rate risk exposure.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

mln RUB	Carrying amount	
	2018	2017
Fixed rate instruments		
Financial assets	29 624	20 783
Financial liabilities	(19 162)	(20 656)
	10 462	127
Variable rate instruments		
Financial liabilities	(1 750)	(3 337)
	(1 750)	(3 337)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to equity holders through the optimisation of the debt and equity balance. The management of the Group reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with it.

The capital structure of the Group consists of net debt (borrowings as detailed in note 23 offset by cash and bank balances) and equity of the Group (comprising issued capital and retained earnings as detailed in note 21). Certain subsidiaries of the Group may be subject to externally imposed capital requirements in accordance with Russian law.

The Group's debt to capital ratio at the end of the reporting period was as follows:

mln RUB	2018	2017
Total borrowings	20 912	23 987
Less: cash and cash equivalents	(23 066)	(14 125)
Less: bank deposits over 3 months, note 19	-	(153)
Net debt	(2 154)	9 709
Total equity	60 114	62 805
Debt to capital ratio at end of period	(0,04)	0,15

At 31 December 2017, finance lease liabilities of RUB 6 million (31 December 2018 – nil) are included in trade and other payables (see note 25) and are not included in the total amount of borrowings.

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

mln RUB	2018	2017
Less than one year	768	469
Between one and five years	2 021	953
More than five years	215	198
	3 004	1 620

The Group leases a number of land plots for the purpose of construction of residential and commercial premises for sale, as well as land plots occupied by its own production and office facilities under operating leases.

Lease payments for land plots occupied by residential and commercial premises under construction are capitalised into the cost of those premises.

The leases typically run for the years of construction of premises. Lease payments are usually increased annually to reflect market rentals.

During the year ended 31 December 2018 the amount of RUB 50 million (year ended 31 December 2017: RUB 22 million) was recognised as an expense in the consolidated statement of profit or loss and other comprehensive income in respect of operating leases, while RUB 1 353 million (year ended 31 December 2017: RUB 189 million) were capitalised into the cost of residential and commercial premises under construction.

28 Capital commitments

As at 31 December 2018 the Group had no capital commitments (31 December 2017: nil).

29 Contingencies

a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

b) Litigation

During the year ended 31 December 2018, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

c) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

30 Related party transactions

a) Transactions with management

(i) Management remuneration

Key management received the following remuneration during the year, which is included in personnel costs (see note 9):

mln RUB	2018	2017
Salaries and bonuses	879	362
Termination benefit paid to member of the Board of Directors	115	-
	994	362

During the year ended 31 December 2018 and 2017, the Group did not grant any loans and pensions to its key management personnel. The key management personnel is also subject to share-based payment program as disclosed in the note 10.

(ii) Other transactions

Sales to key management personnel are disclosed below:

mln RUB	Transaction value		Outstanding balance	
	2018	2017	2018	2017
Sale of apartments and premises	2	-	2	(2)
	2	-	2	(2)

b) Transactions with other related parties

The Group's other related party transactions are disclosed below.

(i) Revenue

mln RUB	Transaction value		Outstanding balance	
	2018	2017	2018	2017
Other related parties	45	47	7	7
	45	47	7	7

All outstanding balances with related parties are to be settled in cash. None of the balances are secured.

(ii) Expenses

mln RUB	Transaction value		Outstanding balance	
	2018	2017	2018	2017
Other related parties	135	148	(2)	(8)
	135	148	(2)	(8)

All outstanding balances with related parties are to be settled in cash. None of the balances are secured.

31 Group entities

Significant subsidiaries

Subsidiary	Country of incorporation	31 December 2018	31 December 2017
JSC “GK Etalon”	Russian Federation	100,00%	100,00%
LLC “EtalonAktiv”	Russian Federation	100,00%	100,00%
JSC “Etalon LenSpetsSMU” (JSC “SSMO LenSpetsSMU” before 18 April 2017)	Russian Federation	100,00%	100,00%
JSC “Novator”	Russian Federation	100,00%	100,00%
JSC “LenSpetsSMU-Rekonstruktsiya”	Russian Federation	100,00%	100,00%
LLC “Etalon-Invest”	Russian Federation	100,00%	100,00%
JSC “Zatonskoe”	Russian Federation	100,00%	100,00%
LLC “SPM-Zhilstroy”	Russian Federation	100,00%	100,00%
LLC “Zolotaya Zvezda”	Russian Federation	100,00%	100,00%

As at 31 December 2018, the Group controlled 132 legal entities (31 December 2017: 141). Their assets, liabilities, revenues and expenses have been included in these consolidated financial statements. The above is a list of the most significant subsidiaries.

32 Events subsequent to the reporting date

Financing events

On 4 February 2019, the Group has entered into a framework agreement with Sberbank to provide project financing for the Company’s project located in Moscow region for the total amount of RUB 18.8 billion with the final repayment date in the first half of 2024. As of the date of this report, no funds have been utilised by the Group.

On 12 February 2019, the Group’s subsidiary JSC “GK Etalon” has entered into a nonrevolving credit line agreement with Sberbank for the total amount of RUB 16 830 million with interest rate of CBR key rate + 2.35% and final repayment date of February 2024. At the time these consolidated financial statements are authorised for issue, the Group has utilised credit line facility in the amount of RUB 15 185 million. The funds were used to finance the acquisition of 51% of share capital of Leader-Invest JSC described below.

Subsequent to the reporting date, the Group has repaid loans and borrowings outstanding as at 31 December 2018 for the total amount of RUB 272 million.

Operating events

Acquisition of 51% of share capital of Leader-Invest JSC

On 19 February 2019, the Group's subsidiary JSC "GK Etalon" acquired 51% of the share capital and voting rights of Leader-Invest JSC from Sistema PJSFC and its affiliates for the cash consideration of RUB 15 185 million. Leader-Invest is a Moscow-based residential developer focusing on projects in comfort, business and premium-class segments. Leader-Invest's portfolio includes 31 projects under construction or at the design stage, unsold inventory at eight completed residential complexes, and commercial real estate, with a total NSA of 1.3 million sqm.

The primary reason for the acquisition is to increase Group's share of the Moscow residential real estate market and to replenish landbank.

The acquisition-date fair value of the total consideration transferred (bank payment) amounted to RUB 15 185 million.

The Group has agreed with the seller certain indemnities that give the Group the right to demand from the seller monetary compensation for breach of certain operating performance targets by Leader-Invest.

The initial accounting for the business combination is incomplete at the date these consolidated financial statements are authorised for issue.

The Group's share of book value of the net assets of the Leader-Invest, in accordance with the Leader-Invest's unaudited IFRS consolidated financial statements as of 31 December 2018, amounted to RUB 4 391 million.

The following table summarises the amounts of assets and liabilities of Leader-Invest as of 31 December 2018 (in accordance with Leader-Invest's unaudited IFRS consolidated financial statements).

**Leader-Invest JSC, Consolidated Statement of
Financial Position as at 31 December 2018**

mln RUB	2018 Unaudited	2017
ASSETS		
Non-current assets		
Property, plant and equipment	242	310
Intangible assets	42	31
Investment property	850	4 340
Investment rights	991	5 712
Equity accounted investees	-	35
Advances paid for acquisition of investment rights	2 237	-
Other financial assets	4	6
Deferred tax assets	1 314	1 117
Total non-current assets	5 680	11 551
Current assets		
Inventories	13 626	9 050
Trade and other receivables	938	837
Advances paid to suppliers	1 603	1 217
Income tax receivable	76	222
Other financial assets	1 052	500
Other current assets	316	173
Cash and cash equivalents	4 343	425
Total current assets	21 954	12 424
Total assets	27 634	23 975
EQUITY AND LIABILITIES		
Equity		
Share capital and additional paid-in capital	8 603	8 603
Retained earnings	174	1 201
Total equity attributable to equity holders of the Company	8 777	9 804
Non-controlling interest	-	(617)
Total equity	8 777	9 187
Non-current liabilities		
Loans and borrowings	616	1 387
Bonds	4 941	-
Trade and other payables	1 414	757
Provisions	-	44
Deferred tax liabilities	739	684
Total non-current liabilities	7 710	2 872
Current liabilities		
Loans and borrowings	213	1 509
Bonds	78	2 972
Contract liabilities, advances received and other payables	9 822	7 001
Provisions	708	388
Income tax payable	326	46
Total current liabilities	11 147	11 916
Total liabilities	18 857	14 788
Total equity and liabilities	27 634	23 975

Acquisition of shares in Etalon Group PLC by Sistema PJSFC

On 19 February 2019, Sistema PJSFC acquired 25% of the Company's issued share capital (in the form of GDRs) from major shareholder, making Sistema PJSFC the largest shareholder of the Group.