IMPORTANT NOTICE

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THIS OFFERING MEMORANDUM AND THE OFFER WHEN MADE ARE ONLY ADDRESSED TO AND DIRECTED AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA (THE "**EEA**") WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS REGULATION (REGULATION (EU) 2017/1129) ("**QUALIFIED INVESTORS**"). IN ADDITION, IN THE UNITED KINGDOM, THIS OFFERING MEMORANDUM IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED ONLY AT, QUALIFIED INVESTORS (I) WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "**ORDER**"), OR (II) WHO FALL WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS OFFERING MEMORANDUM MUST NOT BE ACTED ON OR RELIED UPON (I) IN THE UNITED KINGDOM, BY PERSONS WHO ARE NOT RELEVANT PERSONS, AND (II) IN ANY MEMBER STATE OF THE EEA OTHER THAN THE UNITED KINGDOM, BY PERSONS WHO ARE NOT QUALIFIED INVESTORS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS DOCUMENT RELATES IS AVAILABLE ONLY TO (I) IN THE UNITED KINGDOM, RELEVANT PERSONS, AND (II) IN ANY MEMBER STATE OF THE EEA OTHER THAN THE UNITED KINGDOM, QUALIFIED INVESTORS, AND WILL BE ENGAGED IN ONLY WITH SUCH PERSONS.

This Offering Memorandum and information contained herein does not constitute an advertisement of any securities, or any other kind of advertisement, in the Russian Federation.

Confirmation of your Representation: In order to be eligible to view the Offering Memorandum or make an investment decision with respect to the securities referred to herein, investors must be (i) outside the United States (within the meaning of Regulation S) or (ii) a QIB that is acquiring the securities for its own account or the account of another QIB. By accepting this e-mail and accessing the Offering Memorandum, you shall be deemed to have represented to us that: (1) (A) you and any customers you represent are a person that is located outside the United States or (B) you are a QIB acquiring the securities referred to herein for your own account and/or for another QIB and (2) you consent to delivery of such Offering Memorandum by electronic transmission.

This Offering Memorandum is being sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, neither the Company, nor the Managers (as defined in the Offering Memorandum) nor any person who controls any of them, nor any director, officer, employee, agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request. No representation or warranty, expressed or implied, is made by any of the Managers or their respective affiliates as to the accuracy, completeness or sufficiency of the information set out in this electronic transmission or the attached Offering Memorandum.

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samolet

Samolet Group Public Joint Stock Company
(organised under the laws of the Russian Federation)

Offering of up to 3,078,968 Shares
Offer price range: RUB 950 to RUB 1,100 per Share

This Offering Memorandum relates to an offering (the "**Offering**") of ordinary shares in Samolet Group Public Joint Stock Company (the "**Company**"), with a nominal value of RUB 25 each (each, an "**Ordinary Share**") consisting of an offer of up to 3,078,968 Ordinary Shares by Legal Agency Moscovia, ltd. (the "**Selling Shareholder**"), a company incorporated in Russia (the "**Shares**").

The Company will not receive any proceeds directly from the Offering. However, in connection with the Offering, the Company has authorised the issue of certain Ordinary Shares (the "**New Shares**") to be placed through an open subscription process under Russian law (the "**Open Subscription**"). The Company's shareholders of record as at 14 June 2020 have statutory pre-emptive rights under Russian law to subscribe for the New Shares pro rata to their existing shareholding as at that date. Pre-emptive rights are exercisable starting from 16 October 2020 until 27 October 2020 (both dates inclusive). The price per New Share in the Open Subscription (including in the pre-emptive rights) is expected to be equal to the Offer Price. The Selling Shareholder has no pre-emptive rights as it was not a shareholder of the Company as at the record date. The Company has received an application from CFC Direct Investments Limited Liability Company, a fiduciary manager of Closed-End Investment Fund Combined "Proektniy" (the "**ZPIF**"), an eligible shareholder of the Company, to subscribe for up to 1,578,958 (approximately 2.5 per cent of the Company's existing share capital) New Shares at the Offer Price (as defined below) (the "**Subscribed Shares**"). The Selling Shareholder has entered into arrangements with ZPIF pursuant to which the Selling Shareholder will transfer part of the proceeds to ZPIF, that is eligible to participate in the placement of the New Shares on the basis of its statutory pre-emptive rights and that will use the proceeds to pay for the Subscribed Shares to be issued in the Open Subscription. Once completed, it is expected to result in the Company receiving gross proceeds of approximately RUB 1,618 million based on the mid-point of the indicatice price range of the Offering assuming all Shares in the Offering are placed and that 1,578,958 New Shares that ZPIF had subscribed for, are purchased and paid for. See "*Use of Proceeds*".

The price at which each of the Shares is to be sold under the Offering (the "**Offer Price**"), is expected to be announced on or about 29 October 2020 (the "**Pricing Date**").

The Offering comprises an offering of the Shares (i) in the Russian Federation, (ii) otherwise outside the United States in reliance on Regulation S ("**Regulation S**", and such Shares, the "**Regulation S Offering**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and (ii) within the United States to certain qualified institutional buyers ("**QIBs**") as defined in, and in reliance on, Rule 144A ("**Rule 144A**", and such Shares, the "**Rule 144A Offering**") under the Securities Act. See "*Plan of Distribution*".

The Ordinary Shares were registered by the Central Bank of Russia (the "**CBR**"), under the state registered number No. 1-01-16493-A. Statutory Russian prospectus in respect of the Ordinary Shares, including the New Shares, was registered by the CBR on 8 October 2020. The Ordinary Shares have been admitted to listing in the "Level 3" part of the List of Securities Admitted to Trading on the Moscow Exchange, since 20 October 2020 under the symbol "SMLT" and trading in the Ordinary Shares is expected to commence on or around 29 October 2020. Once issued, the New Shares will become fully fungible with the Ordinary Shares and thereby become listed and traded in the "Level 3" part of the List of Securities Admitted to Trading on the Moscow Exchange. Prior to the Offering, there has been no public market for the Ordinary Shares. No assurance can be given that following the Offering the Ordinary Shares (including the Shares) will continue to be admitted to listing and trading on Moscow Exchange. See "*Risk Factors—Risks Relating to the Shares and the Trading Market—The Ordinary Shares may be delisted*".

AN INVESTMENT IN THE SHARES INVOLVES A HIGH DEGREE OF RISK. SEE "*RISK FACTORS*" FOR A DISCUSSION OF CERTAIN RISKS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SHARES. THE SHARES ARE OF A SPECIALIST NATURE AND SHOULD ONLY BE PURCHASED AND TRADED BY INVESTORS WHO ARE PARTICULARLY KNOWLEDGEABLE IN INVESTMENT MATTERS.

This Offering Memorandum is for information purposes only and is not a prospectus prepared or filed with any regulatory or other governmental authorities in any jurisdiction in connection with the registration of the issue, the offer or sale of the Shares described in this Offering Memorandum.

The Offering 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. The Shares have not been and will not 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 or to, or for the account or benefit of U.S. persons, except to persons reasonably believed to be QIBs, or outside the United States in offshore transactions in reliance on Regulation S. Prospective purchasers are hereby notified that sellers of the Shares 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 Shares, see "*Selling and Transfer Restrictions*".

The Shares will be priced in Russian Roubles. Each purchaser of the Shares must pay for such Shares by the date and in the currency agreed with the Managers. The Shares will be delivered to purchasers through the settlement facilities of the National Settlement Depositary ("**NSD**"). To take delivery of the Shares, purchasers need to have: (i) a depo account with the NSD, or (ii) a depo account with a depositary that has a depositary account with the NSD. The purchasers shall take all actions required in accordance with the depositary rules and applicable law to take delivery of the purchased Shares, including issuing appropriate credit instructions to their depositaries.

The Offering may be extended or revoked at any time without cause. The Open Subscription and/or the Offering could be cancelled if there is not enough demand for the offered Shares. The Shares offered in the Offering are offered severally by the Managers, subject to receipt and acceptance by them of any order in whole or in part. The Managers reserve the right to reject any offer to purchase the Shares, in whole or in part, and to sell to any prospective purchaser less than the amount of Shares sought by such investor.

Sole Global Coordinator and Joint Bookrunner

VTB Capital

Joint Bookrunner

BCS Global Markets

Financial Advisor to the Company

CFC Management

Offering Memorandum dated 22 October 2020

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OVERVIEW

This overview must be read as an introduction to this Offering Memorandum, and any decision to invest in the Shares should be based on a consideration of the Offering Memorandum as a whole including the more detailed information regarding the Company's business and the Financial Statements and related notes included elsewhere in this Offering Memorandum. Prospective investors should read the entire Offering Memorandum carefully, especially the discussion of risks of investing in the Shares discussed in the "Risk Factors". Certain statements in this Offering Memorandum include forward-looking statements that involve risks and uncertainties as described under "Forward-Looking Statements".

The Group is one of the leading residential developers in Russia conducting its business primarily in the Moscow Metropolitan Area. As at 1 October 2020, the Group was the second largest developer in the Moscow Metropolitan Area and the fourth largest developer in Russia by ongoing construction volume, according to the Unified Register of Developers. As at 30 September 2020, the Group constructed over 2 million square metres of residential housing. For the nine months ended 30 September 2020, it commissioned approximately 39 thousand square metres of residential and commercial space, according to the Unified Register of Developers.

The Group focuses its operations on developing large-scale residential projects, some of which are large urban districts in themselves, comprising residential housing and related infrastructure such as schools and kindergartens, sports centres, parking spaces, inner-roads and power distribution facilities, among others. The Group's projects are predominantly in the mass-market housing segment. The Group is a full-service developer undertaking real estate projects from concept to completion and managing all the key processes within the development cycle. As at 30 June 2020, the Group had nine large-scale projects under construction and 16 additional projects in the design and pre-design phases (including projects land rights for which are in the form of preliminary non-binding arrangements). See "*Business—Ongoing Development Projects*". As at 30 September 2020, the Group had over 1,500 employees.

The Group's operations have historically been concentrated in the Moscow Metropolitan Area, which encompasses Moscow, New Moscow (the territory annexed to Moscow as a part of a large-scale project to expand the territory of Moscow into parts of the Moscow Region) and the Moscow Region. Since its establishment in 2012, the Group has constructed approximately 1,290 thousand square metres of residential housing in the Moscow Region, approximately 181 thousand square metres of residential housing in Moscow, 133 thousand square metres of apartment-type properties (*apartamenty*) (for more information see "*Regulatory matters—Regulation of Real Estate*") in Moscow and the Moscow Region and approximately 200 thousand square metres of residential housing in the Leningrad Region. As at 30 September 2020, the Group had 25 ongoing large-scale development projects in the Moscow Metropolitan Area in various development stages. See "*—Ongoing Development Projects*".

As at 30 June 2020, the Group's total land bank (including in the form of freehold ownership, leasehold rights and rights pursuant to other preliminary non-binding arrangements) was approximately 15.4 million square metres of unsold net sellable area with a total appraised market value of RUB 176,850 million according to the Valuation Report, approximately 29% of which represented projects in the construction phase (with rights to land plots for some stages of such projects being in the form of preliminary non-binding arrangements) and approximately 71% of which represented projects in the design and pre-design phases. "*Business—Ongoing Development Projects*". The Group's profit per square metre as at 30 June 2020 exceeded RUB 30,000 in Moscow and RUB 15,000 in the Moscow Region.

For the years ended 31 December 2017, 2018, 2019 and for the six months ended 30 June 2019 and 2020, the Group had revenues of RUB 42.4 billion, RUB 38.7 billion, RUB 51.1 billion, RUB 23.4 billion and RUB 22.7 billion, respectively. As at 30 June 2020, the Group had total assets of RUB 87.5 billion.

RISK FACTORS

An investment in the Shares involves a high degree of risk. For a detailed discussion of the risks and other factors to be considered when making an investment decision with respect to the Shares, see "*Risk Factors*" and "*Forward-Looking Statements*". Prospective investors in the Shares should carefully consider the risks and other information contained in this Offering Memorandum prior to making any investment decision with respect to the Shares. Prospective investors should note that the risks described in this Offering Memorandum are not the only risks the Company faces. The Company has described only the risks it considers to be material. However, there may be additional risks that it currently considers immaterial or of which it is currently unaware.

OVERVIEW OF THE OFFERING

Issuer: Samolet Group Public Joint Stock Company, a company organised as a public joint-stock company established under the laws of the Russian Federation whose registered office is at 8 Ivan Franko, Moscow 121108, Russian Federation.

Selling Shareholder: Legal Agency Moscovia, ltd., a company incorporated in Russia.

Offering: In the Offering, the Selling Shareholder offers up to 3,078,968 Shares.

The Offering comprises an offering of Shares (i) in the Russian Federation; (ii) outside the United States in reliance on Regulation S and (iii) within the United States to certain QIBs, as defined in, and in reliance on, Rule 144A.

Open Subscription: Shortly after the Offering, the Company will offer for subscription New Shares to be placed through the Open Subscription at the Offer Price. Company's shareholders as of 14 June 2020, including ZPIF, have statutory pre-emptive rights to subscribe for the New Shares pro rata to their shareholding as of that date.

The decision on the issuance of shares in connection with the Open Subscription was registered with the CBR on 8 October 2020 under State registration number 1-01-16493-A.

Pursuant to the share purchase agreement dated 12 October 2020 (the "**Offering SPA**"), ZPIF sold the Shares to the Selling Shareholder so that the Selling Shareholder would sell the Shares in the Offering. As a holder of the Shares on the record date for the Open Subscription, ZPIF has applied to subscribe for the Subscribed Shares pursuant to the pre-emptive rights in the Open Subscription, the purchase of which it will fund with the proceeds from its sale of the equal number of Shares in the Offering.

The price per New Share in the Open Subscription, including for shareholders exercising statutory pre-emptive rights, is expected to be equal to the Offer Price.

Under the terms of the Open Subscription, shareholders who exercise pre-emptive rights to subscribe and pay for Shares in the Open Subscription are required to pay for the Share no later than within thirteen business days after disclosure of the Price of the New Shares (which is expected to occur on or about the Pricing Date).

See "*Use of Proceeds*".

If, however, the Open Subscription is not completed for any reason, ZPIF will retain the proceeds received from the Selling Shareholder in satisfaction of its obligations under the Offering SPA.

Pre-Emptive Rights: The Company's shareholders of record as at 14 June 2020 had statutory pre-emptive rights under Russian law to subscribe for the New Shares pro rata to their existing shareholding as at that date. Pre-emptive rights are exercisable over a period of eight business days starting from 16 October 2020 and until 27 October 2020 (both dates inclusive). The Company has received an application from ZPIF, an eligible shareholder of the Company, to subscribe for up to 1,578,958 (approximately 2.5 per cent of the Company's existing share capital) New Shares at the Offer Price.

Share Capital:	Immediately prior to the Offering, the Company's issued share capital consists of 60,000,400 issued, fully paid and outstanding Ordinary Shares, each with a nominal value of RUB 25. In addition, the Company is authorised by the Charter (as defined below) to issue an additional 50,000,000 Ordinary Shares. Immediately following the completion of the Offering (assuming all Subscribed Shares are placed), the Company's share capital will consist of 61,579,358 Ordinary Shares. The Ordinary Shares (including the Shares) are subject to applicable provisions of Russian law and the Charter, and have the rights described under "*Description of Share Capital and Certain Requirements of Russian Law*".
Investors Delivery Date:	It is expected that delivery of the Shares to the investors and payments for the Shares by the investors will commence on or about 2 November 2020.
Use of Proceeds:	The Selling Shareholder will receive all of the net proceeds of the Offering. The Company will indirectly receive a portion of the proceeds of the Offering through the participation by ZPIF in the Open Subscription to subscribe for the Subscribed Shares, as it is contractually obliged to do so under the Offering SPA. In addition, the Selling Shareholder intends to apply a part of the net proceeds to pay for the Ordinary Shares acquired by it under the Offering SPAs (as defined below). *See "Principal Shareholders"*. The net proceeds from the foregoing transactions, after deduction of underwriting commissions, fees and expenses incurred by the Company in connection with the Offering, are intended to be used by the Company to acquire new land plots and to finance construction of Company's current projects. *See "Use of Proceeds"*.
Principal Shareholders and Beneficiaries:	Mr. Pavel Golubkov, Mr. Igor Evtushevsky and Mr. Mikhail Kenin (the "**Principal Shareholders**"). *See "Principal Shareholders".*
Lock-up:	The Company, the Selling Shareholder and certain other shareholders of the Company are expected to agree, from the date of the Underwriting Agreement until 90 days after the Investors Delivery Date, not to, without consent of the Managers (subject to certain exceptions), issue, offer, sell or otherwise transfer any of their Ordinary Shares or securities convertible or exchangeable into or exercisable therefore. The Company is also expected to procure *inter alia* that none of its subsidiaries from time to time, any of its nominees, any other person controlled by it, any trust associated with it or any other person acting on its behalf will, from the date of the Underwriting Agreement until 90 days after the Investors Delivery Date, without the prior written consent of the Managers (subject to certain exceptions), issue, offer, sell or otherwise transfer any of their Ordinary Shares or securities convertible or exchangeable into or exercisable therefore. See "*Plan of Distribution—Lock-up Provisions*."
Dividend Policy:	For a discussion of the Company's dividend policy and certain risks associated with dividend payment, see "*Dividend Policy", "Description of Share Capital and Certain Requirements of Russian Law—Description of Share Capital—Dividends"* and *"Risk Factors—Risks Relating to the Shares and the Trading Market— The Group may be subject to limitations on dividend payments and may decide not to pay dividends in the future, and holders of the Group's Shares outside of Russia may be subject, in any event, to limitations*

	or delays in repatriating their earnings from distributions made on the Shares".
Taxation:	For a discussion of certain U.S. and Russian tax consequences of purchasing and holding the Shares, see "*Taxation*".
Transfer Restrictions:	The Shares will be subject to certain restrictions on transfer as described under "*Selling and Transfer Restrictions*".
Listing and Trading:	The Ordinary Shares (including the Shares) were admitted to listing in the "Level 3" part of the List of Securities Admitted to Trading on the Moscow Exchange with effect from 20 October 2020 under the symbol "SMLT". Prior to the Offering, there has been no public market for the Ordinary Shares.
Settlement Procedures:	Each purchaser of the Shares must pay for such Shares by the date and in the currency agreed with the Managers. The Shares will be delivered to purchasers through the settlement facilities of the National Settlement Depositary ("**NSD**"). To take delivery of the Shares, purchasers need to have: (i) a depo account with the NSD, or (ii) a depo account with a depositary that has a depositary account with the NSD. The purchasers shall take all actions required in accordance with the depositary rules and applicable law to take delivery of the purchased Shares, including issuing appropriate credit instructions to their depositaries. See "*Settlement and Delivery*". The security numbers for the Shares are as follows: ISIN: RU000A0ZZG02 CFI: ESVXFR Trading symbol: SMLT
Risk Factors:	Prospective investors should consider carefully certain risks discussed under "*Risk Factors*".

RISK FACTORS

Prospective investors should consider carefully, among other things, the risks set forth below and the other information contained in this Offering Memorandum prior to making any investment decision with respect to the Shares. The risks highlighted below could have a material adverse effect on the Group's business, financial condition, results of operations or prospects, which, in turn, could, individually or together, have a material adverse effect on the value of the Shares. Prospective investors should note that the risks described below are not the only risks the Group faces. The Group has only described the risks it considers to be material. There may be additional risks that the Group currently considers immaterial or of which it is currently unaware, and any of these risks could have the effects set forth above.

The risks below have been classified into the following categories: (i) Risks Relating to the Group's Business; (ii) Risks Related to Business operations in Emerging Markets; (iii) Risks Relating to the Russian Federation; (iv) Legal Risks and Uncertainties; (v) Risks Relating to Russian Taxation; and (v) Risks Relating to the Shares and the Trading Market. This categorisation is provided for convenience only, and any particular category should not be assumed to contain all the risks related to that category.

Risks Relating to the Group's Business

The Group's business, financial condition, operations and the cash flows generated are affected by various factors, including changes in the real estate market

The Group develops large-scale projects for construction of residential complexes and, to a lesser extent, commercial properties. The development of such projects involves a large number of highly variable factors, including, among others, the sale prices the Group receives for its properties, expenses incurred in the development and changes in the market value of the Group's properties, and, as a result, such development is complex and inherently risky.

In addition to these risks, the Group's operations and cash flows may be affected by the following factors:

- changes in real estate market conditions, which may result in diminished opportunities to acquire and develop desired properties and lower than expected sale prices;
- changes in existing legislation or the interpretation or application thereof;
- weather and climate conditions, global and regional natural disasters and infectious diseases, such as the COVID-19 pandemic;
- additional construction costs for a development project being incurred in excess of the original agreement with contractors;
- actions of governmental and local authorities resulting in unforeseen changes in urban planning, zoning and architectural requirements, land withdrawal for state needs and other unforeseeable circumstances, resulting in the imposition of requirements to preserve buildings or other structures of Russian historic and cultural heritage, as well as other social obligations;
- potential defects in the legal title of the land plots (during the initial acquisition of land plots and/or buildings) or buildings acquired by the Group, or defects in approvals or other authorisations relating to land plots held by the Group;
- the Group's potential inability to obtain financing on favourable terms or at all for individual projects or in the context of multiple projects being developed at the same time;
- potential liabilities relating to acquired land, properties or entities owning properties for which the Group may have limited or no recourse; and
- obligations for the development of adjacent properties.

As real estate projects are typically completed over prolonged periods of time, the Group's business is especially sensitive to these risks. Certain of these factors, including factors over which the Group has little or no control, may increase costs, give rise to liabilities or otherwise create difficulties or obstacles to the development of the Group's projects and/or affect the sale prices generated by the Group's properties, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The Russian real estate market is cyclical in nature and, in the event of an economic downturn, the Group's sales and the value of its properties could be materially adversely affected

Demand for real estate depends primarily on the general economic conditions in Russia. The Russian economy has been subject to abrupt downturns. Although the Russian economy has shown signs of stabilisation and Russian stock markets experienced a rebound beginning in 2016 and continued growing in 2017, 2018 and in 2019, there can be no assurance that these trends will continue in the future or that the Russian economy will grow in the long term. The outbreak of the COVID-19 pandemic in 2020 has dramatically impacted the economic situation worldwide and in Russia in particular (see "*—The implications of the COVID-19 pandemic and the disruption caused by various counter measures could have material adverse effect on the Group's financial condition*). General economic conditions also strongly influence income levels of the population, including the availability and cost of mortgages. The general reduction in the level of consumer confidence and the absence of favourable market conditions along with the difficulties customers have had in securing favourable terms for financing led, and may lead in the future, to a decrease in demand for properties. Moreover, as a result of adverse economic conditions, the Group may have to suspend (or even terminate) some of its projects.

The Group expects that a substantial proportion of its revenues in the future will be derived from the sale of properties. The Group's returns on these sales will depend, in large part, on overall levels of supply and demand in the marketplace, the costs it incurs in the development and the sale prices that it is able to achieve. The factors that may influence the Group's revenues and/or profitability are:

- national, regional and local economic conditions;
- the quality and proximity of competition presented by other residential and commercial properties;
- changes in customer preferences;
- availability and cost of land and real property;
- the cyclical nature of the real estate market;
- changes in interest rates and inflation;
- the availability of acceptable financing resources for the Group's development projects;
- the availability of mortgage and other financing for potential purchasers of the projects that the Group develops;
- unanticipated development and other costs, including the costs of obtaining financing;
- events causing damage to any properties;
- the supply of, and the price of, building materials, energy and other utilities in Russia, as well as price of construction services and related wages;
- the bankruptcy or insolvency of contractors and other counterparties;
- perceptions of prospective purchasers as to the attractiveness, convenience and safety of the locations where the Group's properties are situated, as well as the attractiveness of the Group's customer proposition; and
- the prolonged period between planning and completion of the Group's projects.

A combination of any of these factors may result in adverse fluctuations in the Russian real estate market and, in turn adversely affect the Group's sales volumes and its revenues and profitability, the willingness and ability of customers to secure financing and purchase properties. If demand continues to fall, the Group may have to sell or let its projects at a loss or may not be able to sell its projects at all, which would have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The implications of the COVID-19 pandemic and the disruption caused by various counter measures could have material adverse effect on the Group's financial condition

The outbreak of COVID-19, which emerged in China in late December 2019, has now spread globally and has been declared by the World Health Organisation ("WHO") to be a global pandemic. The COVID-19 pandemic has since caused stock markets worldwide to lose significant value and has impacted economic activity worldwide. A number of governments have revised GDP growth forecasts for 2020 downward in response to the economic slowdown caused by the spread of COVID-19, and it is possible that the COVID-19 pandemic will cause a prolonged global economic crisis, recession or depression despite monetary and fiscal interventions by governments and central banks globally. The COVID-19 pandemic has also resulted in restrictions on travel and transportation and prolonged closures of workspaces and business. All of these factors may have a material adverse impact on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The COVID-19 pandemic has triggered the significant global market turmoil and has produced a negative impact on the level of global and local economic activity. Central banks and monetary authorities has been now engaging in an ongoing series of interventions in financial markets and national governments are announcing fiscal policy initiatives to stimulate their economies. The recovery of economies partially depends on the measures taken by governments to ease the imposed restrictions, but the pace of any recovery remains uncertain.

The COVID-19 pandemic may affect the Group's industry and business in a number of ways, including but not limited to:

- declines in prices of the Group's properties;
- decrease in sales of the Group's properties due to a decline in demand;
- delays in completion of real estate development projects or cessation of construction;
- increase in prices of components and materials that are required for the Group's construction projects;
- causing potential interruptions at the Group's operations, including as a result of any local outbreaks at the Group's sites;
- limiting the Group's ability to generate cash flow, and as a result, affecting its financial condition;
- causing the Group to delay, postpone or cancel certain of its investment projects, among others, as a result of work limitations introduced by the authorities, such as full suspension of construction works from 10 April 2020 to 12 May 2020 in Moscow and to 18 May 2020 in the Moscow Region, as well as certain limitations on the construction activities in other regions of the Russian Federation;
- impacting the potential deficit of the quality labour force as a result of the travel restrictions and mandatory quarantine requirements for the foreign employees (mostly presented by the former CIS countries);
- impacting the Group's ability to enter into new strategic transactions or to finalise strategic transactions on previously agreed terms and timetables; and
- requiring the Group to make operational changes and implement measures to ensure the health and safety of its employees and counterparties, which may involve increased costs or operational inefficiencies.

The COVID-19 pandemic has already had a significant effect on the demand for residential properties in Moscow and the Moscow Region. In June 2020, 4,300 share participation agreements were entered into with individuals on the primary housing market of the Moscow Metropolitan Area, which was a 36% decrease compared to June 2019 (according to cian.ru analytics). The Group's sales volumes for the first half of 2020 decreased to 226 thousand square metres, or by 4%, compared to 236 thousand square metres for the first half of 2019. Furthermore, sale prices increased by 19% for the same period, which could have adverse effect on the Group's sales volumes.

The Group is not currently able to estimate and quantify the negative effects that COVID-19 outbreak might have on its business, financial condition and results of operations. The overall impact of the pandemic on the Group's business will depend on a range of factors which it is not possible to accurately predict, including the duration, severity, potential recurrence and scope of the pandemic and the extensiveness of measures adopted by governments.

There is still significant uncertainty relating to the severity of the near- and long-term adverse impact of the COVID-19 pandemic on the global economy, global financial markets, the Russian economy and the economies of the jurisdictions in which the Group operates, and the Group may not be able accurately predict the near-term or long-term impact of the COVID-19 pandemic on the Group's business, financial condition and results of operations. It is possible that the current COVID-19 pandemic will cause a prolonged global economic crisis or recession, which could have a negative impact on the Russian economy in general and the Group's industry and business in particular, which could adversely affect the Group's business, results of operations and the financial condition or the trading price of the Shares.

The Group may be affected by changes in legislation related to the real estate development business

The Group's principal business is the development of residential real estate projects. This type of business is regulated, among others, by Federal Law No. 214-FZ (as amended) "On Participation in Share Participation Construction of Apartment Houses and Other Real Estate" dated 30 December 2004 (the "**Share Participation Law**") , which was amended by Federal Law No. 218-FZ "On a public legal entity protecting the rights of citizens-participants in share participation construction in the event of insolvency (bankruptcy) of the developers and on the introduction of changes into certain legislative acts of the Russian Federation" dated 29 July 2017 ("**Federal Law No. 218-FZ**"), by the Federal Law No. 175-FZ "On Amendments to the Federal Law "On participation in Share Participation Construction of Apartment Houses and Other Real Estate and on Amendments to Certain Legislative Acts of the Russian Federation" and Certain Legislative Acts of the Russian Federation" dated 1 July 2018 ("**Federal Law No. 175-FZ**") and by Federal Law No. 478-FZ "On Amendments to the Federal Law "On participation in Share Participation Construction of Apartment Houses and Other Real Estate and on Amendments to Certain Legislative Acts of the Russian Federation" dated 25 December 2018 ("**Federal Law No. 478-FZ**").

On 1 of July 2018, Federal Law No. 218-FZ came into force. Certain provisions of Federal Law No. 218-FZ relevant to the Group's operations include the following: for each new development project, a construction permit for which is received after 1 July 2018, the developer is required, among other things, to utilise a separate project entity; such project entity shall have minimum capital reserves of at least 10% of the construction costs of the project and an additional 10% in cash reserves for the duration of the project; the project entity shall have the necessary construction experience; there are certain limitations on permitted liabilities of such project entity not connected with the relevant construction projects; such project entity must establish accounts at a designated bank through which settlements of apartment purchases (within the framework of Federal Law No. 218-FZ) will be carried out; there are certain limitations on payments made from such designated bank accounts; the developer is to make mandatory payments to the compensatory fund in the amount of 1.2% of the price of each share participation agreement in relation to residential premises; and there are requirements related to the Group's management of each project entity's maintenance costs and strengthening control over advance payments to its contractors.

Further amendments of the relevant regulations came into effect in December 2018 and in July 2019. For example, from 1 July 2019, developers that sold (or intend to sell in the future) properties using share participation agreements are, as a general rule, required to keep funds received from their buyers 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 obtain funds for construction from other sources (for example, as project financing from the bank in which the escrow accounts are kept).

Although the Group believes that its development practices currently comply with the relevant legislation (including recent amendments), in the future, the Group may be required to restructure some of its property development processes to ensure compliance with the relevant new requirements. However, there can be no assurance that the Group will be able to restructure its processes to comply with the new legal requirements. Moreover, even if the Group restructures its development processes, restructuring could result in an increase in development-related costs, cause delays in commissioning projects and may otherwise adversely affect operational flexibility of the Group's business model.

Furthermore, 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 change from time to time. If significant modifications to these standards are introduced, the Group may be forced to change its construction processes or product features.

If the Group is unable to comply with existing or newly introduced legal requirements, it could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

If the Group is unable to obtain adequate funding, it may be unable to fund its working capital and capital expenditure requirements including the acquisition of new properties for development, and may have to limit its operations substantially

Real estate development is a capital-intensive business. The Group has significant ongoing liquidity and working capital requirements in order to fund and maintain its current level of operation.

The Group has historically financed its capital requirements from cash provided by a range of sources, but principally from the pre-sales of units in its buildings, which constitute a primary source of funding for the construction. The Group's 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 its control. The regulatory environment relating to the real estate development business has undergone significant changes, principally due to the enactment of Federal Law No. 218-FZ, Federal Law No. 175-FZ, Federal Law No. 478-FZ and certain other regulatory measures relating to pre-sales of units in buildings to be considered. See "*Regulatory Matters*" and "*—The Group may be affected by changes in legislation related to the real estate development business*." From 1 July 2019, developers that sell properties using share participation agreements, as a general rule, are required to keep funds received from their buyers 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 (including from the bank) in which its units buyers' escrow accounts are kept. However, there can be no assurance that the developer will have sufficient funds of its own or will be able to borrow such funds and, even if such funding is received, that it will be on economically feasible terms. Moreover, borrowed funds obtained for development purposes must be used for construction-related expenditures by the developer and the lender is vested with an oversight function in connection with the use of project finance funds. Therefore, the lender has a high level of discretion with respect to controlling the developer's use of project finance funds. For example, the developer may be required to obtain the lender's consent to enter into certain agreements for the purposes of the project (such as general contractor agreement and other construction agreements, sale and purchase agreements in connection with residential premises). There can be no assurance that the lender will act promptly or in the best interest of the developer while exercising its oversight function.

The Group may in the future need to attract equity or debt financing to fund its working capital and capital expenditure requirements, including the acquisition of land or properties for development. Debt financing in Russia, particularly long-term debt financing on commercially acceptable terms, may be difficult and/or costly to obtain, and the Group may not be able to borrow on the international capital markets on acceptable terms or at all in the future. For example, the Group issued bonds, approximately RUB 4 billion of which were purchased by Sovcombank (a Russian bank). In order to entice Sovcombank to continue to hold these bonds, the Company (and certain of its subsidiaries) issued irrevocable offers in favour of Sovcombank ("**Sovcombank Offers**") to purchase bonds if the Company (or any of the relevant subsidiaries) does not comply with covenants set out in the Sovcombank Offer. Such covenants include, but are not limited to, financial ratios and restrictions on the distribution of dividends. See "*The Group may be subject to limitations on dividend payments and may decide not to pay dividends in the future, and holders of the Group's Shares outside of Russia may be subject, in any event, to limitations or delays in repatriating their earnings from distributions made on the Shares".* These and other similar covenants may limit the Group's operational flexibility and the Group's ability to borrow additional funds that may be needed to operate and expand its business. Failure to comply with these covenants could result in a default, making the debt immediately due and payable. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments*". In addition, the Group provided a number of suretyships and granted pledges over the shares and participatory interest in operating companies, as well as mortgages over the land plots, in favour of its creditors. See "*—Some of the Group's land plots are encumbered by mortgage*"

If the Group cannot obtain funds to satisfy its working capital and capital expenditure requirements, the Group may be forced to limit its operations significantly, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The Group's sales may be adversely affected by the Moscow renovation programme

In 2017, the Moscow City Government approved the Programme for Renovation of Residential Buildings (the "**Renovation Programme**") in the City of Moscow covering over 5,100 residential buildings with a total area of approximately 16 million square metres, which constitutes approximately 10% of the Moscow's housing stock. The programme envisages demolition of Soviet-era rundown five-storey houses and their replacement with comfortable multi-storey residential buildings and new urban districts. The Moscow Government expects to commission approximately 40 million square metres of new housing as part of the Renovation Programme, which is approximately 2.5 times more than the housing stock to be demolished. Owners and residents of the demolished buildings are meant to receive an apartment of a larger area (the ratio is 1.5x for apartments in Moscow). Therefore, it is expected that approximately 16 million square metres will be commissioned in next 12 years (from 2021 to 2032) or 1.3 million square metres per year, which would be equivalent to approximately 16% of the total supply in 2019 (when 8 million square metres was commissioned).

While the Group mostly operates in the Moscow Region (as opposed to the City of Moscow) and affordable living housing it offers is generally considered to be of a higher standard and better quality than flats available as part of the Renovation Programme, some of the potential Group's customers may choose to receive or purchase new housing through the Renovation Programme. In addition, the large number of new apartment blocks planned to be built as part of the Renovation Programme could lead to oversupply and increased competition in the Moscow and Moscow Region residential markets and put additional pressure on the Group's margins. Competition from the Renovation Programme may adversely affect Group's sales and demand for its residential properties, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The default and cross-default under loans with related parties may adversely affect the Group's financial condition

The Group provides loans primarily to related parties on the terms agreed in each case with the key shareholders of the Group. In 2019 and the first six months of 2020, the Group extended loan facilities to related parties in the aggregate amount of RUB 1,952,752 thousand for a term of one to four years and RUB 659,045 thousand for a term of one to four years, respectively, with interest rates, in each case, below the market rates available at the time of extending such loans.

If a related party fails to repay a relevant loan, the Group has the right to accelerate the repayment of all amounts outstanding under such loan and, in certain cases, announce cross-default under all of the Group's loans extended to the defaulting party, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The Group is exposed to construction, development and investment risks inherent to the real estate market

A significant part of the Group's business consists of developing, building, marketing and selling multi-dwelling residential properties. The development of properties in Russia are generally time-consuming, require significant financial investment, involve establishing and maintaining relationships with various parties including suppliers, contractors and regulatory agencies, and are dependent on obtaining numerous relevant licences and permits from federal and local authorities in Russia. There can be no assurance that the Group will be able to establish and maintain the relationships necessary to ensure the success of the Group's existing and future projects. Failure to establish and maintain such relationships or failure to obtain all necessary licences and permits may prevent completion of the Group's projects or may lead to significant delays in completion, either of which could materially increase its costs, harm its business reputation or otherwise materially affect the Group's business.

The development of properties also involves general investment risks, including the risk that the assumptions, estimates and valuations related to the land that the Group acquires and projects that it intends to develop may prove inaccurate (including the assumptions and estimates relating to the possible uses of properties or the viability of certain projects).

The Group's real estate investments may also decrease in value. The market value of the real estate assets it owns could decline or be adversely affected if government authorities make more land available for development or if the real estate market experiences a downturn. In such case, the sale price of property the Group intends to develop on land it currently owns would be adversely affected. Moreover, although as part of the Group's normal course of business, it researches, conducts valuations and market studies and verifies legal and technical requirements of the properties that the Group intends to acquire, it can give no assurance that properties it has acquired or acquires in the future will not be subject to material risks that were not apparent at the time of acquisition, including, without limitation, environmental risks and legal restrictions.

The Group focuses primarily on developing large-scale residential complexes rather than single buildings. The complexity and scale of these projects may increase the risk of failure to complete such projects within the projected timetables or the projected budget compared to projects that are less complex.

These risks could cause the value of the Group's properties to decline, lead to claims for damages, require the Group to incur significant additional costs or, in some circumstances, require the Group to delay or cease developing certain properties, any of which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The Group operates in a highly competitive industry and may be unable to compete effectively with other real estate companies and developers

There are a number of property developers in the Moscow Metropolitan Area (where the Group operates) competing for the opportunity to develop a limited number of projects (see "*Business—Competition"*). Some of them may have greater financial, technical, marketing and other resources than and greater economies of scale, broader name recognition and more established relationships in the market. The Group's competitors may be able to adapt more quickly to changes in customer requirements, and may be able to devote greater resources to the promotion and sale of their projects.

Whilst the Group currently has a sizeable pipeline of projects for development, there can be no assurance that the Group will be able to continue to acquire properties for development. Competition among property developers may cause an increase 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. Furthermore, the developers that compete with the Group also compete for limited human and material resources, development sites and for purchasers. Such competition may affect the Group's ability to expand its business or sell or acquire properties, or result in reduced operating margins, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

Real estate appraisals with respect to the properties and projects included in this Offering Memorandum may not reflect their actual market values because determining such values is an inherently subjective process

LLC Cushman & Wakefield OOO ("**C&W**"), an independent real estate appraiser, valued the Group's real estate properties and projects. Details of the valuation methodologies used and the assumptions made by C&W are described in its valuation report dated 23 September 2020 (the "**Valuation Report**") appended as Annex A. See also *"Business—Valuation of the Group's Properties"* for a summary description of these matters.

A number of factors could result in the values that C&W has ascribed to the Group's properties and projects differing materially from the actual market value of such projects. The valuations are stated as at 30 June 2020 and there can be no assurance that these figures accurately reflect the market value of the Group's properties as at any other date. In addition, the values ascribed by C&W should not be taken as an indication of the amounts that could be obtained by the Group upon disposal of such properties, whether in the context of the sale of individual properties or the portfolio as a whole. Furthermore, the Valuation Report does not consider any effect of multiple properties being developed concurrently or released to the market together, which may tend to reduce the realisable value of a particular project.

In addition, using different assumptions or valuation methodologies may produce different valuation results. C&W's valuation reflects its opinion of an appropriate development that could reasonably be expected to form the basis of a bid for a property by a third party, i.e., the "Highest and Best Use" for each property. As a result, C&W's valuations do not necessarily reflect the Group's intended investment/development programme.

Moreover, there are difficulties in applying the methodology used in the valuation of the Group's properties, which is primarily based on the Discounted Cash Flow ("**DCF**") methodology that involves the calculation of the present value of all future costs to be incurred and income to be generated in the process of developing the property.

The comparison approach is not applied to the valuation because a lack of transparency and a relatively low volume of recorded transactions make it difficult to assess market values, and the majority of the Group's development projects are reasonably advanced in terms of the overall development process. Deal information, even if reported, is rarely reported accurately and is often manipulated in a manner so as to benefit the parties to the transaction. These factors and the wide variation in returns received in Russia on projects by different investors also make it difficult to correctly assess market derived discount rates.

Furthermore, there can be no assurance that the size of the Group's economic interest in various projects and properties assumed by C&W for the purposes of the Valuation Report will conform to the actual economic interest acquired or maintained by the Group in such projects and properties or documented in related formal contractual documentation.

Prospective investors are urged to read the Valuation Report in its entirety. For the reasons stated above and in the Valuation Report, there can be no assurance that the real estate appraisals included in this Offering Memorandum reflect the properties' actual market values or that such values will not decline over time. Moreover, certain valuations have been provided with respect to the Group's real estate properties and projects in the past which may not be indicative of the actual values of such properties and projects and you should not rely on them.

Some of the Group's land plots are encumbered by mortgage

Pursuant to the Share Participation Law, developers may enter into share participation agreements for sale of residential units in properties located on a land plot that was mortgaged before the conclusion of the first share participation agreement only if (i) a mortgagee is a bank, and (ii) the mortgage was set after 1 July 2018. Until such mortgages are released, the Group will not be able to sell residential units in these projects to customers using the share participation agreement scheme. For example, such restrictions apply to the Tomilino and Sputnik projects. Furthermore, the Group's ability to enter into share participation agreements could be limited contractually. Such restrictions could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The Group's lease rights to land underlying its development properties may be terminated if the Group breaches land lease agreements or if the Group is unable to renew leases

Russian legislation provides for two types of land leases: short-term and long-term leases. A short-term lease agreement is entered into for a term not exceeding one year and is not subject to registration with the Federal Service for State Registration, Cadastre and Cartography ("**Rosreestr**"). A long-term lease agreement is entered into for a period of more than one year and is required to be registered with the Rosreestr. Because of its longer term and requirement for state registration, a long-term lease is deemed more secure for a developer than a short-term lease agreement, which needs to be re-negotiated annually (or, more often, depending on the term of the relevant short-term lease) and the terms of which remain subject to change.

Moreover, the terms of lease agreements impose certain obligations on the lessee such as obligations to use the land plot in accordance with its intended purpose and its permitted use, make timely lease payments and complete development within a specified period of time. If terms of a lease are breached, the lessor may unilaterally terminate the lease agreement. In addition, if the term of a lease expires and construction has not been completed during the term of the lease, the lessee generally seeks to extend the term of the lease for a period sufficient to have construction completed; however, there can be no assurance that the term will be renewed and, even if renewed, that it will be renewed on the same terms as the original lease, which could, among others, result in an increase in pricing terms. In the event of a termination of a land lease (whether during the term or following an expiry of the term) under the Civil Code of Russia, the landowner may acquire the right to purchase the building in question at a price to be determined by a court or, alternatively, seek to have the building demolished as an unauthorised construction. The lessee may claim its ownership of the unfinished building in court, but there is no assurance that the court will rule in the developer's favour. Therefore, due to the lack of court practice and/or relevant precedents on the operation of these provisions, the lessee's position and the status of its investments upon termination of any land lease rights will be unclear.

The Group typically enters into long-term agreements with private entities and individuals. Lease agreements are entered into for the length of the project's construction phase which currently is, on average, 10 years. If the Group is unable to renew its leases and/or if it breaches any of its leases, its rights to the leased land plots may be adversely affected, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The Group may be subject to increases in operating, development and other expenses

The Group's operating and other expenses could increase due to certain factors, including:

- increases in the rate of inflation;
- increases in payroll expenses and energy costs;
- increases in costs associated with contractors;
- increases in real estate taxes and other statutory charges;
- increases in the price of materials, such as cement, metal and glass;
- changes in laws, regulations or government policies (including those relating to health and safety and environmental compliance) which could increase the costs of complying with such laws, regulations or policies;
- increases in insurance premiums;
- unforeseen increases in the costs of developing properties;

- unforeseen capital expenditure arising as a result of defects affecting properties that need to be rectified or the failure of sub-contractors to perform their obligations adequately; and
- delays to completion of real estate development projects due to, for example, shortages of labour, contractors or materials.

Such factors could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The Group may not be able to complete the projects in its portfolio, a number of which are in the pre-construction stage

The Group's portfolio currently comprises 25 projects (including in the form of freehold ownership, leasehold rights and preliminary non-binding arrangements), 16 of which are in the design and pre-design phases (including projects land rights for which are in the form of preliminary non-binding arrangements) (approximately 71% of total amount of the Group's projects), see "*The Group does not have lease or ownership rights to land plots for some of its projects*". The Group's ability to complete these projects will be subject to a number of factors, some of which may be beyond its control, including, but not limited to, the ability of the Group to obtain the title to the land plots, obtain the requisite permits and financing as well as engage quality contractors. No assurance can be given that the Group will complete all of its projects in accordance with the initially planned timetable and/or other parametres. If the Group should fail to obtain the requisite permits or financing, or fail to engage quality contractors, its ability to complete its projects on time, or at all, and consequently, comply with its obligations under investment contracts and/or partnership agreements, as well as other development obligations including obligations to build various infrastructure facilities such as schools will be compromised, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

Failure to obtain the required permits and other approvals in a timely manner or at all, as well as failure to comply with existing laws, regulations and requisite permits or approvals, may delay or prevent the development of certain of the Group's projects

For each of the Group's projects and each project stage, it must obtain the required construction permits and other relevant approvals. In respect of certain of the Group's projects, local residents or others may oppose its planned developments or certain aspects of them. The absence of the applicable approvals issued by the relevant authorities could result in administrative fines and court claims brought by the respective authorities and relevant negative publicity concerning the Group. As a result, the Group may not be able to obtain the required permits and approvals in a timely manner or at all. Failure to do so could prevent completion of such projects. In addition, the procedures for re-zoning are complex and extensive and the approval process may, in some instances, be arbitrary as a result of the bureaucratic procedures in Russia which are occasionally cumbersome and inefficient. For example, the Group has not yet obtained construction permits for the Korobovo, Mytishchi, Zarechye, Esenino Park, Yurlovo, Rumyantsevo, Bogdanikha and Molzhaninovo projects and is in the process of developing urban planning documentation. Furthermore, other projects may not have all required permits and approvals.

Furthermore, each project must receive administrative approvals from various government agencies, including fire, health and safety, environmental protection and sanitary departments, as well as technical approvals from various utility providers, including electricity, gas and sewage services. These requirements may hinder, delay or significantly increase the costs of the Group's development activities. In addition, the Group may wish to alter certain of its projects to put these to a more profitable use but may be unable to do so as a result of not being able to obtain the required approvals and permits.

Should the Group's general contractors or their contractors fail to ensure compliance of any of the projects with the project documentation or the provisions of the relevant land agreement, commence construction without a construction permit or otherwise fail to comply, or be found to have previously failed to comply, with regulatory requirements, the relevant projects' construction may be delayed or stopped. Any unfinished construction built on the land plot without a permission of the owner, in violation with its permitted use and without all necessary permits, may be considered an unauthorised construction. An unauthorised construction may be either declared the property of the owner of the land plot underlying such construction by a court ruling, with the Group only being entitled to recover a portion of the development costs it has incurred, or demolished at the developer's expense with the subsequent cancellation of the project. Even if the construction has been approved by the relevant government authorities in principle, any failure to obtain any permit or authorisation necessary for construction or a state commissioning act upon completion of the construction will prevent the Group from recording its ownership title to the completed building. The Group 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.

If the Group, its general contractors or their contractors cannot obtain the required permits and approvals in a timely manner or at all, or fail to comply with existing permits or approvals or generally with existing laws and regulations in relation to construction and property development activities, the Group's projects may be delayed or cancelled, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

Zoning restrictions and local opposition can delay or preclude construction

Substantially all of the Group's projects in development in the Moscow Metropolitan Area (with the exception of Novodanilovskya,8) are located in close proximity (approximately from 3 to 25 kilometres) to one or more of the major airports, i.e. Domodedovo, Sheremetyevo, Vnukovo, Zhukovskyi, Chkalovskyi, Bykovo and airport Ostafyevo. Article 47 of the "Air Code of the Russian Federation" dated 19 March 1997 No. 60-FZ (as amended) establishes requirements in relation to territories adjacent to airports and sets out seven zones with different restrictions within the relevant territories. This requirement came into force on 30 September 2017, the relevant zones are in the process of establishment in relation to all the airports in Russia. Should such zones, upon their establishment, cover any land of which the Group's projects for development are located, the Group may face restrictions on the activities it will be allowed to perform on any such land plots, may be required to change the design of its properties or may be required to build additional constructions, inter alia, to reduce noise pollution. The Federal Air Transport Agency ("**Rosaviatsiya**") verifies construction permits issued and has the right to terminate construction permits in case of any violation identified. Although the Group, to the best of its knowledge, has received all the necessary permits, including permits from Rosaviatsiya, no assurance can be given that such permits will not require re-issuance or that the Group will not face additional restrictions in relation to the land plots located close to airports. For example, in 2016, LLC International Airport Domodedovo initiated currently pending proceedings to challenge a decision of Rosaviatsiya whereby the Group was permitted to proceed with construction in the Prigorod Lesnoe project. Should the Group be required to receive additional permits, or comply with additional restrictions in relation to its existing and future projects, or design and build additional protective constructions, or reimburse any damages in connection with, or arising out of, development and construction activities on affected land plots, this could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Shares.

Some projects of the Group are also located within protection zones and sanitary zones established around industrial facilities, planned roads and/or railways and natural sites that limit or significantly restrict construction activities therein. For example, certain land plots in the Putilkovo, Khimki and Prigorod Lesnoe projects significantly encroach on such zones. Therefore, the Group may not be able to proceed with construction on such land plots, unless the relevant protection and sanitary zones are rezoned.

In order to develop a property on a particular site, the zoning of such site must permit the development of the type intended by the Group. If the existing zoning is not suitable or zoning has yet to be determined, the Group will need to apply for the required zoning classifications. For example, some of the land plots in the Prigorod Lesnoe, Korobovo, Yurlovo and Ostafyevo projects are not suitable for the residential construction under current zoning restrictions and, therefore, the rezoning of these properties will be required. This procedure may be protracted, particularly where the bureaucracy is cumbersome and inefficient or in relation to certain types of land plots such as, for example, forest and agriculture lands. Opposition by local residents to zoning and/or building permit applications may also cause considerable delays. In addition, arbitrary changes to applicable zoning by the relevant authorities may jeopardise projects that have already commenced and construction on the land plots with inappropriate zoning may result in the relevant building declared an unauthorised construction which could lead to, inter alia, demolition and recultivation obligations at the cost of the developer. For instance, the Group occasionally constructs auxiliary buildings on land plots with incompatible zoning, which require zoning to be changed. The Group cannot be certain that the process of obtaining proper zoning will be completed with sufficient speed to enable its developments to be completed on time or at all. If the Group does not receive zoning approvals or if the procedures for the receipt of such zoning approvals are delayed, the Group may be unable to begin construction on its development sites on schedule or at all, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

If the construction of the Group's development projects is delayed or disrupted, its reputation and its business, financial condition and results of operations could be materially adversely affected

The Group may face interruptions in construction works due to human error in the operation of machines, power outages, weather and natural disasters, such as the COVID-19 pandemic, or other occurrences that have an impact on the productivity of the Group's contractors' machines, material or manpower. Difficulties encountered in the construction process can reduce the pace of development projects or interrupt construction and may make it difficult for the Group to complete projects on time or on budget. Any inability to complete the projects on time or at budgeted cost could result in the Group incurring reduced profitability, be subject to statutory penalties for delays or acceleration under relevant facility agreements and could negatively affect its reputation, which could, in turn, have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Shares.

In addition, because the Group offers ready-for-living residential properties, it faces risks of consumer claims relating to the quality of finishing works, as well as claims relating to the quality of construction works in general. An increased number of such claims may lead to additional costs and affect the Group's reputation, which in turn, have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

Equipment failures or development curtailments or shutdowns could adversely affect the Group's sales and profitability

The Group hires contractors to carry out construction works using certain hazardous equipment, such as tower and truck cranes, freight and cargo-passenger mast lifts, concrete pumps and other equipment. An improper use of such equipment could result in an accident, damage to construction equipment, as well as the Group's property under construction. The Group may also experience material shutdowns or delays in project development because of accidents, equipment failure, among other things, as well as monetary losses. Moreover, the Group may be responsible for legal claims arising from incidents caused by its contractors. Any of the foregoing factors, if they materialise, could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Shares.

While the Group maintains insurance policies that cover potential liabilities incurred in connection with the operation of such hazardous equipment and activities, there can be no guarantee that the Group or its contractors will have appropriate insurance to cover any potential claims, if at all. See "—*The Group's insurance may be inadequate*". If the Group's or its contractors' insurance coverage is insufficient or otherwise does not fully cover the Group's losses, it could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The Group's portfolio consists of a number of large-scale projects, the failure of any of which may adversely affect the Group's business, financial condition and results of operations

The Group focuses on large-scale projects and has a portfolio that comprises a relatively small number of projects. Each of the Group's large-scale projects individually represents a significant portion of its portfolio valuation and certain of these projects are at relatively preliminary stages of development. For example, the Putilkovo and Prigorod Lesnoe projects each have a value in excess of approximately RUB 19,000 million according to C&W, as at 30 June 2020, while C&W estimates the total value of the Group's portfolio to be RUB 176,850 million as at 30 June 2020. The failure to complete, or a delay in completion of, any one of these projects or any other significant project could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The Group may be subject to increased costs or project delays or cancellations if it is unable to hire contractors to build its projects on commercially reasonable terms, or at all, or if the contractors it hires fail to build the Group's projects to its high standards

The Group outsources the construction of its projects to contractors. The Group has a large contractor base. The successful construction of the Group's projects depends on its ability to hire contractors to build its projects to the requisite standards of quality and safety on commercially reasonable terms. The Group may not be able to hire contractors on commercially reasonable terms or at all for a variety of reasons. For example, the competition for the services of high quality contractors may make it difficult to enter into contracting arrangements on commercially acceptable terms within the required timeframe, or at all.

The construction of the Group's projects may be delayed or cancelled due to, among other things, the following factors relating to its contractors:

- contractors' increased material, labour or other costs, which may make completion of the project uneconomical for such contractors, which could result in their failure to complete the relevant projects on a timely basis, if at all;

- acts of nature affecting the contractors' operations, such as health epidemics, harsh climate conditions in the winter, earthquakes and floods, that may affect the contractors' assets and result in a delay or cessation of construction;
- industrial accidents involving contractors;
- defective building methods or materials used by contractors;
- failure of contractors to comply with applicable legal and regulatory requirements - to the extent they are responsible for such compliance; and
- any other material failure of contractors to perform under its agreements with the Group.

In addition, the Group's reliance on contractors exposes it to the risks associated with the poor performance or work ethic of such contractors and their employees, construction defects and the solvency of the contractors. In such case, the Group's failure to replace a contractor on commercially reasonable terms could result in significant delays in the construction of its projects. The Group may incur losses as a result of being required to engage new contractors to repair defective work or pay damages to persons who have suffered losses as a result of such defective work by contractors. Furthermore, these losses and costs may not be covered by the professional liability insurance by any relevant contractor.

Failure to hire contractors on commercially acceptable terms or at all could result in delays or cancellations of the Group's projects. Failure of contractors to meet the requisite standards of quality and safety could result in increased costs for the Group and may result in project delays or cancellations, claims against the Group and could affect the marketability of the completed property. If the Group is unable to enter into contracting arrangements with quality contractors on commercially acceptable terms or at all, or their performance is substandard, this could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

Developments and properties located in Russia may be frequently inspected by regulatory authorities, and any determination made by such authorities that the Group is in violation of applicable laws, regulations, standards or licences may result in sanctions that materially adversely affect its business; and any deterioration of the Group's relationships with government authorities may have a negative effect on its business

Regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of licences, 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 the Group's operations and properties. Any such future inspections may determine that the Group has violated laws, decrees or regulations, and the Group 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 the Group's licences and permits, or the findings of governmental inspections may result in the imposition of fines or penalties or more severe sanctions including the suspension or termination of the Group's licences, permits, approvals and authorisations, or in requirements that the Group is required to cease certain of its business activities, or in criminal and administrative penalties applicable to the Group's directors and/or officers.

From time-to-time the Government may unofficially require large real estate development companies, such as the Group, to assist property investors who have fallen victim to fraud. For example, the Group completed the Oktyabrsky project in 2016 in collaboration with the Government of the Moscow Region within the framework of the social programme aimed at building housing for investors who invested in the development projects of other developers which were never completed. If the Government requests the Group to engage in further projects under such a programme in the future, it may result in the Group's incurring additional and unanticipated expenses, which may not be fully compensated. This may result in the Group's revenue and profitability being adversely affected.

In addition, the Group's constructive relationship with the relevant governmental authorities, both local and regional, is critical to the success of its current and future projects. In most regions in Russia, including the Moscow Metropolitan Area, regional and local governments may have some influence over approvals of real estate development projects. A significant deterioration of the Group's relationships with government authorities at either the local or regional level could have a material adverse effect on the Group's business, results of operations and the financial condition and the trading price of the Shares.

Failure to register the Group's rights to its projects could result in the loss of such rights

In order to perfect the Group's rights in relation to its projects, such as leasehold rights for a term of more than one year and, upon completion, ownership rights to its buildings, the Group must register those rights with the relevant authorities. The registration of these rights is subject to various conditions. Failure to fulfil these conditions may result in the Group not being able to register these rights and may result in the possible loss of these rights altogether as, without such registration, the Group may not dispose of the projects and may not execute transactions to dispose, grant mortgages or leases in respect of such projects. Any loss of the Group's rights could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The Group's projects may be delayed or cancelled if it loses ownership interests to buildings or land plots or lease interests in property that it acquired in connection with the development of those projects

The Group acquires ownership interests in buildings and land plots or leases interests in property in the Moscow Metropolitan Area in order to develop its projects. The effect of Russian law is sometimes unclear with respect to the Group's ownership interests in buildings and lease interests in property. The Group's ownership interests in buildings and land plots and lease interests in property may be successfully challenged by government authorities, its partners and other third parties. Under Russian law, transactions involving real estate may be challenged on many grounds, including where the seller or assignor of rights to real estate did not have the right to dispose of such real estate or the breach of internal corporate approval requirements. Furthermore, under Russian law, certain encumbrances over real estate (including leases of less than one year, free-of-charge use agreements and other similar statutory or contractual encumbrances) do not need to be registered in the Unified State Register of Immovable Property in order to validly encumber the property. In addition, Russian law contains no time limits within which any registrable encumbrances must be registered. There is, therefore, a risk that the government or third parties may successfully register or claim the existence of encumbrances, of which the Group had no prior knowledge, over real estate owned or leased by it at any point in time. If the Group's ownership interests in buildings and lease interests in property are successfully challenged, its projects to which those interests relate would be delayed or cancelled, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

A number of factors may hinder the Group's ability to sell its projects on a timely basis

There may be circumstances under which it would be beneficial for the Group to be able to sell one or more of its projects quickly; for example if it believes that market conditions are optimal for selling or if it is approached by a party interested in purchasing a particular property on commercially attractive terms. However, the real estate market in Russia has historically been relatively illiquid compared to real estate markets in certain other mature markets. Furthermore, real estate investments generally cannot be sold quickly due to the relatively cumbersome bureaucratic processes that must be adhered to and the Group's properties may be subject to financing covenants which may further restrict their transferability. In addition, some of the Group's real estate assets are held through joint ventures with third parties and may be subject to legal and/or contractual limitations on transferability. These limitations on transferability could adversely affect the Group's ability to generate cash as needed through timely sales of its properties at favourable prices or to vary its portfolio promptly in response to economic or other conditions. If the Group cannot sell a particular project within a reasonable time or at all, it may not be able to generate the cash flow it may require to service its ongoing operations, interest on its external debt or enter into new projects, or the Group may be unable to take advantage of favourable economic conditions or mitigate against the impact of unfavourable economic conditions when they arise, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The Group may face legal proceedings in relation to construction of its projects and risks associated with adverse publicity, which could have an adverse effect on its competitive position, business, results of operations and financial condition

The construction and sale of properties are subject to a risk of claims for construction delays, delays in obtaining appropriate title registrations, defective construction, corrective or other works, materials used for construction or as a result of other factors, and associated adverse publicity. For example, a number of claims were brought against the Group for delayed commissioning of the Prigorod Lesnoe project (first stage) or the Sputnik project. See "*Business—Legal matters*".

For example, in the past, the delayed construction claims as well as the claim relating to the Prigorod Lesnoe project resulted in some adverse publicity. There can be no assurance that such claims will not be asserted against the Group in the future, or that corrective works or other remedies will not be sought. Furthermore, any claim brought against the Group, and the surrounding negative publicity concerning the quality of its properties or projects, irrespective of whether the claim is successful, could also have a material adverse effect on how its business, properties and projects are perceived by target customers or investors. This could negatively affect the Group's ability to market and sell its properties and projects in the future, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The Group is dependent on its key personnel and on maintaining a highly qualified and skilled workforce: shortages of qualified employees and other skilled professionals and an inability to retain such persons could delay the completion of the Group's projects or increase its costs

The Group relies on employees and certain other skilled professionals, such as project managers, developers, mid-level managers, accountants and other financial professionals, lawyers, engineers and architects, in the development of its projects. If the Group is unable to successfully compete for and retain the limited number of skilled professionals in Russia or to hire and retain the necessary employees, staffing shortages may adversely affect its ability to adequately manage the completion of its projects or force it to pay increased salaries to attract skilled professionals or such employees. The Group's failure to complete its projects on time and on budget or increased costs resulting from the payment of higher salaries to attract skilled professionals and/or other employees may have a material adverse effect on its business.

The Group's future growth and success depends, in part, upon the leadership and performance and continuing service of its directors and senior management team. The Group's current Board of Directors and senior managers possess property management, marketing and administrative skills and experience that are critical to the operation of the Group's business. The Group's ability to meet its operational requirements and its future growth and profitability is dependent upon, among other things, its directors and senior management personnel who, if they were to leave its employment, would be free to compete with its business. If any key person resigns, a suitable replacement with the requisite skills, contacts and experience may not immediately be found and the Group may experience numerous operational difficulties relating to its existing projects, as well as a negative market or industry perception, any of which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

Deterioration in the Group's brand and negative publicity could adversely affect its business

The Group relies on its brand name and image to attract potential customers. Any negative incident or negative publicity concerning the Group, its properties, its shareholders, affiliates, contractors or contractors could adversely affect the Group's 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 degrade consumer trust. Consumer demand for the Group's properties and its brand value could be significantly diminished if the Group fails to preserve the quality of its projects or to deliver a consistently positive consumer experience in each of the residential complexes, or the Group or any of its general contractors or contractors are perceived to act in an unethical or socially irresponsible manner. Any negative publicity and resulting decrease in brand value, and/or failure to maintain the brand in the regions where the Group operates could have a material adverse effect on the Group's business, results of operations and the financial position and the trading price of the Shares.

The development of the Group's projects may be subject to delays and incompletion if the Group is unable to connect them to utilities in a timely manner or at all, or it may be unable to realise the full value of its completed projects

In order to complete the construction of its projects and to commence sales of properties, the Group needs to have access to certain utilities, such as electricity, water, heating, gas and sewage systems. Under Russian law, the process for connecting a construction project to public utilities is strictly regulated by the state, including with respect to completion by the utilities provider or the developer of a set of technical documents for actual connection of capital construction facilities to public utilities. Furthermore, the cost of connection of a resource-supply system to a capital construction facility is determined separately in each case and, where such cost is not reasonable (for example, when the required connection to the resource supply system is lengthy) or where the connection to the existing resource-supply system is not technically possible, the developer may be required to build an independent resource-supply system, such as a water heating plant, a water intake unit or a sewage pumping station. Therefore, the Group is dependent upon the continued and timely co-operation of the relevant regulatory authorities and other third parties for obtaining such connections to the necessary utilities.

In addition, the infrastructure in Moscow and the Moscow Region, in particular, utilities, communications and logistics networks, could have been underfunded or/and may experience failures. The existing local infrastructure and utilities may need to be improved, upgraded or replaced, at times at the expense of the Group.

Furthermore, utilities infrastructure in Russia may be subject to temporary disruptions, which could cause delays and/or costs increases in the Group's development operations.

Any delay, interruption or inability of the Group to gain access to utilities may cause a delay in completing the construction of, and/or the sales of, any or all of its real estate developments, and could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

Without sufficient transportation infrastructure, the construction of the Group's projects may be delayed or cancelled

The Group's completed projects rely on transport accessibility, specifically, the use of the public transport network including buses, trains and the Moscow metro as well as the viability and reliability of travel in and around the Moscow Metropolitan Area, by car. The existing infrastructure in these cities and regions in these respects may require certain upgrades, improvements and, in some cases, the initiation and completion of new infrastructure projects. The development of existing infrastructure may, in certain cases, cease or be delayed, and the plans to initiate new infrastructure projects may be put on hold in the future as a result of future economic downturns.

There can be no assurance that improvements to the transportation infrastructure in and around the Group's projects, or transportation infrastructure integrated into its projects, will occur prior to completion of the projects or that any such improvement will be sufficient to support its completed projects. If the existing transportation infrastructure in and around the Group's projects is not improved by the date of completion of its projects, the Group may lack the ability to utilise these sites to their full intended capacity, as a result of its diminished accessibility. This may affect the value and marketability of the Group's projects and, consequently, could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The Group's insurance may be inadequate

The Group's insurance policies (comprising mainly third-party liability insurance covering construction-related damages and civil liability insurance covering architectural design-related damages and civil liability insurance covering developer liability under contracts with customers) may not cover it for all losses and certain types of insurance are not available on commercially reasonable terms or at all in Russia due to the fact that the insurance industry in Russia is at an early stage of development. Many forms of insurance common in mature markets are not yet available in Russia. As a result, the Group's insurance may not fully compensate it for losses associated with damage to its real estate assets. In addition, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, that may be uninsurable or that are not economically insurable. Other factors might also result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed, such as inflation, changes in building codes and ordinances and environmental considerations. The Group may incur significant losses or damage to its assets or business for which it may not be compensated fully or at all. In addition, the Group's insurance policies may not cover the current aggregate market value of its portfolio, particularly as the market value of its portfolio increases. As a result, the Group may not have sufficient coverage against all losses that it may experience. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the affected property, as well as anticipated future revenue from that property. In addition, the Group could be liable to repair damage caused by uninsured risks. The Group may also remain liable for any debt or other financial obligation related to that damaged property.

Additionally, no assurance can be given that material losses in excess of insurance coverage limits will not occur in the future. Any uninsured losses or losses in excess of insured limits could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The Group may be exposed to certain environmental liabilities and compliance costs

Construction and development companies in Russia, including the Group, 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 (iii) liabilities for violations of environmental legislation, as well as for damage caused to the environment, including site contamination.

In connection with the Group's development projects, the Group is 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 the Group's projects.

The environmental laws in Russia impose actual and potential obligations to conduct remedial action on sites contaminated with hazardous or toxic substances. These obligations may relate to sites that the Group currently owns or on which it is developing its projects. Moreover, such laws often impose liability without regard to whether the owner of such site knew of, or was responsible for, the presence of such contaminating substances. For example, the Group may be responsible for the clean-up on its construction sites of an unauthorised rubbish dump or contamination resulting from sewage pipeline damage, even if the Group or its contractors were not responsible for the relevant construction site contamination. In such circumstances, the owner's liability is generally not limited under the relevant laws and the costs of any required removal, investigation or remediation can be substantial. The presence of such substances on, or in, any of the Group's properties, or the liability for failure to remedy property contamination from such substances, could adversely affect the Group's ability to sell such property or to borrow funds using such property as collateral, which could have an effect on its return on investment.

In addition, the presence of hazardous or toxic substances on or in a property may prevent, delay or restrict the development or redevelopment of such property, negatively affecting the potential returns achievable on such property. Moreover, the Group may become involved in claims and lawsuits relating to environmental matters. An adverse outcome in any of these might have a significant negative impact on the Group's operations. If the Russian authorities discover violations of Russian environmental laws, the Group may be subject to fines and other penalties, including administrative suspension of business. Any of these things could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Shares.

Furthermore, if more stringent environmental laws and regulations or more stringent enforcement of existing environmental laws and regulations in the Russian regions where the Group operates were adopted in the future, the Group may need to incur additional compliance costs and may be subject to additional environmental liabilities in connection with its projects, which may have a material adverse effect on the Group's business, results of operations, the financial condition and the trading price of the Shares.

The Group may be subject to interest rate risks

Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political conditions, and other factors beyond the Group's control. Changes in interest rates could have an adverse effect on the Group's investment income and results of operations. Although the Group attempts to take measures to manage the risks of investing and borrowing in a changing interest rate environment, it may not be able to mitigate interest rate sensitivity effectively, and a significant increase in rates could have a material adverse effect on the Group's book value. In addition, the Group's sales are dependent on the availability of mortgage financing to its customers. For example, according to C&W, the share of mortgage financing in the primary housing market in Russia ranged between approximately 53% and 55% for the period from January 2017 to April 2018. The availability of mortgage financing and the rates prevailing in the market depend, among other things, on the CBR key rate, which has been gradually reduced by the CBR from 11% at the beginning of 2016 to 4.25% as at the date of this Offering Memorandum. No assurance can be given that the CBR will not increase the key rate in the future, which would lead to an increase in the mortgage rates and a shrinkage of the mortgage financing market in Russia. 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 or the trading price of the Shares.

A majority of the Group's current projects are heavily concentrated in the Moscow Metropolitan Area

A majority of the Group's projects are located in the Moscow Metropolitan Area. As at 30 June 2020, more than 99% of the Group's portfolio by net asset value was concentrated in the Moscow Metropolitan Area. As a result of this geographic concentration, the Group is particularly sensitive to any change in the political or regulatory environment at the level of the Moscow Metropolitan Area as well as any weakness in the local real estate market. Furthermore, the Group is subject to risks associated with disruption of development in the Moscow Metropolitan Area, for any reason, including as a result of a natural disaster, industrial accident, terrorist activity or changes in national or local government policy. Any such changes or disruptions in the Moscow Metropolitan Area could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The Group is subject to risks relating to joint ventures and other partnership arrangements

Some of the Group's projects are held or proposed to be developed through joint venture or other partnership arrangements (for example, by way of having non-controlling interests in the Group's subsidiaries) with third parties that own or intend to own certain assets such as land rights or buildings relating to the development of the projects. Such arrangements may result in the Group sharing control of such assets with third parties. As a result, certain decisions relating to those assets in partnership structures may depend upon the consent or approval of the Group's partners. For example, the Molzhaninovo, Alkhimovo, Novodanilovskya,8, Novoe Vnukovo, Rumyantsevo, Ryazanovskoe and Nekrasovka projects, among others**,** are held by LLC Samolet Dve Stolitsy, approximately 70.2% of which is held by the Group and approximately 28.9% is beneficially owned by Maxim Vorobiev and other partners; and, as a result of their holding interest in LLC Samolet Dve Stolitsy, these partners may influence the relevant projects. However, business objectives of such partners may, in certain circumstances, differ significantly from the business objectives of the Group.

Another type of a partnership arrangement involves the transfer of rights to a land plot by a partner to the Group in exchange for the assignment of rights to a certain number of units in the project to be built on the land plot. See "*Business—Development Process—Assessing Development Opportunities and Acquiring Land Plots—Unit Sharing Structure*". Such a partnership arrangement is typically set out in a partnership agreement between the Group and its partner. Partnership agreements often stipulate that, if the Group fails to comply with the terms of the agreement (such as, for example, if there is a delay in the receipt of main permits by the Group or there is slippage in the construction schedule), the partner may have the right to exit the project and demand compensation and penalties from the Group. For example, such penalties set out in a partnership agreements relating to the Putilkovo and Alkhimovo projects. Also, partners that receive units in exchange for their land plots may sell such units at a price below that offered by the Group, which could adversely affect the Group's ability to sell its units. For example, the Group may have no legally binding mechanisms to prevent such sales in the Lyubertsy, Nekrasovka and Putilkovo projects. Some partnership agreements may also require the Group to receive its partner's approval before entering into or changing the terms of investment agreements with the authorities. As a result of such contractual restrictions, disputes may arise between the Group and its partners, which could adversely affect the Group's ability to manage a particular asset as it sees fit.

Certain other risks arising from joint venture and other partnership arrangements which are not present with projects that are wholly-owned include, but are not limited to:

- the Group's joint venture partners taking action contrary to the Group's instructions or requests, policies or objectives, or frustrating its actions;
- the Group's joint venture partners becoming bankrupt, insolvent or subject to U.S. or E.U. sanctions or criminal proceedings;
- the Group being required to provide additional financing to make up for any shortfall due to the Group's joint venture partners failing to provide such finance or to furnish any required collateral to the financing banks; and
- the Group's joint venture partners, by virtue of Russian corporate law provisions, have a right to block key corporate resolutions and/or transactions of the relevant Group's subsidiaries.

Disputes or disagreements with any of the Group's partners may result in significant delays and increased costs associated with the development of the Group's properties. Moreover, certain major decisions (such as whether to transfer to the Group's title to land plots and/or buildings relating to a project, to sell, refinance or enter into a lease or contractor agreement and the terms on which to do so) may require the partners' or other third parties' approval.

Finally, it may be challenging for the Group to terminate its partnerships. For example, the Group decided to abandon the Razdory project; however, it may be unable to terminate certain contracts (such as lease agreements, preliminary sale and purchase agreements, as well as sale purchase agreements) relating to the project, which could result in the Group's retaining dormant liabilities.

Failure to reach or maintain agreements with the Group's partners on the matters relating to the financing and operation of the Group's projects may cause delays or cancellations of the Group's projects or may otherwise impair its ability to complete its projects as planned, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The Group may not be able to develop its projects as planned if it fails to acquire or lease land for its new projects in a timely manner

The Group's development business is dependent on its ability to secure partnerships with landowners or otherwise obtain land plots for new projects. In developing its large-scale projects, the Group often acquires land plots through entering into partnership arrangements with landowners. The Group's projects are developed in a number of stages (for example, the Putilkovo project has ten stages that are scheduled to be developed until

2032) for which the Group typically acquires land plots separately for each stage of development. Pursuant to the partnership agreements with landowners, the Group purchases or leases land plots for the first stages and has the right to enter into a preliminary sale and purchase agreement or lease agreement in relation to land plots for further stages of the project. However, due to the early stage of development of some of the Group's projects, the relevant partnership agreements (such as, for example, Yam, Erino, Bogdanikha, Setun Park, Balashikha, Poyma, Saburovo, Molzhaninovo and Esenino Park projects), which are typically framework agreements, may not be legally binding due the lack of essential terms required by Russian legislation. Generally, such arrangements may be agreed at the outset of the project with the final terms and commitments being finalised immediately prior to the Group's commencement of construction of the respective stage. Therefore, owners of the land plots subject to partnership agreements may refuse to subsequently enter into long-term legally binding agreements and not to honour their obligations under the relevant partnership agreements and thus the Group may be unable to enforce these obligations in court. As a result, the Group may be unable to develop as planned those stages of its projects that are not subject to a binding agreement (such as a purchase or lease agreement), which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The Group does not have lease or ownership rights to land plots for some of its projects

The Group's Yam, Esenino Park, Bogdanikha, Setun Park, Balashikha, Poyma, Saburovo and Molzhaninovo projects are in the initial design phase of development and the Group has not yet entered into any binding agreements in relation to these projects under which the Group would have a right to enter into preliminary sale and purchase agreements, land lease agreements or other agreements to secure the relevant land plots for further development of such projects. In addition, some of the Group's projects in the construction phase, such as Putilkovo, Lyubertsy, Yurlovo and Dudkino, have not yet obtained ownership rights to some of the land plots for the later stages of these projects. See "*Business—Ongoing Development Projects*". There can be no assurance that the Group will be able to enter into such agreements in a timely manner or at all, or acquire the relevant land plots for their further development. If the Group does not obtain development rights to the relevant land plots, it may be unable to complete the development of these projects, which would have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

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

The Group's construction projects require supplies of components and raw materials, including, among others, cement and metal, and any inability to obtain sufficient quantities of raw materials necessary for the 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 the Group's projects, which, in turn, could harm the Group's reputation with the Group's customers and may result in lost sales opportunities.

In addition, prices of raw materials used in the construction process are difficult to forecast over the long term. The Group selects suppliers of raw materials and such materials are then purchased by subcontractors, including at spot prices. Under this arrangement, the Group bears the risk of price changes, while the subcontractors bear the risk of suppliers' breach of contract. Notwithstanding its materials procurement processes, the Group does not control all factors affecting prices: factors that the Group does not control include, but are not limited to, regional supply and demand and expectations of future supply and demand. Significant, sustained increases in the prices of raw materials, particularly cement and metal, could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

Failures of the Group's IT systems could negatively affect its results of operations

The Group's business and operations may be negatively affected by failures of its key IT systems and equipment, unauthorised access to confidential information and a distortion of information during data transfers or a disruption of activities during upgrades of its IT system. IT systems are vulnerable to a number of problems, such as software or hardware malfunctions, malicious hacking, physical damage to vital IT centres and computer virus infection. These factors may result in a lack of information or potential information inaccuracies that could cause disruptions in the Group's decision-making process, as well as deterioration in the quality of the Group's operational and financial reporting, management of development projects and the overall manageability of the Group. The Group has invested in its IT technologies and controlling the operation of its hardware and software, taking into account international best practices. See "*Business—Information Technology*". Moreover, the Group continues to work on improving its IT platforms. For example, the Group has been working on creating an ecosystem for its customers using third party and proprietary software. If these efforts are unsuccessful, then the

Group may lose its investments into this project and reduce its competitive advantages it sought to receive as a result of implementing the relevant IT project.

The Group's ability to operate its business depends on its ability to protect the computer systems and databases from the intrusion of third parties who may attempt to gain access to the Group’s computer systems, networks or databases through the Internet or otherwise. Although the Group believes that its computer systems, networks and databases are well protected from unauthorised access, given the potential technical and financial resources of intruders, full assurance cannot be given that its computer systems, networks and databases will not suffer from such attacks in the future or that such attacks will be successfully repelled.

Any material failure of the Group’s IT systems could materially adversely affect the Group’s business, results of operations and the financial condition or the trading price of the Shares.

The Group’s accounting system and financial reporting controls may not be as sophisticated and robust as those of companies with a longer history of compliance with internal control over financial reporting functions

The Group’s management information system, financial reporting function and system of internal controls relating to the preparation of the IFRS financial statements and management accounts may not be as sophisticated and robust as those of companies with a longer history of compliance with internal control over financial reporting functions. While the Group maintains accounting software, it does not have fully computerised accounting or reporting systems designed for the preparation of consolidated IFRS financial statements, including regularly maintained registers used for calculation of IFRS adjustments. Adjustments are calculated using different sources of information, which require manual reconciliation and checks. Accordingly, the preparation of annual or interim IFRS consolidated financial statements requires more time for the Group than otherwise would, had these been fully automated. There are a number of additional areas where the introduction of fully automated and integrated processes could improve the Group’s internal control systems, for example for the reconciliation of management accounts and other systems used by the Group, including in its treasury and budgeting processes, to accounting records.

Therefore, the Group’s lack of fully automated and integrated management information system, financial reporting function and system of internal controls relating to the preparation of the IFRS financial statements and management accounts increases the risk of breaches or non-compliance with standard accounting and compliance practices and/or reporting practices. Moreover, there can be no assurance that the Group’s existing internal controls would be sufficient to prevent inaccuracies or fraud related to reporting practices as the Group’s internal control system is based on approach developed to provide only reasonable, but not absolute, assurance that different types of risks are identified and properly mitigated to acceptable levels. As a consequence, there is no assurance that in the future the management of the Group or its auditors will not identify material weaknesses in respect to the Group’s internal controls over the reporting processes. This may have reputational implications, inability of the Group to take timely and appropriate management decisions and result in regulatory investigations and/or fines for the Group, which could have a material adverse effect on the Group’s business, results of operations and the financial condition or the trading price of the Shares.

Failure to maintain adequate internal controls could have a material adverse effect on the Group’s business

The Group maintains internal compliance policies and procedures, which are designed to prevent instances of fraud, money laundering, bribery and corruption. However, despite these controls and procedures, there can be no assurance that such controls and procedures will be sufficient to timely and effectively prevent and/or uncover any violations of the policies and procedures or any violations of laws. Furthermore, there can be no assurance that these policies and procedures will be strictly followed at all times by the Group’s staff responsible for compliance and oversight of such policies and procedures.

If the relevant policies and procedures are not followed or otherwise fail to prevent instance of fraud, money laundering, bribery or corruption, the Group may be exposed to potential civil and/or criminal penalties. Similarly, actual findings or mere allegations of such violations could negatively impact the Group’s reputation and limit its future business opportunities. Therefore, failure to maintain adequate internal controls that results in any instances of fraud, money laundering, bribery or corruption (or allegations thereof) could have a material adverse effect on the Group’s business, results of operations and the financial condition or the trading price of the Shares.

Two of the Group's stakeholders are closely related to senior government officials in the Moscow Region, where the Group's current projects are heavily concentrated

One of the Group's principal shareholders, Mr. Pavel Golubkov, who, as at the date of this Offering Memorandum, directly and indirectly controls at least 39.1% equity stake in the Group (including 5.1% Shares provided by Mr. Kenin, Mr. Evtushevskiy and ZPIF to the Selling Shareholder for the purposes of the Offering) (see "*Principal Shareholders*") is the brother of Mr. Dmitriy Golubkov, who is (i) a member of the Moscow Region's Duma (the regional legislative assembly) (ii) the deputy chair of the Moscow Region Duma's Construction, Architecture, Housing and Communal Services and Energy Committee. As at the date of this Offering Memorandum, Mr. Dmitriy Golubkov is the Chairman of the Board of Directors and held 2.5% equity stake in the Group.

Furthermore, the Group's projects in Moscow, including Molzhaninovo, Alkhimovo, Nekrasovka, Novodanilovskya,8, Novoe Vnukovo, Rumyantsevo and Ryazanonovskoye projects, among others, are held by LLC Samolet Dve Stolitsy, approximately 28.9% of which is beneficially owned by Mr. Maxim Vorobiev along with other joint venture partners. Two of the Group's board members, Messrs. Evtushevsky and Elistratov are also on the board of LLC Samolet Dve Stolitsy.

In November 2012, Mr. Vorobiev's brother, Mr. Andrei Vorobiev, was appointed acting Governor of the Moscow Region, and since September 2013 has been the Governor of the Moscow Region, where, as at 30 June 2020, approximately 68% of the Group's portfolio by a total appraised market value was concentrated.

As a result, some of the Group's projects (and particularly those that are located in the Moscow Region) may be perceived by the public as directly or indirectly benefiting from the position or political authority of either Mr. Golubkov's or Mr. Vorobiev's respective brothers.

Any allegations, proceedings, litigation or opposition brought against, or negative media reports about, any politically exposed persons and their influence on the Group's operations may have a negative impact on the Group's reputation, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The interests of the Group's largest shareholders may conflict with those of the other shareholders

The Group's main beneficial owners are Mr. Mikhail Kenin, Mr. Igor Evtushevsky and Mr. Pavel Golubkov. See "*Principal Shareholders"*. The Principal Shareholders have the ability to influence the Group's business and certain actions requiring shareholders' approval, including, but not limited to, the election of directors, declaration of dividends, the appointment of senior management and other policy decisions. The interests of the Principal Shareholders may, in certain circumstances, differ significantly from, or conflict, or compete with, the interests of the other shareholders, which could have a material adverse effect on a prospective investor's investment in the Group's securities. Any such conflicts could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The Group may be unable to achieve its projected commissioning and revenue targets

For each of its projects the Group develops a detailed long-term project management plan that, among other things, sets out projected commissioning, revenue and profitability targets. See "*Business—Projects*". Such plans are susceptible to uncertainty and changes due to macro- and micro-economic, legislative, environmental and other factors that influence the Group's operating environment. For example, because the Groups' development projects comprise a large number of residential buildings that are concentrated in particular areas of the Moscow Metropolitan Area, there can be no assurance that the Group will be able to sell all (or a majority) of the residences in a particular development or neighbourhood, particularly if market conditions deteriorate, which could adversely affect projected commissioning, revenue and profitability targets of the affected project as well as those of the Group's other projects. If that occurs, it could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The Group's intended use of proceeds from the Offering may change

The Group intends to use proceeds from the Offering primarily to acquire new land plots and to finance construction of Company's current projects. See "*Use of Proceeds*". However, there can be no assurance that the Group's priorities relating to the use of proceeds will not change or that the proceeds of the Offering will be sufficient for the intended purposes or that the Group will otherwise be able to complete the relevant projects. If the Group is unable to utilise the proceeds of the Offering as currently contemplated or is otherwise unable to complete the relevant projects, it could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares

Some of the companies of the Group have negative net assets or net assets lower than the amount of their charter capital and may be liquidated

Russian law requires a limited liability company to reduce its charter capital to the amount of its net assets if the value of its net assets is lower than its charter capital as at the end of the second and each subsequent financial year following incorporation. If the value of net assets of a Russian limited liability company is lower than the minimum amount of the charter capital established under Russian law as at the date of the establishment of the company calculated as at the end of the second and each subsequent financial year, such company is obligated to be liquidated under Russian law. If the net assets of a joint stock company fall below the minimum charter capital based on the results of the second financial year and any subsequent financial year, such joint stock company is obligated to liquidate itself within six months of the end of its financial year under Russian law. If the net assets of a joint stock company are below the amount of its charter capital (but are above the minimum regulatory charter capital), the joint stock company may be required to compensate its creditors or be liquidated. If a company does not liquidate itself, it may be forced into liquidation.

Many Russian companies have low net assets (that is, net assets lower than the minimum statutory charter capital) due to very low historical asset values reflected on their Russian accounting standards balance sheets. The solvency of such companies, i.e., their ability to pay debts as they come due, is not otherwise adversely affected by such negative net assets as long as they meet their obligations towards their creditors. Currently, certain Russian companies of the Group have and/or have had net assets lower than their respective charter capitals. In addition, several of the companies of the Group have negative net assets and are exposed to potential claims for liquidation. If involuntary liquidation were to occur, then the Group would be forced to reorganise the operations it currently conducts through the affected subsidiaries. Any such liquidation could lead to additional costs, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The geographical expansion of the Group's business to areas outside of the Moscow Metropolitan Area may fail due to its more limited knowledge of those markets and control over local activities

In recent years the Group engaged in business primarily in the Moscow Metropolitan Area, and plans to acquire rights to additional development projects in the Moscow Metropolitan Area (for example, the Group is considering starting the development of five new comfort class projects in the Moscow Metropolitan Area in 2020). However, the Group may not be as successful in the development of its projects outside of the Moscow Metropolitan Area due to its relative lack of experience, market knowledge and lack of control over local activities. Furthermore, the Group may face more uncertainties with respect to the operational and financial needs of these projects. The Group's failure to successfully develop its projects outside of the Moscow Metropolitan Area could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

Risks Relating to Business Operations in Emerging Markets

Emerging markets such as Russia are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt the Group's business, as well as cause the price of the Shares to decrease

Investors in emerging markets such as Russia should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Moreover, financial turmoil in any emerging market country tends to adversely affect prices in debt or equity markets of all emerging market countries as investors move their money to more stable, developed markets. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Companies operating in emerging markets may also be exposed to political risks. Investors should also note that an emerging economy such as that of Russia is subject to rapid change and that the information set out in this Offering Memorandum may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved. Potential investors are urged to consult with their own legal and financial advisors before making an investment in the Shares.

Risks Relating to the Russian Federation

Political and governmental instability in Russia could materially adversely affect the Group's business

While the political situation in the Russian Federation has been relatively stable since 2000, future policy and regulation may be less predictable than in less volatile markets. The last presidential elections in Russia were held in March 2018. Any future political instability could result in a worsening overall economic situation, including capital flight and a slowdown in investment and business activity. In addition, any change in the Russian government or its programme of reform or lack of consensus between the Russian President, the Prime Minister, the Russian government, the Parliament and powerful economic groups could lead to political instability and a deterioration in Russia's investment climate that might limit the ability of the Group to obtain financing in the international capital markets or otherwise have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Shares.

According to some commentators, actions by government bodies motivated by politics or special interests of well politically connected entities or individuals, including claims brought by the Russian authorities against several major Russian companies, have called into question the security of property and contractual rights, the progress of the market and political reforms, the independence of the judiciary and the certainty of legislation. This has, in turn, resulted in significant fluctuations in the market price of Russian securities and had a negative impact on foreign investments in the Russian economy, over and above the general market turmoil seen recently. Any similar actions by the Russian authorities which result in a further negative effect on investor confidence in Russia's business and legal environment could have a further material adverse effect on the Russian securities market and prices of Russian securities or securities issued or backed by Russian entities, including the Shares.

In addition, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, military conflict. Moreover, various acts of terrorism have been committed within the Russian Federation. The risks associated with these events or potential events could materially and adversely affect the investment environment and overall consumer and entrepreneurial confidence in the Russian Federation, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

Economic instability in Russia could adversely affect the Group's business

Over the last two decades, the Russian economy has experienced or continues to experience at various times:

- declines in its GDP and rate of GDP growth;
- high levels of inflation;
- high and fast-growing interest rates;
- unstable credit conditions;
- instability of the rouble;
- pervasive capital flight;
- a weakly diversified economy which depends significantly on global prices of commodities;
- sudden price declines in commodities;
- high levels of corruption and the penetration of organised crime into the economy;
- widespread tax evasion;
- significant increases in unemployment and underemployment;
- ethnic and religious tensions;
- low personal income levels of a significant part of the Russian population; and
- major deterioration of physical infrastructure.

The current economic recovery in Russia is assessed as steady although it is lower than global growth. In 2017, 2018 and 2019, Russia's GDP grew by 1.6%, 2.3% and 1.3%, respectively, according to the new statistics of Rosstat recalculated in March 2019 and decreased by 8.5% in the first half of 2020 compared to the same period in 2019. The Russian Ministry of Economic Development official forecast assumes a 3.9% decrease in the GDP in 2020. The CBR expects a decline in the Russian GDP in 2020 in the range of 4.5-5.5%.

As Russia produces and exports large quantities of crude oil, natural gas, petroleum products and other commodities, the Russian economy is particularly vulnerable to fluctuations in oil and gas prices, as well as other commodities prices, which have historically been subject to significant volatility over time. The price of oil has been particularly volatile in recent years significantly decreasing in the second half of 2014 from $112.36 per barrel of Brent Crude oil on 30 June 2014 to $55.27 per barrel on 31 December 2014 and continued to decrease in 2015 reaching $37.28 per barrel on 31 December 2015. Although Brent crude oil prices recovered to $55 per barrel as at 31 December 2016 and were relatively stable in 2017, 2018 and 2019, in the six months ended 30 June 2020, largely due to the COVID-19 pandemic and the prior lack of agreement on production limits among OPEC+ countries, the Brent crude oil price dropped to a low of $21.1 on 27 March 2020 from a high of $69.96 on 6 January 2020. Additionally, in part due to the market response to the 12 April 2020 OPEC+ agreement, as well as due to a precipitous decline in certain U.S. oil price benchmarks, Brent crude dropped to a low of $15.98 on 22 April 2020.

The international sanctions arising from the Ukraine crisis have also undercut confidence in the Russian economy and added to the cost of capital. The lack of confidence in the Russian economy led to a decline in the rouble/U.S. dollar exchange rate in late 2014, which continued in 2015. This was accompanied by rising inflation and a declining trend in real average wages from 8.4% growth in 2012, to 4.8% in 2013, to 1.2% in 2014, to a 9.0% decline in 2015. However, real wages in Russia have begun to recover and grew by 2.6% in 2017 and rose 6.8% year-on-year in 2018, slowing to 1.0% as at May 2020 (based on CBR data).

The Russian economy was generally adversely affected by the global financial crisis and could be adversely affected by market downturns and economic crises or slowdowns elsewhere in the world in the future, including by those resulting from the COVID-19 pandemic (see "*—The implications of the COVID-19 pandemic and the disruption caused by various counter measures could have material adverse effect on the Group's financial condition*). Therefore, any economic instability could have a material adverse effect on the Russian economy and, consequently, on the Group's business, results of operations and the financial condition or the trading price of the Shares.

Fluctuations in the global economy could materially adversely affect the Russian economy and the Group's business

Russia's economy is increasingly dependent on global economic trends and, as an emerging economy, is vulnerable to market downturns and economic slowdowns elsewhere in the world, as well as to reductions and fluctuations in the prices of hydrocarbons and minerals. Events occurring in one geographic or financial market sometimes result in an entire region or class of investments being disfavoured by international investors – the so-called "contagion effect". The Russian Federation has been adversely affected by contagion effects in the past, and it is possible that the market for Russian investments will be similarly affected in the future by negative economic or financial developments in other countries. Economic volatility, or a future economic crisis, may undermine the confidence of investors in the Russian economy and the ability of Russian businesses to raise capital in international markets or procure supplies, or restrict demand in the Group's products, which, in turn, could have a material adverse effect on the Group's business.

Oil prices are volatile. This is demonstrated by the decline in the oil price since the second half of 2014 which, coupled with the imposition of sanctions and other negative factors, has resulted in the devaluation of the Rouble. Although the CBR undertakes certain measures to stabilise the Russian national currency, such as by increasing and decreasing interest rates depending on market changes (for example, a sharp increase from 10.5% to 17% overnight in December 2014 and a gradual decrease from 9.0% in June 2017 to 4.25% in July 2020) and currency interventions on the foreign exchange market, significant fluctuations cannot be ruled out in the future. Furthermore, the Russian government requested a few major state-controlled companies, which are exporters, to sell their export proceeds in foreign currency in excess of certain established limits using its administrative powers. Should oil prices not rise back to a certain level and these actions prove to be ineffective, the Russian economy is likely to fall into recession which will, in particular, cause financial instability for a number of private banks and private companies operating in the Russian Federation and have a knock-on effect on the Russian economy in general.

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 the Russian Federation. This could materially and adversely affect the Russian economy and the Group's business. In June 2016, a majority of voters in the U.K. elected to withdraw from the EU in a national referendum. The British Government triggered the exit process on 29 March 2017. The U.K. officially left the EU on 31 January 2020. There is a possibility of trade barriers resulting from the United Kingdom leaving the EU, which may affect the macroeconomic environment in Europe and globally. The referendum has also given rise to calls for the governments of other EU member states to consider withdrawal, which could further contribute to global economic instability and adversely affecting the Russian economy.

In addition, since the election of U.S. President Donald Trump, there has been greater uncertainty on the status of trade relations between the U.S. and some of its largest trade partners. The worsening of such trade relations, in particular between the U.S. and China, could result in negative repercussions in these countries and have a knock-on effect on global trade and the economic environment. These developments, or the perception that any of them could occur, have had, and may continue to have, a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to fund their capital and liquidity requirements and operate in certain financial markets.

Any of these factors could depress economic activity globally and, consequently, have an adverse effect on the Russian economy, which in turn could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The on-going conflict in Ukraine, the international reaction to Russia's action in connection with Crimea resulting in the imposition of sanctions, and other disputes between Russia and other countries could further materially adversely affect the economic environment in Russia, including the business, results of operations and financial condition of the Group, and create significant political and economic uncertainty

International reaction to the conflict in eastern Ukraine and dispute over Crimea has had and may continue to have a negative impact on the Russian economy. The Group has no assets or operations in Ukraine; however, the European Union and the U.S. imposed targeted sanctions on a number of Russian individuals and companies following the conflict with Ukraine, including sectoral sanctions on a number of large Russian banks that prohibited EU and U.S. persons from extending them debt financing with a maturity exceeding 14 days or dealing in their new equity issuances (under the U.S. sanctions) or new transferable security and money market instruments (under the EU sanctions) and providing related services. These sectoral sanctions have increased the cost of capital in the Russian Federation and have been one factor in the rise of Russian lending rates over the past several years, which could have an adverse effect on the Group's cost of borrowing. The imposition by the U.S., the European Union and other countries of sanctions, asset freezes, travel limitations and certain other measures against specified Ukrainian and Russian individuals and companies have not had a direct impact on the Group's business but could do so in the future if such tensions escalate and/or further sanctions are imposed that affect the Group's ability to deal with certain persons or the Russian economy. The Russian Federation has responded by imposing certain sanctions itself, including some import and travel restrictions.

The current sanctions regime is a result of multiple extensions and expansions by the U.S. and EU in the term and scope of sanctions. For example, on 2 August 2017, President Trump signed into law the Countering America's Adversaries Through Sanctions Act ("**CAATSA**") that includes additional sanctions against Russian entities. CAATSA, inter alia, a) codifies the existing sanctions against the Russian Federation established by former President Obama's executive orders, b) reduces the permitted terms of financing under the existing sectoral sanctions and further restricts supplies of equipment to certain Russian energy companies, c) allows the U.S. President to extend sectoral sanctions to further sectors of the Russian economy (such as railways, mining and metals) and introduce additional sanctions against new persons, d) provides for imposing a set of "secondary sanctions", which target activities of non-U.S. persons, such that foreign persons who engage in certain activities in the Russian Federation (in relation to, inter alia, construction, modernisation and repair of energy export pipelines, intelligence and defence sectors, sanctions evasion, privatisations and activities that undermine the cybersecurity of any person or government) now face the prospect of adverse economic consequences in the form of a denial of U.S. benefits. These sanctions may have a material adverse effect on the Russian financial markets and investment climate and the Russian economy generally. In addition, CAATSA requires the U.S. administration to submit various reports to the U.S. Congress. In late January 2018, several such reports were published, including a report under Section 241 of the CAATSA that identified certain Russian individuals, as well as a report under Section 242 of the CAATSA on the effects of expanding the sanctions to include sovereign debt and derivative products. Although none of the Group's affiliates are included in the reports, there could be no assurance that this will not happen in the future. The identification of any individuals or entities in such reports does not automatically lead to the imposition of new sanctions and it is not possible to predict whether any such identification could have a material adverse effect on the Russian economy or the Group.

Furthermore, in August 2018, under the Chemical and Biological Weapons Control and Warfare Elimination Act (the "**CBW Act**"), the U.S. Department of State introduced additional sanctions in response to Russia's alleged involvement in the poisoning of former Russian intelligence officer Sergei Skripal and his daughter Yulia in Salisbury, UK, in March 2018. The restrictions provided for a total ban on the supply of electronic devices and other dual-use products to Russia and set forth a 90-day deadline for Russia to provide assurances to the U.S. that it was no longer using chemical or biological weapons, would not do so in the future and would be willing to allow onsite inspections by observers from international organisations. In November 2018, the U.S. Department of State declared its intention to impose such additional sanctions following Russia's alleged failure to provide the relevant assurances. On 2 August 2019, OFAC issued a directive that, among other things, prohibited U.S. banks from participating in the primary market for non-rouble denominated bonds issued by the Russian sovereign and also prohibited U.S. banks from lending non-rouble denominated funds to the Russian sovereign.

In addition, ongoing investigations into allegations by the U.S. government that the Russian government covertly attempted to influence the U.S. presidential election could potentially lead to further U.S. sanctions against the Russian Federation, as well as Russian individuals, entities and interests. On 12 September 2018, the U.S. President signed an executive order that provides for the imposition of sanctions on countries, organisations and persons that the U.S. government determines have interfered in U.S. elections.

Additionally, in March 2019, the EU and the U.S. sanctioned a number of Russian individuals and entities over a stand-off with Ukraine in the Azov Sea that took place in November 2018. The governments of the U.S. and certain EU member states, as well as certain EU officials have indicated that they may consider additional sanctions should tensions in Ukraine continue.

In August 2019, the U.S. proceeded with the second round of sanctions under the CBW Act that prohibited U.S. banks from participating in the primary market for non-rouble denominated Russian sovereign bonds, from lending non-rouble denominated funds to the Russian government, added export licensing restrictions on dual-use chemical and biological items controlled by the U.S. Department of Commerce and required U.S. opposition to the extension of any loan or financial or technical assistance to Russia by international financial institutions.

On 20 December 2019, the U.S. President signed into law the National Defense Authorization Act for Fiscal Year 2020 (the "**Defence Budget 2020**") and the Protecting Europe's Energy Security Act of 2019 ("**PEESA**") as part of the Defence Budget 2020. The Defence Budget 2020 and PEESA require the blocking of persons who knowingly sold, leased, provided, or facilitated deceptive or structured provision of vessels for pipe-laying for Nord Stream 2, TurkStream or any project that is a successor to either such project, and the denial or revocation of U.S. visas of such targeted individuals, or corporate officers and controlling shareholders of targeted entities.

Several pieces of legislation directed at amplifying U.S. sanctions against the Russian Federation have been introduced in the U.S. Congress and are currently under consideration. On 13 February 2019, an updated and expanded version of the 2018 "Defending American Security from Kremlin Aggression Act" bill (the "**DASKA Bill**") was introduced in the U.S. Congress and subsequently revised in December 2019. On 3 April 2019, an updated version of the 2018 "Defending Elections from Threats by Establishing Redlines Act" bill (the "**DETER Bill**") was introduced to the U.S. Congress. The DASKA Bill and the DETER Bill, if enacted as currently pending, may result in additional sanctions being imposed with respect to Russia, including, among others, sanctions against Russian state-owned financial institutions and the prohibition of certain investments into Russian energy sector. Both the DASKA Bill and DETER Bill would require submission of an updated Section 241 Report to the U.S. Congress.

On 21 and 23 July 2020, the U.S. House of Representatives and the U.S. Senate voted each for its version of the National Defense Authorization Act for Fiscal Year 2021 (the "Defence Budget 2021") and the Protecting Europe's Energy Security Clarification Act of 2020 ("**PEESCA**"). In the U.S. Senate's version, PEESCA mandates the imposition of sanctions on persons providing vessels for pipe-laying activities for the construction of the Nord Stream 2 and the TurkStream gas export pipelines, persons who facilitate providing those vessels, and persons who provide underwriting, insurance or reinsurance services for those vessels, various technology upgrades, or tethering of those vessels, or provide testing, inspections or certifications for Nord Stream 2 pipeline. The U.S. House of Representatives' version of PEESCA within the Defence Budget 2021 does not include sanctions on providers of testing, inspections and certifications for Nord Stream 2. Representatives of the U.S. Congress and U.S. House of Representatives will need to reconcile the two bills through a conference process, following which both the U.S. House of Representatives and the U.S. Senate will consider the reconciled version of the Defence Budget 2021 before it can be signed into law by the U.S. President.

The current initiatives, if enacted, could affect, among other things, Russian sovereign debt, Russian energy projects and the Russian energy and financial sectors. It is currently unclear at which point, if at all, any of these bills could be signed into law and what would be the scope of any new sanctions that may be imposed pursuant to such law.

While the Group had no official sanctions compliance policy as at the date of this Offering Memorandum, the imposed sanctions have had no direct negative impact on the Group's business and financial position, and no individual or entity within the Group has been designated as subject to either U.S. or EU sanctions, an introduction of sanctions targeting the Group, or individuals holding positions in the Group or controlling the Group, the real estate sector or a broader segment of the Russian economy could interfere with the Group's operations and could have a material adverse effect on the Group's ability to conduct business with its customers, suppliers, agents and other third parties.

The reversal of reform policies or government policies targeted at specific individuals or companies could have an adverse effect on the Group's business as well as investments in Russia more generally

The political and economic situation in Russia has been negatively affected by the global financial crisis, the economic sanctions imposed by the United States and the EU and the recent economic recession in Russia. See "— *The on-going conflict in Ukraine, the international reaction to Russia's action in connection with Crimea resulting in the imposition of sanctions, and other disputes between Russia and other countries could further materially adversely affect the economic environment in Russia, including the business, results of operations and financial condition of the Group, and create significant political and economic uncertainty*". Any significant struggle over the direction of future reforms, or a reversal of the reform process, could lead to another deterioration in Russia's investment climate, which might constrain the Group's ability to obtain financing in international capital markets, limit its sales in Russia or otherwise have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Shares.

In the past, Russian authorities have prosecuted some Russian companies, their executive officers and their shareholders on tax evasion and related charges. In some cases, the result of these prosecutions has been the imposition of prison sentences for individuals and significant claims for unpaid taxes. According to some commentators, such prosecutions have called into question the security of property and contractual rights, the independence of the judiciary and the progress of the market and political reforms in Russia. Any similar actions by government authorities could lead to a further negative effect on investor confidence in Russia's business and legal environment and the Group's ability to raise equity and debt in the international markets, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The Russian banking system remains under ongoing development, and a banking crisis could place severe liquidity constraints on the Group's business

Russia's banking and other financial systems are in a period of on-going development, and Russian legislation relating to banks and bank accounts is subject to interpretation and some inconsistent applications. The number of creditworthy Russian banks is currently limited. Although the CBR has the mandate and authority to suspend banking licences of insolvent banks, many insolvent banks still operate. Many Russian banks also do not meet international banking standards, and the transparency of the Russian banking sector still does not meet internationally accepted norms. In the last three years, a number of Russian non-state banks experienced rapid expansion through acquisitions of smaller, often undercapitalised players, with funding provided by the state, which contributed to liquidity issues for some of them. Recessionary trends in the Russian economy and stricter enforcement action by the CBR affected a number of notable Russian banks, such as Bank Otkritie, B&N Bank, Promsvyazbank, Moscow Industrial Bank, MDM Bank, Master-Bank, ROST-Bank, Trust-Bank, InvestTradeBank, Probusinessbank, Russian Capital Bank, Bank Peresvet and Prominvestbank, that were either acquired, liquidated or taken over for financial rehabilitation by other Russian banks or directly by the Deposit Insurance Agency or the CBR. As at 1 August 2020, 16 Russian banks were subject to ongoing rehabilitation measures imposed by the CBR or the Deposit Insurance Agency. The deficiencies in the Russian banking sector, combined with liquidity shortages and the deterioration in the credit portfolios of Russian banks, may result in the banking sector being more susceptible to any worldwide credit market downturn and economic slowdown. Given the increased importance of banking institutions as a result of the introduction of Federal Law No. 218-FZ and Federal Law No. 175-FZ (pursuant to which banks will handle development-related monetary flows), a prolonged or serious banking crisis, or the bankruptcy of a number of Russian banks, could negatively affect the Group's ability to access financing or complete banking transactions in Russia. Furthermore, under escrow arrangements, customers may be vulnerable to banking system's stress and its effect on the funds held in escrow accounts at the affected banks. All these circumstances could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

Conflicts among federal, regional and local authorities and other conflicts could create an uncertain operating environment and could materially adversely affect the value of investments in Russia including the value of the Shares

The Russian Federation is a federation of sub-federal political units, consisting of republics, territories, regions, cities of federal importance and autonomous regions and districts, some of which have the right to manage their internal affairs pursuant to agreements with the federal government and in accordance with applicable laws. The delineation of authority and jurisdiction among the members of the Russian Federation and the federal government is, in some instances, unclear. In practice, the division of authority and uncertainty could hinder the Group's long-term planning efforts and may create uncertainties in the Group's operating environment, which may prevent it from effectively carrying out its business strategy.

Emerging markets such as Russia are also subject to heightened volatility resulting from political and economic conflicts. Any disruption or reversal of the reform policies or any recurrence of political or governmental instability or significant terrorist attacks (to which Russia is potentially particularly exposed given on-going ethnic and religious tensions, notably with peoples and regions from and in the Caucasus and Central Asia) may lead to a deterioration in Russia's investment climate and trading volatility, which could have a material adverse effect on the Group's business.

In addition, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, acts of terrorism (principally connected with the North Caucasus region) and military conflict, including the military conflict between the Russian Federation and Georgia in 2008, the recent deterioration in relations between the Russian Federation and Turkey as a result of the shooting down of a Russian military jet by Turkish Air Forces along the Syrian-Turkish border in November 2015 and on-going participation of the armed forces of the Russian Federation in the Syrian conflict. If existing conflicts, tensions or terrorist activities, or threats thereof, remain unresolved, or new disturbances or hostilities arise, this could have significant political and economic consequences and the Group may be unable to access capital, or access capital on terms reasonably acceptable to it, and its sales may be impacted, which may have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

Inflation could increase the Group's costs and decrease operating margins

The activities of the Group are located in Russia, and the majority of its costs are incurred in Russia and in Roubles. Russia has experienced high levels of inflation since the early 1990s. Inflation, along with government measures to combat inflation and public speculation about possible future government measures, has significant negative costs, contributing to economic uncertainty. The Russian Consumer Price Index, which is calculated by the Russian Federal State Statistics Service, was 2.4% for the five months ended 31 May 2020, 3.0% for the year ended 31 December 2019, 4.3% in 2018 and 2.5% in 2017. Russian companies have generally experienced inflation-driven increases in their costs that are linked to the general price level in Russia, such as supplies and materials, as well as salaries. High inflation rates in Russia have historically been accompanied by a depreciation of the rouble relative to the U.S. dollar, which reduces the cost of the Group's rouble operating expenses in U.S. dollar terms. Accordingly, high rates of inflation in Russia are likely to increase the costs of the Group, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

Social and labour unrest could lead to increased support for renewed centralised authority and a rise in nationalism or violence could restrict the Group's ability to conduct its business effectively

Ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, terrorist attacks. The failure of the state and many private enterprises to pay full salaries on a regular basis and the failure of salaries and benefits generally to keep pace with a rapidly increasing cost of living have led in the past, and could lead in the future, to labour and social unrest, which may have political, social and economic consequences, such as increased support for a renewal of centralised authority and increased nationalism and increased violence. If such labour and social unrest escalates, significant political consequences could arise, including the imposition of a state of emergency in some or all regions in which the Group operates. Moreover, any terrorist attacks and the resulting heightened security measures could cause disruptions to domestic commerce and could have a material adverse effect on economic confidence in the Russian Federation generally, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

Crime and corruption could create a difficult business climate in Russia

The Russian Federation is an emerging market nation. All companies operating in such jurisdictions are subject from time to time to the illegal activities of others, corruption or claims of illegal activities. In emerging market nations generally, the bribery of officials remains at a high level relative to developed markets. Social instability caused by criminal activity and corruption could increase support for renewed centralised authority, nationalism or violence and thus materially adversely affect the Group's ability to conduct its business effectively. Also, illegal activities by others, corruption or claims, even if groundless, implicating the Group in illegal activities, could have adverse consequences on its reputation. Such activities have not had a significant effect on the

Group's operations; however, there can be no assurance that they will not in the future, in which case they could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

Legal Risks and Uncertainties

Weaknesses relating to the Russian legal system and Russian legislation create an uncertain environment for investment and business activity, which could have a material adverse effect on the value of the Shares

The legal framework relating to the ownership and use of land and other real property in the Russian Federation is not yet sufficiently developed to support private ownership of land and other real property to the same extent as is common in some of the more developed market economies, such as those of North America and Western Europe. During the Russian Federation's transformation from a centrally planned economy to a market economy, legislation was enacted to protect private property against expropriation and nationalisation. However, it is possible that, due to a lack of experience in enforcing these provisions and due to political changes, these protections would not be enforced in the event of an attempted expropriation or nationalisation, or in the event that the Group's business is reorganised. It is often difficult to determine with certainty the validity and enforceability of title to land in the Russian Federation and the extent to which it is encumbered. Moreover, in order to use and develop real property in the Russian Federation, approvals, consents and registrations of various federal, regional and local government authorities are required, and this can be a lengthy and cumbersome process. Furthermore, it is not always clear which governmental body or official has the right to lease or otherwise regulate the use of real property. In addition, building and environmental regulations often contain requirements that are impossible to fully comply with in practice. Failure to obtain or comply with the required approvals, consents, registrations or other regulations may lead to severe consequences, including with regard to any current construction activities. If the real property owned or leased by the Group is found not to be in compliance with all applicable approvals, consents, registrations or other regulations, the Group may lose the use of such real property, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The on-going development of the Russian legal system and Russian legislation creates an uncertain environment for investment and for business activity

In 2014 and 2015, the Russian parliament implemented widespread amendments to the Russian Civil Code. The scope of these amendments modify existing laws governing, among other things, regulation of legal entities, certain types of transactions, pledges, mortgages, other security arrangements and property rights. As at the date of this Offering Memorandum, the potential interpretation of these amendments by state authorities and the courts, along with their impact on the Group's business and corporate governance, remains unclear.

The Group's operations and properties in Russia are subject to regulation by various government entities and agencies at both the federal and regional levels. Regulatory authorities often exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of licences and permits and in monitoring licensees' compliance with licence terms, which may lead to inconsistencies in enforcement. Russian authorities have the right to, and frequently do, conduct periodic inspections of operations and properties of Russian companies throughout the year. Any such future inspections may conclude that the Group violated applicable laws, decrees or regulations. Findings that the Group failed to comply with existing laws or regulations or directions resulting from government inspections may result in the imposition of fines, penalties or more severe sanctions, including the suspension, amendment or termination of the Group's licences or permits or in requirements that the Group cease certain business activities, or in criminal and administrative penalties being imposed on the Group's officers. Any such decisions, requirements or sanctions, or any increase in governmental regulation of the Russian operations of the Group, could increase the Group's costs and could have a material adverse effect on the Group's business, results of operations and prospects.

In addition, government officials have a high degree of discretion in Russia and, at times, act selectively or arbitrarily, without a hearing or prior notice, and sometimes in a manner that is contrary to law or is influenced by political or commercial considerations. Unlawful, selective or arbitrary actions of Russian government officials have reportedly included the denial or withdrawal of licences, sudden and unexpected tax audits, criminal prosecutions and civil actions. The Group's competitors may receive preferential treatment from Russian government officials, potentially giving them a competitive advantage over the Group. Unlawful, arbitrary or selective government actions directed against other Russian companies (or the consequences of such actions) may generally impact the Russian economy, including the securities markets. Any such actions, decisions, requirements or sanctions, or any increase in governmental regulation of the Russian operations of the

Group, could increase the Group's costs and could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

The judiciary's lack of independence and limited experience, the difficulty of enforcing court decisions and governmental discretion in enforcing claims could prevent the Group or holders of the Shares from obtaining effective redress in court proceedings, materially adversely affecting the value of the Shares

The court system in Russia is understaffed and under-funded and not immune to external influences. Judges and the courts in Russia can be 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 judgments can, in practice, be very difficult in Russia. All of these factors make judicial decisions in Russia difficult to predict and effective redress subject to uncertainty. Additionally, court claims and prosecutions are sometimes influenced by, or used in furtherance of, private interests. The Group may be subject to such claims and may not be able to receive a fair trial, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

Changes in Russian legislation tightening the regulation applicable to various activities of real estate developers may adversely affect the Group's operations and financial position

Construction and development companies in Russia, including companies of the Group, are subject to various federal, regional and local environmental, urban planning, subsoil, land and other relevant laws, ordinances and regulations which establish (1) requirements for obtaining specific licences, permits and administrative approvals, (2) certain restrictions and encumbrances on the properties held and/or developed, (3) certain requirements and restrictions in relation to the activities carried out on or in connection with such properties, and (4) liabilities for violations of applicable legislation.

The Group believes that its current legal and regulatory compliance programmes adequately address applicable legislative requirements and that its development companies are in substantial compliance with such laws and regulations. However, if Russian legislation were to tighten and introduce additional restrictions and/or requirements in the real estate market, the Group may be unable to successfully and timely bring its activities in line with such legislation. In case the Group's compliance with current and future environmental, urban planning, subsoil, land and other relevant laws and regulations is challenged or the Group is deemed to have violated these requirements, remedying these violations could require material expenditures by it, which could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

There may be difficulties in ascertaining the validity and enforceability of title to land or other real property in Russia and the extent to which it is encumbered

After the Soviet Union ceased to exist, land reform commenced in Russia and real estate legislation changed continually during the following years. More than 100 federal laws, presidential decrees and governmental resolutions were issued and almost all Russian regions passed their own real estate legislation. Until recently, land legislation in Russia was unsystematic and contradictory. In many instances, there was no certainty regarding which municipal, regional or federal government body had power to sell, lease or otherwise dispose of land. In 2001, the Russian Civil Code was amended and the new Russian Land Code, and a number of other federal laws regulating land use and ownership, were enacted. Nevertheless, the legal framework relating to the ownership and use of land and other real property in Russia is not yet sufficiently developed to support private ownership of land and other real property to the same extent as is common in countries with more developed market economies. Therefore, at times it may be difficult to ascertain the validity and enforceability of title to land or other real property in Russia and the extent to which it is encumbered. As a result, the Group may not have properly obtained or registered the rights to its land plots and buildings located thereon. These uncertainties could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

Unlawful, selective or arbitrary government action may have a material adverse effect on the Group's business, financial condition and results of operations

State authorities have a high degree of discretion in Russia and at times exercise such discretion arbitrarily, without conducting a hearing or giving prior notice, and sometimes they illegally go beyond the limits of their discretion. There is a risk that state authorities may arbitrarily nullify or terminate contracts, withdraw licences, conduct sudden and unexpected tax audits, initiate criminal prosecutions and civil actions and use common defects in documentation of financing activities, accounting or share issues and registration as pretexts for court claims and other demands to liquidate companies or invalidate such financing activities, share issues and registrations and/or to void transactions. In addition, state authorities have, in the past, publicaly announced interpretations and regulatory initiatives, which significantly influenced certain industries and companies. Unlawful or arbitrary state action, if directed at the Group, could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

Shareholder liability under Russian law could cause the Group to be liable for the obligations of its subsidiaries

Russian law generally provides that shareholders in a Russian joint stock company or participants in a limited liability company are not liable for the obligations of such a company and only bear the risk of loss of their investment. This may not be the case, however, when a parent company is a de facto decision maker on behalf of the subsidiary. The parent has joint and several liability for transactions entered into by its subsidiary when the transaction is either executed at the instruction of the parent or as a result of its consent. Furthermore, a parent is secondarily liable for a subsidiary's debts if the subsidiary becomes insolvent or bankrupt as a result of its fault. Also, shareholders of a subsidiary are entitled to recover losses suffered by the subsidiary resulting from the parent's action or inaction that caused such losses.

As a general rule, any person who holds the power to determine a company's actions, including the right to direct the actions of officers or executives of a company (a "controlling person"), may be held directly liable for losses that the company suffers as a result of his or her fault. Any agreement that seeks to limit or waive such liability is invalid.

If the Group becomes liable for its subsidiaries' debts, this could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Shares.

The law relating to Russian corporate governance and control is subject to inconsistent application, may be difficult to enforce and shareholder rights provisions under Russian law could impose significant additional obligations on the Group

The Group's operating subsidiaries are organised and exist in Russia and hold their assets in Russia. Therefore, corporate actions by such companies, including the Group, are subject to mandatory rules of Russian corporate law. Corporate governance standards in Russia are not as developed as corporate governance standards in Western European countries or the United States and generally provide less protection for investors. For example, corporate governance practices in Russia have suffered from a lack of transparency and information disclosure (both to the public and to shareholders), a lack of independence of directors and insufficient regulatory oversight and protection of shareholder rights. In addition, as with other areas of Russian law, the Russian courts' interpretation of corporate law concepts is, at times, inconsistent and subject to inconsistent application. Consequently, the Group may be subject to an increased burden in seeking to comply with all reasonably possible interpretations of such requirements or may find itself in formal non-compliance with such requirements.

Shareholder rights provisions of Russian law may impose additional costs on the Group, which could cause the Group's financial results to suffer

Under Russian law shareholders that vote against or abstain from voting on certain matters have the right to sell their shares to the company at market value (such market value determined) in accordance with Russian law. Corporate actions that trigger this right to sell shares include:

- a reorganisation;
- a preliminary or subsequent approval by shareholders of a "major transaction", which involves property with a value comprising more than 50% of the company assets' book value calculated according to RAS as at the latest reporting date;
- an amendment (adoption of a resolution at a general shareholders' meeting that may serve as a basis for an amendment of the charter) or restatement of a company's charter in a manner that limits shareholders' rights; and
- a submission of an application to delist a company's shares or other securities convertible into shares.

In these circumstances, the obligations for a company to buy back shares is limited to an amount of shares with an aggregate value of up to 10% of the company's net assets, calculated according to RAS at the time the relevant decision is taken.

If these circumstances were to occur in relation to the Group, its obligation to purchase shares could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Shares.

Russia's developing securities laws and regulations may limit the Group's ability to attract future investment and could subject the Group to fines or other enforcement measures despite its best efforts

The regulation and supervision of the securities market, financial intermediaries and issuers are considerably less developed in the Russian Federation than in Western jurisdictions. Disclosure and reporting requirements, anti-fraud safeguards, insider trading restrictions and duties of directors to the company are relatively new concepts in the Russian Federation and may be less familiar to many Russian companies and managers compared to their Western counterparts.

In addition, Russian securities rules and regulations can change rapidly, which may adversely affect the Group's ability to conduct securities-related transactions. While some important transactions are subject to little or no oversight in the Russian Federation, other transactions are subject to requirements not found in other jurisdictions, resulting in delays in conducting securities offerings and accessing capital markets. It is often unclear whether certain regulations, decisions and letters issued by the various regulatory authorities apply to the Group. Violation of reporting and other securities regulation requirements can result in the imposition of fines or difficulties in registering subsequent share issuances. The Group may be subject to fines or other enforcement measures despite its best efforts at compliance, which could adversely affect the Group's business, results of operations and financial condition or the trading price of the Shares.

Russian courts may force a Russian entity into liquidation on the basis of formal non-compliance with certain requirements of Russian law

Russian law allows a court to order liquidation of a Russian entity if such entity (i) has been established in violation of Russian law provided that these violations are not capable of remedy, (ii) undertakes an activity without a proper permit or licence, (iii) undertakes an activity prohibited by law or in defiance of the Constitution of the Russian Federation, or (iv) repeatedly acts in violation of Russian law. The Russian companies of the Group are subject to the jurisdiction of Russian courts and may have failed, from time to time, to fully comply with all applicable legal requirements. In the past, formal non-compliance with provisions of Russian law has been used by Russian courts as a basis for the liquidation of a Russian entity. However, Russian court practice has changed recently and currently Russian courts require liquidation of a company only if non-compliance with Russian law is of a gross or irremediable nature. If, for example, violations may be eliminated or they are not material, Russian courts normally do not order liquidation. However, weaknesses in the Russian legal system create an uncertain legal environment, which makes the decisions of Russian courts difficult, if not impossible, to predict. The administrative liquidation of any of the Russian companies in the Group could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Shares.

Any successful challenge to certain interested party transactions by minority shareholders of the companies of the Group could result in a court invalidating such transactions

The companies in the Group may be required by their constituent documents to obtain the approval of disinterested directors or shareholders/participants for certain transactions with "interested parties". Under Russian law, the definition of an "interested party" is widely drawn and rules for transactions with interested parties can extend to intra-group transactions, with shareholders/participants in a group potentially being disenfranchised from voting. Although Russian law has recently been amended to provide more clarity in relation to the concept of transactions with "interested parties", there is potentially still some scope for inappropriate claims by minority shareholders, including possible historical risks relating to the understanding of the concept under the previous law and a lack of practical experience in the application of new concepts. There are some minority holders in some Group companies and provisions on approval of transactions with "interested parties" could, therefore, on occasion result in minority shareholders being able to preclude Group companies from carrying on activities which they would otherwise wish to undertake. In addition, the provisions of Russian law defining which transactions constitute "interested party" transactions are subject to differing interpretations. In view of this uncertainty, the Group cannot be certain that its application of these concepts will not be subject to challenge. Any such challenge could result in the invalidation of transactions that are important to the Group's business. High-profile cases against or involving major multinational companies (including major foreign companies or joint ventures involving such companies operating in the natural resources sectors) and their employees have caused concern in relation to the investment climate in the Russian Federation and no assurances can be given that these cases will not affect the public perception.

Publicly available data and statistics in Russia may be incomplete, unreliable or inaccurate

The Group has derived substantially all of the information contained in this Offering Memorandum concerning its competitors and market share from publicly available information and has relied on the accuracy of this information without independent verification. In addition, some of the information contained in this Offering Memorandum has been derived from official data of Russian government agencies. Some of the official data published by Russian federal, regional and local governments may not be complete or researched to the standard of Western countries. The veracity of some official data released by the Russian government may be inaccurate. Official statistics may also be produced to a different standard than those used in Western countries. Any discussion of matters relating to the Russian Federation in this Offering Memorandum must, therefore, be subject to uncertainty due to the potential inaccuracy of available official and public information.

The Group may be subject to expropriation and nationalisation since the protection provided by Russian legislation against expropriation and nationalisation may not be adequately enforced

There are legal uncertainties relating to property rights. During Russia's transformation from a centrally planned economy to a market economy, legislation was enacted to protect private property against expropriation and nationalisation. In the event that the Group's property is expropriated or nationalised, legislation provides for fair compensation to be paid to the Group. However, there can be no certainty that such protections will be enforced. This uncertainty is due to several factors, including the lack of an independent judicial system, insufficient mechanisms to enforce judgements and corruption among Russian state officials.

The concept of property rights is not well developed in the Russian Federation and there is a lack of experience in enforcing legislation enacted to protect private property against nationalisation and expropriation. As a result, the Group may not be able to obtain proper redress in the courts and may not receive adequate compensation if, in the future, the Russian government decides to nationalise or expropriate some or all of the Group's assets. The expropriation or nationalisation of any of the Group's or its subsidiaries' assets without fair compensation may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Shares.

Antimonopoly laws enforced by the Russian Federal Antimonopoly Service may result in certain limitations being imposed on the Group's activities, which may affect the Group's business

Russian Federal Law No. 135-FZ "On the Protection of Competition", dated 26 July 2006, as amended, which came into force on 26 October 2006 (the "**Competition Law**"), generally prohibits any concerted actions of, and agreements between, competitors and/or coordination of business activity that results or may result in, among other things, (a) fixing or maintaining prices, discounts, mark-ups or margins; (b) coordination of auction bids; (c) division of a commodity market by territory, volume of sales or purchases, types of goods, customers or suppliers; or (d) refusal by suppliers to enter into contracts with customers for reasons other than economic or technological reasons. The Competition Law also prohibits other actions and arrangements, if they lead, or may lead, to limitation of competition, which include: (a) imposing unfavourable contractual terms; (b) setting different prices for the same goods, for reasons other than economic or technological reasons; or (c) creating of barriers to entering or exiting a market for other market participants. There is limited established court practice as to the meaning of concerted actions or coordination of business activity in this context and courts interpret these concepts inconsistently. As a result, there is significant uncertainty as to what actions may constitute violations of the Competition Law. In a number of precedents, Russian courts ruled that market participants were engaged in concerted action in circumstances when they acted in a similar way within the same period of time, although, arguably, there have been legitimate economic reasons for such behaviour and the behaviour was not aimed at restricting competition. Therefore, there is a risk that the Group may be found to have violated the Competition Law, if the Group's market behaviour towards its customers or suppliers is viewed as being similar to the behaviour of the Group's competitors and perceived by the Russian Federal Antimonopoly Service (the "**FAS**") as restricting competition. Such broad interpretations of the Competition Law may result in the FAS imposing substantial limitations on the Group's activities, may limit the Group's operational flexibility and may result in civil, administrative or criminal liability.

The FAS may qualify a company as having a dominant position in a market if its market share is over 50% (or, in certain cases, over 35%), which would lead to application of regulatory restrictions, including with respect to acquisitions. Moreover, the FAS is entitled to establish a dominant position of a company even if the company's market share is 35% or less and exceeds market shares of other companies in the relevant market when all of the following requirements are met: (i) the aggregate share of three major participants of the relevant market exceeds 50% or the aggregate share of five major participants of the relevant market exceeds 70%, provided that each such participant's share exceeds 8%; (ii) during at least a year (or during the existence period of the relevant market) relative sizes of participant's shares have not changed or have changed slightly and there are barriers to entry into the relevant market for new participants; and (iii) the products sold or purchased cannot be replaced by any other, the price changes do not cause declines in sales and information on the price, terms of realisation and purchase in the relevant market is publicly available. If the Group is found to hold a dominant position within a certain market, the Group will become subject to the increased scrutiny of the FAS. For example, the Group may be regarded as an entity abusing its dominant position and subject to restrictive measures imposed by the FAS which may influence the Group's business operations and expansion plans which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Shares.

Risks Relating to Russian Taxation

Changes in Russian tax law could adversely affect the Group's business

Generally, Russian taxes that the Group is subject to are substantial and include, among others: income tax, value added tax, property tax, payroll related insurance payments and other taxes. The Group is also subject to duties and corresponding liabilities of a tax agent with respect to taxes due from some of its counterparties. Laws related to these taxes and duties, such as the Tax Code of the Russian Federation (the "**Tax Code**"), have been in force for a relatively short period of time in comparison with tax legislation in more developed market economies, and the Russian 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 to existing laws and the interpretation thereof.

Since Russian federal, regional and local tax laws and regulations are subject to frequent change and, in addition, some of the sections of the Tax Code are comparatively new, interpretation and application of these laws and regulations at times may be unclear, unstable or non-existent. Differing interpretations of tax regulations may 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 tax laws and regulations in practice.

Furthermore, the taxpayers, the Ministry of Finance and the Russian tax authorities often interpret tax laws differently. 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 to specific taxpayers' queries. In some instances, the Russian tax authorities have applied new interpretations of tax laws retroactively, issued tax claims for periods for which the statute of limitations had expired and reviewed the same tax period several times. 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 Russian 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 or similar circumstances may be inconsistent or contradictory. Clarifications of the Russian tax authorities and the Ministry of Finance may, in practice, be revised by courts in a way that is unfavourable for the taxpayer.

The Russian tax system is, therefore, impeded by the fact that, at times, it continues to be characterised by the inconsistent judgment of local tax authorities and the failure by Russian tax authorities to address many 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, financial condition and results of operations and/or prospects and the trading price of the Shares.

Federal Law No. 167-FZ "On Amending Parts I and II of the Tax Code of the Russian Federation" dated 18 July 2017 introduced the concept of an "unjustified tax benefit". Entering into force on 18 August 2017, this concept implies that an unjustified tax benefit occurs due to a decrease of tax due to a misrepresentation of facts relating to taxpayer's business activities.

In 2017, anti-avoidance rules were introduced by Article 54.1 of the Russian Tax Code. The introduction of the new rules replaces the previously existing approach set by Resolution No. 53 of the Plenum of the Supreme Arbitration Court of the Russian Federation dated 12 October 2006 ("**Resolution No. 53**"), which defined unjustified tax benefit mainly by reference to circumstances such as the absence of business purpose or transactions where the form does not match the substance, and which could lead to the disallowance of tax benefits resulting from the transaction or the re-characterisation of the transaction for tax purposes. Although it is unclear how the Russian tax authorities will apply the new concept, it can be seen from the cases relating to Resolution No. 53 that have been brought to courts that the Russian tax authorities have often attempted to apply the "unjustified tax benefit" concept in a broader manner than may have been intended. Due to the fact that the court practice related to application of the new rules is still limited and underdeveloped, no assurance could currently be given as to the exact effect such rules may have on taxpayers.

Recently, Russian tax policy has focused on curtailing Russian businesses from using foreign companies mostly or only for tax reasons, and Russia has introduced policies aimed at allowing Russian tax authorities to tax foreign income attributable to Russian companies.

In the framework of such policies, the provisions of Federal Law No. 376-FZ dated 24 November 2014 "On amending Parts I and II of the Tax code of the Russian Federation (in respect of taxation of profits of controlled foreign companies and income of foreign organisations)" and follow up amendments to this law ("**Federal Law**") are the result of the joint work undertaken by the Ministry of Finance and the Russian government to implement measures previously announced under the Russian government's action plan to counteract the "offshorisation" of the Russian economy.

The main provisions of Federal Law cover rules governing the taxation of "controlled foreign companies" (without limitation of jurisdictions to which this definition applies which residents may fall under), determination of the tax residency status of legal entities, definition of "actual recipient of income" and taxation of capital gains derived from the sale of shares in real estate rich companies (more than 50% of the value of the assets of which directly or indirectly consist of real estate located in Russia). Changes proposed by Federal Law came into force on 1 January 2015 and imposed significant limitations on tax planning. These factors raised the risk of a sudden imposition of arbitrary or onerous taxes on operations in Russia and abroad, and the application of the abovementioned rules may result in the imposition of fines, penalties and enforcement measures, which could have a material adverse effect on the business, financial condition and results of operations of the Group.

The Russian Tax Code has recently been amended to allow, in certain cases, for judicial recovery of outstanding tax arrears of subsidiary/associated companies from principal (dominant or interest holding) companies, which is consistent with preceding trends in the court practice. These amendments and initiatives may have a significant effect on the Group and may expose the Group to additional tax and administrative risks, as well as to extra costs necessary to secure compliance with the new rules. These facts create tax risks for the Group in Russia that may be substantially more significant than typically found in countries with more developed tax systems.

In 2017, the Russian government made fundamental changes to the Russian tax system that will have a substantial impact on its structure. Labour taxes (social security contributions), indirect taxes and personal income tax were affected by the proposed changes.

In 2017, country-by-country reporting ("**CbCR**") requirements were introduced in the Russian Tax Code. Introduction of mandatory filing of CbCR is in general in line with the Organisation for Economic Co-operation and Development ("**OECD**") recommendations within the Base Erosion and Profit Shifting ("**BEPS**") initiative. This initiative could potentially give rise to new adjustments and interpretations of the Russian tax law on the basis of international best practice that would cause additional tax burden for the Group's business.

On 1 January 2019, amended transfer pricing rules increased the VAT rate from 18% to 20% and corporate property tax on movable property was abolished.

On 1 May 2019, the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the "**MLI**") was ratified by the Russian Federation. Starting from 2020, MLI could limit tax benefits granted by most double tax treaties to which Russia is a party.

Since 1 January 2020, Russian legal entities that make payments to individuals under sale (exchange) of securities will be considered as tax agents regarding withholding personal income tax. Therefore, Russian legal entity will have additional obligations and associated risks (in particular, checking the quality of the tax basis could lead to documented expenses incurred by individuals in acquisition of such securities).

Recently, additional amendments to the Russian tax law were proposed, in particular the following draft laws were submitted for the consideration of the State Duma. On 17 September 2020 a draft law introducing a progressive tax scale of personal income tax. It is suggested that from 1 January 2021, an annual income of a Russian tax resident within 5 million Russian Roubles should continue to be taxed at the rate of 13%, while the annual income exceeding this threshold should be taxed at the rate of 15%. Accordingly, the overall tax burden may increase on dividends and income from a sale of shares received by Russian tax residents. If such amendments are adopted, individuals should consult their own tax advisers with respect to the application the progressive tax scale rate.

On 16 July 2020, a draft law reducing the period for becoming a Russian tax resident from 183 to 90 days during 12 subsequent months. If shareholders are recognised as Russian tax residents, the dividend rate will be reduced from 15% to 13%, and in case of sale of shares the dividend rate will be reduced from 30% to

13%. If such amendments are adopted, non-resident individuals should consult their own tax advisers with respect to the consequences of amendments on their resident status.

There are also draft amendments to the Civil Code, which determine movable and immovable property, and to the Tax Code relating to controlled foreign companies. The scope and substance of these changes remain under discussion and their final content and the process for their implementation is unclear.

On 25 March 2020, the President of the Russian Federation announced a number of tax measures, aimed at boosting the state budget and private business during and after the COVID-19 pandemic. One of the President's initiatives related to the increase of the withholding tax rate applied to dividends and interest paid to certain jurisdictions channelling significant resources from the Russian Federation. The President instructed the Russsian government to specify the list of Russian double tax treaties to be amended in response to the above announcement and prepare corresponding amendments to such double tax treaties by increasing the withholding tax rate applied to interest income and dividends to 15%. If respective states refuse to accept the above proposal to amend double tax treaties, such double tax treaties will be unilaterally denounced by the Russian Federation. Relevant proposals to change double tax treaties were sent to Cyprus, Luxembourg, Malta and the Netherlands. On 10 August 2020, it was officially announced that Cyprus accepted the proposal to amend its double tax treaty with the Russian Federation. The amendments are to be ratified by the end of 2020 and could come into force starting 1 January 2021. Based on official information message of the Ministry of Finance of the Russian Federation amendments to respective double tax treaty were also agreed with Malta. There is no officially announced outcome of the negotiations with the other jurisdictions listed above. It remains to be seen whether and which amendments to the above double tax treaties will be made or whether such or other Russian double tax treaties will eventually be denounced or terminated.

It is currently not fully clear what effect these provisions may have on the Group. The imposition of additional tax liabilities because of the application of introduced rules and concepts to transactions carried out by the Group may have a material adverse effect on the Group's business, financial condition and results of operations and/or prospects and the trading price of the Shares.

These changing conditions create tax risks in the Russian Federation that are more significant than those typically found in jurisdictions with more developed tax systems and complicate tax planning and related business decisions of the Group. In addition, there can be no assurance 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. There also can be no assurance that the Tax Code will not be changed in the future in a manner adverse to the stability and predictability of the tax system.

In general, it is expected that Russian tax legislation will progressively become more sophisticated. The introduction of new taxes or amendments to current rules of taxation may affect the Group's overall tax efficiency and may result in significant additional tax liabilities. The Group cannot provide holders of the Shares 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 and financial condition or the trading price of the Shares.

The Group is subject to tax audits by the Russian tax authorities, which may result in additional tax liabilities

Tax returns together with related documentation are subject to review and investigation by the tax authorities, which are authorised by Russian law to impose severe fines and penalties. Generally, tax returns remain open and subject to inspection by the tax authorities for an extra period of three years immediately preceding the year in which the decision to conduct a tax audit is taken. However, the fact that a year has been reviewed by the tax authorities does not prevent any tax returns relating to that year from being further reviewed by the tax authorities during the three-year limitation period. In particular, a repeated tax audit may be conducted by a higher-level tax authority as a measure of control over the activities of lower-level tax authorities, or in connection with the reorganisation or liquidation of a taxpayer, or as a result of the filing by such taxpayer of a revised tax return decreasing the tax payable. In addition, if a company recognises tax losses accumulated for past periods, the tax authorities can technically audit the periods in which the losses occurred. Therefore, previous tax audits may not preclude subsequent tax claims relating to the audited period.

In addition, on 14 July 2005 the Constitutional Court of the Russian Federation issued a decision that allows the statute of limitations for tax penalties to be extended beyond the three-year term set out in the Tax Code if a court determines that a taxpayer has obstructed or hindered a tax inspection. Moreover, the Tax Code provides for the possibility of an extension of the three-year statute of limitations for tax offences if the taxpayer obstructed the performance of the tax review and this has become an insurmountable obstacle for the tax audit.

Because the terms "obstructed", "hindered" and "insurmountable obstacles" are not specifically defined in Russian law, the Russian tax authorities may attempt to interpret these terms broadly, effectively linking any difficulty experienced by them in the course of their tax audit with obstruction by the taxpayer and use that as a basis to seek additional tax adjustments and penalties beyond the three-year limitation term. Therefore, the statute of limitations is not entirely effective.

Whilst there are certain positive trends for taxpayers, there can be no assurance that such trends will continue. Recent court practice confirms that tax auditing of the same past tax period more than twice and tax auditing of periods closed for audit is illegitimate. The highest level of the Russian Court (the Supreme Arbitration Court) stated that the subject of a repeated tax audit could only be transactions that influence the difference between previous and revised tax returns. Moreover, courts confirm that if tax legislation is ambiguous and open to different interpretations, a court judgement entered against one taxpayer may not be used as a precedent for entering a judgement against another taxpayer for any past periods during which court practice was favourable.

Tax audits or inspections may result in additional costs to the Group, in particular, if the relevant tax authorities conclude that the Group did not satisfy its tax obligations in any given year. Such audits or inspections may also impose additional burdens on the Group by diverting the attention of management resources. The outcome of these audits or inspections could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Shares.

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

The Russian transfer pricing rules may have a potential impact on the Group's tax costs arising from the pricing mechanisms used in controlled transactions and, in particular, transactions with related parties in and outside of the Russian Federation.

The rules allow the Russian tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of transactions which are considered "controlled" for Russian transfer pricing purposes. The list of "controlled" transactions includes transactions performed with related parties and certain types of cross-border transactions. Starting from 1 January 2019, transfer pricing rules have changed. The most significant amendment consigns the exclusion of local transactions (within the Russian Federation) from transfer pricing control. In spite of this, the rules have considerably increased the compliance burden for the taxpayers compared with the law which was in effect before 2012 due to, inter alia, shifting the burden of proving market prices from the Russian tax authorities to the taxpayer and obliging the taxpayer to keep specific documentation. Furthermore, the taxpayers are obliged to notify the Russian tax authorities on "controlled" transactions. Although the transfer pricing rules are supposed to be in line with international transfer pricing principles developed by the OECD, there are certain significant differences with respect to how these principles are reflected in the local rules. Special transfer pricing rules apply to transactions with securities and derivatives. It is difficult to evaluate what effect transfer pricing rules may have on the Group.

Since the date when Russian transfer pricing rules came into force transactions between affiliated parties have been examined by the Russian tax authorities for compliance with the "arm's-length principle". It is stipulated by the Russian Tax Code that an audit of the proper calculation and payment of taxes in connection with the conclusion of transactions between interdependent persons shall be performed by the Federal Tax Service.

However, territorial tax authorities currently try to scrutinise terms of non-controllable transactions concluded between related parties for "unjustified tax benefit" concept. There are expectations that the territorial tax authorities will be more aggressive in using the transfer pricing rules in non-controllable transactions.

Accordingly, due to the uncertainties in the interpretation of Russian transfer pricing legislation, no assurance can be given that the Russian tax authorities will not challenge the Group's transfer prices and make adjustments which could affect the Group's tax position unless the Group is able to confirm the use of market prices with respect to "controlled" transactions supported by the appropriate transfer pricing documentation. The imposition of additional tax liabilities under the Russian transfer pricing rules may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Shares.

The Group is subject to risks relating to bad faith suppliers

The Group purchases work and services from various suppliers who are fully responsible for compliance with tax legislation. Current practice indicates that if the tax authorities file claims against suppliers due to their non-compliance with tax legislation, additional tax risks may arise for the Group. If the tax authorities prove the Group did not act with prudence while selecting suppliers and substantiate the legitimacy of their claims on purchases from these suppliers, additional taxes may be charged to the Group and an outflow of cash will be required to settle such liabilities. Due to a diversity in approaches used to assess tax violations, it is impracticable to determine the financial consequences of potential tax liabilities which may arise as the result of transacting with such suppliers. Such additional tax liabilities could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Shares.

Introduction of the Common Reporting Standard may result in adverse consequences for investors and/or the Group

On 12 May 2016, the Russian Federation signed a multilateral agreement on the automatic exchange of financial account information for tax purposes (Model Competent Authority Agreement or MCAA), which facilitated compliance with the OECD Standard for automatic exchange of financial account information (Common Reporting Standard or CRS). Under the CRS financial institutions of participating countries provide information on their clients' financial accounts to local tax authorities, who subsequently share such information with each other. The OECD's "Common Reporting Standards" were implemented by Russia in August 2018. Implementation of CRS may result in information on the investors being provided to the Federal Tax Service (FTS). Compliance with CRS rules may lead to an additional administrative burden, and the ambiguity in, and inconsistent application of, local legislation may result in penalties. This could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Shares.

Payments of dividends (if any) on the Shares may be subject to Russian withholding tax

Payments of dividends by a Russian entity to non-resident legal persons and non-resident individuals are subject to Russian withholding tax at a rate of 15%. Such Russian withholding tax may generally be subject to reduction pursuant to the terms of an applicable double tax treaty between the Russian Federation and the country of tax residence of non-resident investors, to the extent that such non-resident investors are entitled to benefit from this double tax treaty, provided the Russian tax documentation requirements or other conditions as described below are satisfied.

Starting from 1 January 2015, there is an explicit requirement in the Russian Tax Code, that in order to enjoy benefits under an applicable double tax treaty, the person claiming such benefits must be the beneficial owner of the relevant income. Starting from 1 January 2017, in addition to a certificate of tax residency, the Russian Tax Code requires the tax agent to obtain confirmation from the non-resident holder-legal entity that it is the beneficial owner of the relevant income. Russian tax law provides neither the form of such confirmation nor the list of documents which can demonstrate the beneficial owner status of the recipient with respect to the received income. Due to the introduction of these changes, there can be no assurance that treaty relief at source will be available in practice. According to the recent clarifications of the Russian tax authorities, a foreign company may not benefit from a double tax treaty if its activity does not have a real business purpose, if such company does not bear any risks that are normal for business activity, such company does not benefit from the use of such income and its employees actually do not control/ manage such company. If activities of the company are limited to investments and/or financing of a group of companies, it cannot be considered as an independent business activity and it is not enough to confirm the beneficial owner status of the recipient of income. In addition, it is unclear how the beneficial ownership concept will evolve in the future. As a result, there is a risk that dividends paid to non-residents will be subject to a 15% withholding tax rate and no tax relief envisaged by a double tax treaty could be enjoyed.

On 1 January 2014, the new tax rules introduced by Federal Law No 306-FZ "On Amending Parts I and II of the Tax Code of the Russian Federation" dated 2 November 2013 came into force. These rules introduce a new regime of taxation of income on securities issued by Russian issuers and held in certain types of accounts with Russian custodians. This new regime, *inter alia*, introduces a new information disclosure requirement in respect of persons executing rights attaching to the shares issued by Russian issuers registered with Russian custodians in foreign nominal holder depo accounts, foreign authorised holder depo accounts and foreign depositary receipt programme depo accounts. When a Russian custodian transfers dividends on the Shares registered in the above accounts opened with such Russian custodian, Russian withholding tax is calculated and withheld by such Russian custodian based on the disclosure of the summarised information about the persons executing rights attaching to relevant Shares and information about the persons in whose interests a foreign asset manager exercises the rights attaching to the Shares, unless the exercise of rights attaching to such Shares is performed by such asset manager on behalf of a foreign investment fund which, in accordance with local legislation, is classified as a mutual collective scheme.

If the required information is properly disclosed in accordance with the Russian Tax Code, the Russian custodian should withhold Russian withholding tax at a tax rate envisaged either by the Russian Tax Code or by the relevant double tax treaty, provided that the application of such rate is not subject to conditions connected with the ownership interest, and/or the amount of investment and/or the period of owning a share in the capital of a Russian issuer (the reduced tax rate that is subject to the said conditions will only be available in the form of a tax refund). Since the Russian custodian should rely on the disclosed aggregated information on the above persons as required by the Russian Tax Code and described above, in the absence of proper disclosure, the Russian custodian has to withhold a standard 15% tax on the distributable dividends (i.e., relevant double tax treaty reliefs would not apply).

The recipient of dividend income who is entitled to the reduced tax rates on dividends attaching to the Shares under either the Russian Tax Code or relevant double tax treaty may apply for a refund in accordance with the general tax refund procedure envisaged by the Russian Tax Code.

Non-resident individual investors may be eligible to apply a reduction or a relief of Russian withholding income tax provided by a double tax treaty between the Russian Federation and the country of the tax residence of such non-resident individual investors. In order to enjoy such reduction/relief non-resident individual investors shall provide the tax agent with confirmation of their tax residency status before dividends are paid. If non-resident individual investors do not obtain double tax treaty relief at the time the dividend income related to the Shares is paid and Russian income tax has been withheld by a Russian income payer, such non-resident individual investors may apply for a refund from the tax agent by presenting the required documentation confirming their tax residency status in the relevant tax year after the dividends were paid. However, there can be no assurance that such double tax treaty relief (or refund of any taxes withheld) will be available for such non-resident individual investor.

Since the above rules were introduced relatively recently, they are largely untested in practice. These rules contain some unclear provisions which could be interpreted in a way that is unfavourable for investors in the Shares. For example, new provisions of the Russian Tax Code are not clear on how the requirement to disclose information on persons exercising rights attaching to the Shares correspond to the general requirement of Russian double tax treaties in respect of "beneficial ownership rights" to income or "actual right of ownership" as a condition to the application of the double tax treaty relief, or on how the procedures on the collection of information on such persons and its aggregation will work in practice. The above requirements impose a risk of additional tax liabilities in the Russian Federation for the holders of the Shares, which could adversely affect the value of the Shares.

In April 2020, the Russian government initiated negotiations with offshore jurisdictions to amend the provisions of double tax treaties. As a result, letters proposing an increase of withholding tax rates on dividends and interest up to 15% were sent to the government of some offshore jurisdictions. If the counterparty does not accept the proposal, the double tax treaty will be denounced. The renegotiation of double tax treaty conditions was agreed in principle with Cyprus. As a result, new Tax Treaty is expected to be introduced with increased withholding rates on dividends (in some cases a reduced withholding tax rate may be available). The Russian government is conducting similar negotiations with certain other offshore jurisdictions (Luxembourg, Malta, The Netherlands, etc). Accordingly, a reduced withholding tax rate on dividends might not be available for non-residents under the Tax Treaty starting from 1 January 2020. Non-residents should consult their own tax advisers with that respect.

Payments of dividends by a Russian entity to a Russian resident investor who is an individual or a legal entity or organisation resident in the Russian Federation for tax purposes should generally be subject to Russian withholding income tax and such tax should not exceed 13% of the gross dividend amount payable to such Russian resident investor.

See "*Taxation*" for further discussion of important Russian and U.S. tax considerations.

Risks Relating to the Shares and the Trading Market

Fluctuations in the Group's operating results or the Group's failure to meet market expectations may cause volatility in the price of the Shares

The Group's operating results may fluctuate significantly as a result of a variety of factors, some of which may be outside of its control. The Group may experience significant variations in its revenues and profits from period to period. These variations can generally be attributed to the fact that, at times, the Group's revenues and profits are earned upon the completion of a project. For example, there may be periods in which the Group completes and sells a large number of projects, which could generate high levels of revenues for that period, but the Group may have fewer projects in development, which could negatively affect revenues in future periods. In contrast, the Group may have periods in which it completes and sells only a small number of projects, which could generate lower revenues, but the Group may have a large number of projects in development, which could generate higher revenues in future periods. Accordingly, the types and amount of properties that the Group sold in any particular period will have a significant effect on its results of operations and the sources and amount of the Group's cash flow from operations. Such financial results may not be indicative of the relative medium-term contribution of the Group's business or financial condition or prospects. The Group's earnings can also be adversely affected if any particular project is not completed or is significantly delayed. The effect of the timing of project delivery on the Group's operational results is accentuated by the fact that, during any particular period of time, the Group can only undertake a limited number of projects due to substantial capital requirements for land acquisition and construction costs.

In addition, the Group's operating results or financial performance may fall below the expectations of analysts and investors due to the circumstances described elsewhere in these risk factors or otherwise. Fluctuations in the Group's operating results or failure to meet expectations of analysts or investors may cause the price of the Shares to decline.

There has been no public market for the Shares, and public market, liquidity and the trading price of the Shares may be volatile

Prior to the Offering, there has been no public trading market for the Shares. There can be no assurance that, after completion of the Offering, a liquid market will develop for the Shares. An active liquid trading market may not develop or be sustained after the Offering. The lack of an active market may impair investors' ability to sell their Shares at the time they wish to sell them or at a price they consider reasonable. The lack of an active market may also reduce the market value of the Shares. Active liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors.

The Russian stock markets have experienced and may continue to experience extreme price and volume volatility. A material adverse effect on the value of the Shares could arise from many factors, including: variations in the Group's operating results and those of other Russian companies including the Group's competitors; securities analysts' or investors' expectations that such operating results will not be met by the Group; variations in national and industry growth rates; changes in governmental legislation or regulation; regulatory actions that affect the Group's business; the depth and liquidity of the market for the Shares; general economic conditions within the business sector where the Group operates or in the Russian Federation; or extreme price and volume fluctuations on the Russian stock exchanges or other emerging market stock exchanges. Any of these events could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Shares.

Holders of the Shares in certain jurisdictions may be subject to restrictions regarding the exercise of pre-emptive rights in future offerings

Generally, existing holders of shares of Russian public joint stock companies are in certain circumstances entitled to statutory pre-emptive rights with respect to newly issued shares, pursuant to Russian law and a company's charter. Shareholders in certain jurisdictions (including the United States) may not be able to exercise pre-emptive rights with respect to any new equity issuances by the Company unless the applicable securities law requirements in such jurisdiction (including, in the United States, in some circumstances the filing of a registration statement under the Securities Act) are adhered to or an exemption from such registration requirements is available. The Company is unlikely to adhere to such requirements and an exemption from such requirements may not be available. Accordingly, such holders may not be able to exercise their pre-emptive rights on future issuances of Shares, which will result in the reduction of their percentage ownership in the Company.

Investors may be subject to Russian regulatory restrictions

Russian law provisions applicable to owners with respect to various governmental consents (such as antimonopoly clearance, and approval of the acquisition of control (or, in certain cases, blocking power), reporting requirements, mandatory public tender offer rules and similar requirements) apply to all holders of the Shares irrespective of the place of their registration and/or location. Investors need to ensure compliance with the relevant restrictions and/or requirements, otherwise negative consequences may result (for example, restrictions on the ability to exercise voting rights) and investors may lose their investment in the Shares. See "*Description of Share Capital and Certain Requirements of Russian Law*" and "*Regulatory Matters – Russian Antimonopoly Regulation*" for more detail on the application of respective restrictions and requirements.

Russian regulatory restrictions are subject to change, and the government authorities in charge of supervision of compliance with the relevant regulatory requirements exercise a high degree of discretion when interpreting and applying the relevant regulations and restrictions. For example, since 1 July 2017 two new sets of amendments into Federal Law No. 160-FZ "On Foreign Investments in the Russian Federation" dated 9 July 1999 as amended, and Federal Law No 57-FZ "On the Procedure for Making Foreign Investments in Business Entities of

Strategic Importance for the National Defence and State Security" dated 29 April 2008, as amended (the "**Strategic Investments Law**"), entered into force. The first package, inter alia, extended the list of persons which are prohibited from obtaining control over Russian strategic companies and acquire certain assets, the list now also sets out legal entities which are registered in offshore jurisdictions and/or controlled by foreign states, international organisations and/or offshore companies. The second set of amendments, which entered into force on 30 July 2017 provides, inter alia, for the right of the Head of the Government Commission on Monitoring Foreign Investment (the "**Government Commission**") to apply the Strategic Investments Law regime requiring an approval for a foreign investor to purchase shares in any Russian company, including those not considered "strategic" under the Strategic Investment Law. The new rules may also apply to Russian citizens and Russian companies, if they have any other citizenship or are controlled by a foreign investor. The new rules also impose an obligation on investors to notify the relevant authority of acquiring more than 5% of a strategic company. A failure to do so may lead to a temporary freeze of the foreign investor's voting rights at shareholders' meetings of the strategic company. Due to the broad discretion of the Head of the Government Commission set forth in the amendments, any foreign investment may be subject to the procedures stipulated in the Strategic Investment Law, which may lead to negative consequences for the companies and securities directly affected by the relevant decisions of the Government Commission, as well as for the Russian capital market in general, and, as a result, may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Shares.

Future sales of Ordinary Shares may adversely affect their market price

Sales, or the possibility of sales, of substantial numbers of additional Ordinary Shares following the Offering could have an adverse effect on the trading price of the Shares or impair the Company's ability to raise equity capital in the future. The Group is expected to agree in respect of itself, its subsidiaries from time to time, and any person acting on its or their behalf, for a period from the date of the Underwriting Agreement until 90 days after the Investors Delivery Date, not to, without the consent of the Joint Bookrunners, issue, offer, sell or otherwise transfer any of their Ordinary Shares or securities convertible or exchangeable into or exercisable therefore. See "*Plan of Distribution—Lock-up Provisions*".

Moreover, the Company may, in the future, issue additional Ordinary Shares or any other securities convertible or exchangeable into Ordinary Shares. Any such issue could result in an effective dilution for investors purchasing the Shares in the Offering and adversely affect the value and trading price of the Shares.

The listing of the Ordinary Shares on the Moscow Exchange could be revoked, which could significantly limit the Group's investor base and adversely affect the price of the Shares

In order to maintain the listing level of the Shares on the Moscow Exchange, the Company is required to comply with listing requirements, including, among others, Russian securities laws and CBR regulations, as well as certain minimum corporate governance requirements. A material failure to comply with these rules and requirements may constitute grounds for delisting of the Shares from the Moscow Exchange. Such delisting could significantly limit the Group's investor base and have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Shares.

Investors may have limited recourse against the Company and its directors and executive officers

The Company's presence outside the U.K. and the U.S. may limit the legal recourse of investors against it. The Company is organised under the laws of the Russian Federation. A majority of the current directors and members of senior management of the Company reside outside the U.K. and the U.S., principally in Russia. All or a substantial portion of the Company's assets and the assets of the current directors and members of senior management of the Company are located outside of the U.K. and the U.S., principally in Russia. As a result, investors may not be able to effect service of process within the U.K. or the U.S. upon the Company or the directors and members of senior management of the Company or to enforce U.K. or U.S. court judgments obtained against the Company or its directors and members of senior management in jurisdictions outside the U.K. and the U.S., including actions under the civil liability provisions of U.S. securities laws. In addition, it may be difficult for investors to enforce, in original actions brought in courts in jurisdictions outside the U.K. and the U.S., liabilities predicated upon U.K. or U.S. securities laws. Furthermore, any recognition and enforcement of foreign court judgement or arbitral award enforced in Russia is subject to certain conditions and limitations, and must be in compliance with Russian procedural rules. These limitations may deprive investors of effective legal recourse for claims related to their investment in the Shares. For a detailed description of recognition of foreign court judgements and enforcement of arbitral awards in Russia, see "*Enforcement of Foreign Judgements*".

The Group may be subject to limitations on dividend payments and may decide not to pay dividends in the future, and holders of the Group's Shares outside of Russia may be subject, in any event, to limitations or delays in repatriating their earnings from distributions made on the Shares

The Company or its subsidiaries may be unable or elect not to declare such dividends in the future. The payment of dividends, if any, by the Company to holders of the Shares will depend (in addition to applicable regulatory requirements and dividend policy provisions) on, among other things, its future profits, financial position and capital requirements, the sufficiency of its distributable reserves, credit terms, general economic conditions and other factors that the members of the Company's Board of Directors deem to be important from time to time. In addition, payment by the Company's subsidiaries of dividends to the Company depend on such subsidiaries having generated sufficient distributable reserves. Should the Company decide in the future against declaring dividends on the Shares, the trading price of the Shares may be adversely affected.

The Company is subject to certain contractual covenants and/or restrictions related to dividend payments. For example, pursuant to the Sovcombank Offers, the Company or any of its subsidiaries may not pay dividends without the prior consent of Sovcombank if the Group's Net Debt to EBITDA ratio exceeds 3 times for the relevant period, the Company relies on its operating subsidiaries for profit generation, some of the Company's subsidiaries are subject to certain contractual covenants and/or restrictions related to dividend payment, which could limit their ability to provide the Company with income stream. See *"—If the Group is unable to obtain adequate funding, it may be unable to fund its working capital and capital expenditure requirements including the acquisition of new properties for development, and may have to limit its operations substantially".* Should the Company decide to pay dividends in violation of its contractual commitments, it could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Shares.

The Group anticipates that any dividends that it may pay in the future will be declared and paid in Roubles. Accordingly, the value of dividends received by offshore holders of the Shares will be subject to fluctuations in the exchange rate.

The ability to convert Roubles into U.S. dollars or other foreign currencies is subject to the availability of U.S. dollars or such other foreign currencies on Russia's currency markets. Although there is an existing market in Russia for the conversion of Roubles into U.S. dollars or other foreign currencies, including the interbank currency exchange and markets for currency futures, the market for the conversion of Roubles into foreign currencies outside Russia is limited and, therefore, non-Russian holders of the Shares wishing to convert Rouble dividends paid on the Shares into local currencies outside Russia may not be able to do so at a favourable exchange rate, or at all.

The Offering may not be completed for various reasons and a Russian court could invalidate the sale and purchase transactions entered into in the course of the issuance of the Shares

The Offering may not be completed if certain conditions and representations by the Company contained in the Underwriting Agreement are not fulfilled or are breached, respectively. If one or more such conditions were not fulfilled, or if there is a breach of any such representations, warranties or undertakings set forth in the underwriting documentation, the Offering may be terminated by the Joint Bookrunners at any time prior to the closing of the Offering.

In addition, a Russian court could invalidate the sale and purchase transactions entered into in the course of the issuance of the Shares pursuant to a claim brought by the CBR, the Russian tax authorities or a shareholder of the Company. Such claim may be brought within six months following the date of the relevant sale and purchase transaction.

If the Open Subscription is not completed, the Group may not receive the proceeds from the Open Subscription and Company's shareholding structure may differ from what is currently contemplated.

ZPIF has subscribed for up to 1,578,958 shares in the Open Subscription pursuant to its pre-emptive right and agreed in the Offering SPA that, following the Offering, it will use certain proceeds received by it from the Selling Shareholder under the Offering SPA to pay for the Subscribed Shares. See "*Overview of the Offering - The Open Subscription*" and "*Use of Proceeds*". Under certain circumstances, however, the CBR or a court of law could invalidate the proposed issuance of the New Shares. If any of these events occur, or if ZPIF does not pay for the Subscribed Shares in the Open Subscription for other reasons, the net proceeds received by ZPIF under the Offering SPA would be retained by ZPIF. Should this occur, the Group would not receive the proceeds from the Open Subscription pursuant to the Subscribed Shares, and Company's shareholding structure would differ from what is currently contemplated. See "*Principal Shareholders".* In addition, the Group would have to find alternative sources of funding to support its planned expenditures, as discussed under "*Use of Proceeds*".

IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

Each prospective investor, by accepting delivery of this Offering Memorandum, agrees that this Offering Memorandum is being furnished by the Company for the purpose of enabling a prospective investor to consider the purchase of the Shares. Any reproduction or distribution of this Offering Memorandum, in whole or in part, any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Shares is prohibited, except to the extent that such information is otherwise publicly available.

None of VTB Capital plc and BrokerCreditService (Cyprus) Limited (the "**Managers**") makes any representation or warranty, express or implied, nor accepts any responsibility, as to the accuracy or completeness of any of the information in this Offering Memorandum. This Offering Memorandum is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company or the Managers that any recipient of this Offering Memorandum should purchase the Shares. Each potential purchaser of Shares should determine for itself the relevance of the information contained in this Offering Memorandum, and its purchase of Shares should be based upon such investigation, as it deems necessary.

The Company accepts responsibility for the information contained in this Offering Memorandum, and having taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum is, to the best of the Company's knowledge, in accordance with the facts and contains no omissions likely to affect its import.

This Offering Memorandum does not constitute an offer to the public to purchase or otherwise acquire the Shares. In making an investment decision regarding the Shares, you must rely on your own examination of the Company and the terms of the Offering, including the merits and risks involved. You should rely only on the information contained in this Offering Memorandum. None of the Company or the Managers has authorised any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this Offering Memorandum is accurate only as at its date. The Company's business, financial condition, results of operations, prospects and the information set forth in this Offering Memorandum may have changed since the date hereof.

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. 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 it operates, there is no assurance that its 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.

The contents of the Company's website do not form any part of this Offering Memorandum.

You should not consider any information in this Offering Memorandum 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 Shares. None of the Company or the Managers makes any representation to any offeree or purchaser of the Shares regarding the legality of an investment in the Shares by such offeree or purchaser under appropriate investment or similar laws.

The Managers are acting exclusively for the Company and no one else in connection with the Offering and will not be responsible to any other person for providing the protections afforded to their respective clients or for providing advice in relation to the Offering. To the fullest extent permitted by applicable law, none of the Managers accepts any responsibility whatsoever for the contents of this Offering Memorandum or for any other statement made or purported to be made by it or any of them or on its or their behalf in connection with the Company or the Offering. Each of the Managers accordingly disclaims, to the fullest extent permitted by applicable law, all and any liability whether arising in tort or contract or otherwise (save referred to above) which it might otherwise have in respect of this Offering Memorandum or any such statement.

In connection with the Offering, the Managers and any of their respective affiliates acting as an investor for its or their own account or accounts may subscribe for or purchase, as the case may be, Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account or accounts in such Shares, any other securities of the Company or other related investments in connection with the Offering or otherwise. Accordingly, references in this Offering Memorandum to the Shares being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by, the Managers and any of their respective affiliates acting as an investor for its or their own account or accounts. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Company may withdraw the Offering at any time before the Shares are delivered to the Managers, and the Company and the Managers reserve the right to reject any offer to purchase the Shares, in whole or in part, and to sell to any prospective investor less than the full amount of the Shares sought by such investor.

The distribution of this Offering Memorandum and the offer and sale of the Shares may be restricted by law in certain jurisdictions. You must inform yourself about, and observe any such restrictions. See "*Selling and Transfer Restrictions*" and "*Plan of Distribution*" elsewhere in this Offering Memorandum. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the Shares or possess or distribute this Offering Memorandum and you must obtain any consent, approval or permission required for your purchase, offer or sale of the Shares 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. None of the Company or the Managers is making an offer to sell the Shares or a solicitation of an offer to buy any of the Shares to any person in any jurisdiction except where such an offer or solicitation is permitted or accepts any legal responsibility for any violation by any person, whether or not an investor, of applicable restrictions.

NOTICE TO CERTAIN INVESTORS

Notice to U.K. and other EEA Investors

This Offering Memorandum and the Offering are only addressed to and directed at persons in member states of the European Economic Area (the "**EEA**"), who are "qualified investors" ("**Qualified Investors**") within the meaning of Article 2(e) of the Prospectus Regulation. In addition, in the United Kingdom, this Offering Memorandum 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 (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 Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Shares will be engaged in only with, (1) in the United Kingdom, relevant persons and (2) in any member state of the EEA other than the United Kingdom, Qualified Investors. This Offering Memorandum and its contents should not be acted upon or relied upon (1) in the United Kingdom, by persons who are not relevant persons or (2) in any member state of the EEA other than the United Kingdom, by persons who are not Qualified Investors.

This Offering Memorandum has been prepared on the basis that all offers of the Shares will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce a prospectus for offers of the Shares. Accordingly, any person making or intending to make any offer within the EEA of the Shares should only do so in circumstances in which no obligation arises for the Company or any of the Managers to produce a prospectus for such offer. None of the Company or any of the Managers has authorised or authorises the making of any offer of the Shares through any financial intermediary, other than offers made by the Managers which constitute the final placement of the Shares contemplated in this Offering Memorandum.

For the purposes of this provision, the expression "Prospectus Regulation" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in each relevant member state of the EEA), and includes any relevant implementing measure in each relevant member state of the EEA and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

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 Shares.

The Shares have not been and will not 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 Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

Any resale or other transfer, or attempted resale or other transfer, of such Shares, made other than in compliance with the above stated restriction, shall not be recognised by the Company. In addition, until 40 days after the commencement of the Offering of the Shares, an offer or sale of Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with 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 SHARES OR PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE SHARES OR THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

Japan

The Shares have not been and will not be registered under the Final Instruments and Exchange Law, as amended (the "**FIEL**"). This Offering Memorandum is not an offer of securities for sale, directly or indirectly, in Japan or to or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exception from the registration requirements under the FIEL, and otherwise in compliance with, the FIEL and other relevant laws and otherwise in compliance with such law and any other applicable laws, regulations or ministerial guidelines of Japan.

Australia

No prospectus or other disclosure document has been lodged with, or registered by the Australian Securities and Investments Commission in relation to the offering of the Shares. This Offering Memorandum does not constitute a prospectus or other disclosure document under the Corporations Act 2001 (the "**Corporations Act**") and does not purport to include the information required for a prospectus or other disclosure document under the Corporations Act.

This document is being distributed in Australia by the Managers to persons (the "**Exempt Investors**") who are "sophisticated investors" (within the meaning of section 708(8) of the Corporations Act, to "professional investors" (within the meaning of section 708(11) of the Corporations Act) and/or otherwise pursuant to one of more exemptions contained in section 708 of the Corporations Act. The entity receiving this document represents and warrants that if it is in Australia, it is either a professional or a sophisticated investor or a person to whom it is lawful to offer the Shares without disclosure to investors under Chapter 6D of the Corporations Act and that it will not distribute this document to any other person.

Any Shares applied for by Exempt Investors in Australia must not be offered for sale in Australia for 12 months from the date of issue, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 or 708A of the Corporations Act. This document is not supplied in connection with any offering or proposed offering of securities or financial products that require disclosure in accordance with Chapter 6D or Part 7.9 of the Corporations Act. Chapters 6D and 7 of the Corporations Act are complex. Any person acquiring the Shares must observe such Australian on-sale restrictions and if in any doubt as to the application or effect of this legislation, should confer with its professional advisors.

Canada

The Shares may be sold in Canada only to purchasers resident or located in the Provinces of Ontario, Québec, Alberta and British Columbia, purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), the Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Russian Federation

This Offering Memorandum and information contained herein does not constitute an advertisement of any securities, or any other kind of advertisement, in the Russian Federation.

Switzerland

This Offering Memorandum shall be communicated in Switzerland to a small number of selected investors only. Each copy of this Offering Memorandum shall be addressed to a specifically named recipient and may not be passed on to third parties. The Shares shall not be publicly offered, sold, advertised, distributed or redistributed, directly or indirectly, in or from Switzerland, and neither this Offering Memorandum nor any other solicitation for investments in the Shares may be communicated, distributed or otherwise made available in Switzerland in any way that could constitute a public offering within the meaning of Articles 652a of the Swiss Code of Obligations (the "**CO**") unless the legal and regulatory conditions imposed on a public offering under the CO are satisfied.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

PRESENTATION OF FINANCIAL INFORMATION

The Company's financial information set forth herein has, unless otherwise indicated, been extracted, without material adjustment, from the Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2020 prepared in accordance with IAS 34 Interim Financial Reporting (the "**Interim Financial Statements**"), the Company's audited consolidated financial statements for the year ended 31 December 2019 (the "**2019 Financial Statements**") and the Company's audited consolidated financial statements for the year ended 31 December 2018 (the "**2018 Financial Statements**") (the "**2018 Financial Statements**", and together with Interim Financial Statements and 2019 Financial Statements, the "**Financial Statements**"), set forth on pages F-2 through F-142 of this Offering Memorandum. The 2019 Financial Statements and 2018 Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as promulgated by the International Accounting Standards Board.

The Russian Rouble is the presentation currency for the Financial Statements. The Financial Statements and financial information included elsewhere in this document have, unless otherwise noted, been presented in Roubles.

THE COMPANY'S INDEPENDENT AUDITORS

The Financial Statements included in the Offering Memorandum have been audited and reviewed (as the case may be) by JSC KPMG ("**KPMG**"), as stated in their reports appearing herein. The address of KPMG is Naberezhnaya Tower Complex, Block C, 10 Presnenskaya Naberezhnaya, Moscow 123112, Russian Federation. KPMG is a member of the self-regulated organisation of auditors "Russian Union of auditors" (*Association*).

CERTAIN DEFINITIONS AND CURRENCIES

In this Offering Memorandum, all references to:

- "**CBR**" are to the Central Bank of Russia;
- "**CIS**" are to the Commonwealth of Independent States and its member states (excluding Russia) as at the date of this Offering Memorandum, being Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan;
- "**EU**" are to the European Union;
- "**IFC**" are to the International Finance Corporation;
- "**Member State**" are to a Member State of the European Economic Area;
- "**Moscow Area**" or "**Moscow region**" are to Moscow and Moscow Region as federal subjects of the Russian Federation combined.
- "**Russia**" and "**Russian**" pertain to the Russian Federation.

In this Offering Memorandum, the following currency terms are used:

- "**RUB**", "**Russian Roubles**", "**Roubles**" or "**roubles**" means the lawful currency of the Russian Federation;
- "**U.S.$**" or "**U.S. dollar**" means the lawful currency of the United States; and
- "**EUR**", "**Euro**" "**euro**" or "**€**" means the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty of Rome establishing the European Economic Community, as amended.

References in the Offering Memorandum to "billions" are to thousands of millions.

ROUNDING

Certain figures included in this Offering Memorandum have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

EXCHANGE RATE INFORMATION

This Offering Memorandum contains conversions of certain amounts relating to particular transactions from the currency in which the transaction was effected into U.S. dollars. These conversions were effected at the relevant foreign currency to U.S. dollar rate in effect as at the date of the transaction unless otherwise stated. No representation is made that the rouble or U.S. dollar amounts referred to herein could have been or could be converted into Roubles or U.S. dollars, as the case may be, at these rates, at any particular rate or at all.

The table below sets forth, for the periods and dates indicated, the high, low, period end and period average exchange rate between the Rouble and the U.S. dollar, based on the official exchange rate quoted by the CBR for the relevant year. Fluctuations in the exchange rate 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 may also differ from the actual rates used in the preparation of the Financial Statements and other financial information presented in this Offering Memorandum.

	RUB per U.S.$1.00			
	High	**Low**	**Period end**	**Period average[(1)]**
Year				
2014	67.79	32.66	39.14	56.26
2015	72.88	49.18	61.87	60.96
2016	83.59	60.27	60.65	67.19
2017	60.75	55.85	57.60	58.30
2018	69.97	55.67	69.47	62.69
2019	69.47	61.72	61.91	64.74
2020 (up to and including 21 October 2020)	80.88	60.95	77.78	71.44

Source: www.cbr.ru (CBR)

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).

NON-IFRS MEASURES

General

The non-IFRS measures described below are alternative performance measures ("**APMs**") as defined in the European Securities and Markets Authority Guidelines. Where used, the relevant metrics are identified as APMs and accompanied by an explanation of each such metric's components and calculation method.

The Group calculates earnings before interest, taxes, depreciation and amortisation ("**EBITDA**") as profit and total comprehensive income plus depreciation of property, plant and equipment, plus finance costs less finance income, plus income tax expense; the Group believes EBITDA is a measure of operating performance to express profitability before the effects of income taxes, depreciation, amortisation, finance costs and finance income. EBITDA is not a measure determined in accordance IFRS and should not be considered a substitute for operating income, net income or any other measure determined in accordance with IFRS. EBITDA is used as a measurement of operating efficiency and overall financial performance and the Group believes it to be a helpful measure for those evaluating companies in the industry. Conceptually, EBITDA measures the amount of income generated each period that could be used to service debt, pay taxes and fund capital expenditures. EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The Group presents adjusted earnings before interest, taxes, depreciation and amortisation ("**Adjusted EBITDA**"), Adjusted EBITDA margin, Adjusted gross profit, Adjusted gross profit margin, Adjusted net debt and Net leverage, New contract sales and cash collections, Total debt/Adjusted EBITDA, Total debt, ROE, ROCE, Adjusted net debt, net of project financing (as defined below - see "*Selected Consolidated Financial and Other Information- Selected Non-IFRS Financial Measures and Other Non-IFRS Information*"), which are non-IFRS APMs. These measures are used by management of the Group to assess the financial performance and liquidity of the Group. The APMs are not defined by, or presented in accordance with, IFRS. The APMs are not measurements of the Group's operating performance under IFRS and should not be considered as alternatives to Revenue, Operating profit, Profit/(loss) for the period, Net cash generated from operating activities or any other measures of performance under IFRS or as measures of the Group's liquidity. The Group relies primarily on IFRS operating results for measuring its IFRS operating performance and uses the APMs to supplement those IFRS measures in assessing the financial performance and liquidity of the Group. See the Financial Statements included elsewhere in this Offering Memorandum.

LTM Adjusted EBITDA (for the previous 12 months) was calculated as follows:

- for the six months ended 30 June 2020, it is equal to Adjusted EBITDA for the six months ended 30 June 2020 plus Adjusted EBITDA for 2019 less Adjusted EBITDA for the six months ended 30 June 2019; and
- for the six months ended 30 June 2019 it is equal to Adjusted EBITDA for the six months ended 30 June 2019 plus Adjusted EBITDA for 2018 less Adjusted EBITDA for the six months ended 30 June 2018.

The APMs presented by the Group have been calculated by management based on information derived from the Financial Statements and other relevant information contained in "*Selected Consolidated Financial and Other Information*". Other companies in the industry may calculate the APMs differently or may use each of them for different purposes than the Group, limiting their usefulness as comparative measures. For the reconciliations and calculations of the Group's APMs see "*Selected Consolidated Financial and Other Information- Selected Non-IFRS Financial Measures and Other Non-IFRS Information"*.

Adjusted EBITDA and Adjusted EBITDA margin

The Group calculates Adjusted EBITDA as profit and total comprehensive income plus depreciation of property, plant and equipment, plus finance costs less finance income, plus income tax expense and capitalised interest expense included in cost of sales, impairment of investment property and fines, penalties, default interests, including provisions.

Adjusted EBITDA margin is Adjusted EBITDA expressed as a percentage of revenue.

Adjusted EBITDA and Adjusted EBITDA margin are discussed throughout this Offering Memorandum, as the Group believes they provide measures of operating performance to express profitability before the effects of income taxes, depreciation, amortisation, finance costs and finance income.

Adjusted EBITDA and Adjusted EBITDA margin have limitations as analytical tools and should not be considered in isolation or as a substitute for the Group's operating results as reported under IFRS. Some of these limitations are as follows:

- Adjusted EBITDA does not reflect the impact of finance expense, which can be significant and could further increase if the Group incurs more borrowings, on the Group's operating performance;
- Adjusted EBITDA does not reflect the impact of income tax expense on the Group's operating performance;
- Adjusted EBITDA does not reflect the impact of depreciation and amortisation as well as effects of impairment of property, plant and equipment and intangible assets on the Group's performance. The assets of the Group's business that are being depreciated or amortised will need to be replaced in the future and such depreciation and amortisation expense may approximate the cost of replacing these assets in the future. By excluding this expense, Adjusted EBITDA does not reflect the Group's future cash requirements for these replacements;
- Adjusted EBITDA does not reflect the Group's cash expenditures or future requirements for capital expenditure or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, the Group's working capital needs; and
- Adjusted EBITDA is not adjusted for all non-cash income or expense items that are reflected in the Group's statements of cash flows.

The same limitations as expressed above also apply to Adjusted EBITDA margin. The Group compensates for these limitations by relying on its IFRS results and using Adjusted EBITDA and Adjusted EBITDA margin only as supplemental measures.

Adjusted gross profit and Adjusted gross profit margin

Adjusted gross profit is calculated by the Group as gross profit plus capitalised expense included in cost of sales. Adjusted gross profit margin is Adjusted gross profit expressed as percentage of revenue. Adjusted gross profit and Adjusted gross profit margin are used by the Group to present the Group's profit without the effect of non-operational metrics such as financing component and interest expenses.

Adjusted net debt

The Group calculates Adjusted net debt as the aggregate of loans and borrowings, both current and non-current, less cash and cash equivalents and bank borrowings (escrow). The item is discussed throughout this Offering Memorandum, as the Group believes it provides a supplemental measure for analysing the Group's financial position. However, the use of Adjusted net debt effectively assumes that total borrowings can be reduced, when needed, by using cash on hand. It is unlikely that the Group would use all of its available cash to reduce total borrowings all at once, as cash must also be available to support the Group's operations. Adjusted net debt is not defined by IFRS and should not be considered in isolation or as an alternative to the Group's liabilities as presented under IFRS.

Different companies use Adjusted net debt measure for various purposes and accordingly calculate it depending on their purpose and the circumstances of a relevant company. Accordingly, caution is required in comparing Adjusted net debt as reported by the Group to such metric of other companies.

Net leverage (Adjusted net debt / Adjusted EBITDA)

The Group calculates Net leverage as Adjusted net debt divided by Adjusted EBITDA. For the six months ended 30 June 2020, this ratio is calculated by dividing Adjusted net debt by the last twelve months ("**LTM**") Adjusted EBITDA ended 30 June 2020. LTM financial data is calculated as a figure for the year ended 31 December 2019 less a figure for the six months ended 30 June 2019 plus a figure for the six months ended 30 June 2020. The Group believes the item provides a measure of financial leverage to demonstrate the Group's ability to repay its debt obligations.

Net leverage measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Accordingly, caution is required in comparing Net leverage as reported by the Group to such metrics of other companies.

New contract sales and cash collections

The Group's new contract sales represent the number of square metres of residential units and apartment-type units by net sellable area (as defined below) sold in the respective quarter of a year. The Group's new contract cash collections represent the cash received in the respective quarter of a year from the sale of residential units and apartment-type units. The Group believes that these items demonstrate the Group's quarterly sales dynamics and seasonality of sales.

The net sellable area is defined as the total floor area including internal walls, mezzanines, hallways, bathrooms but excluding common spaces, patios, balconies ("**net sellable area**").

Translations

The language of this Offering Memorandum is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law. All translations in this Offering Memorandum are direct and accurate translations of the original text.

LIMITATIONS ON ENFORCEMENT OF FOREIGN JUDGMENTS AND ARBITRATION AWARDS

The Company is a public joint-stock company incorporated under the laws of the Russian Federation and most of its assets are located in the Russian Federation. In addition, as at the date of this Offering Memorandum a substantial majority of the Company's directors and executive officers are residents of the Russian Federation. Their presence outside the United States and the United Kingdom may limit your legal recourse against them.

In particularly, it may not be possible for you to effect service of process upon the Company or its directors and executive officers; or enforce in Russian courts judgments obtained in jurisdictions other than the Russian Federation against the Company or its directors and executive officers, including judgments obtained in the courts of England and the United States predicated upon English laws or U.S. federal securities laws, respectively. In addition, it may be difficult for you to enforce, in original actions brought in courts in jurisdictions located outside the United Kingdom and the United States, liabilities predicated upon English laws or U.S. federal securities laws.

Courts in the Russian Federation will generally recognise judgments rendered by a court in any jurisdiction outside the Russian Federation only 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 of the Russian Federation provides for the recognition and enforcement of foreign court judgements.

No such federal law has been passed and no such treaty for the reciprocal recognition and enforcement of foreign court judgments in civil and commercial matters exists between the Russian Federation and certain other jurisdictions (including the United Kingdom and the United States), as a result of which new proceedings may have to be brought in the Russian Federation in respect of a judgment already obtained in any such jurisdiction against the Company or, as applicable, its directors and executive officers.

Even if an applicable international treaty is in effect or a foreign judgment might otherwise be recognised and enforced on the basis of reciprocity, the recognition and enforcement of a foreign judgment will in all events be subject to exceptions and limitations provided for in Russian law. For example, a Russian court may refuse to recognise or enforce a foreign judgment if its recognition or enforcement would contradict Russian public policy. In addition, Russian courts have limited experience in the enforcement of foreign court judgments. The limitations described above, including the general procedural grounds set out in Russian legislation for the refusal to recognise and enforce foreign court judgments in the Russian Federation, may limit or delay, perhaps significantly, the enforcement of such judgment and thereby deprive the holders of the Shares of effective legal recourse against the Company and, as applicable, its directors and executive officers.

In the absence of an applicable treaty, enforcement of a final judgment rendered by a foreign court may still be recognised by a Russian court on the basis of reciprocity, if courts of the country where the foreign judgment is rendered have previously enforced judgments issued by Russian courts. While Russian courts have recently recognised and enforced English court judgments on these grounds, the existence of reciprocity must be established at the time the recognition and enforcement of a foreign judgment is sought, and it is not possible to predict whether a Russian court will in the future recognise and enforce on the basis of reciprocity a judgment issued by a foreign court, including an English court.

The Russian Federation is a party to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards, but it may be difficult to enforce arbitral awards in the Russian Federation due to a number of factors, including compliance with the procedure for the recognition and enforcement of foreign arbitral awards by Russian courts established by the Arbitrazh Procedural Code of the Russian Federation, 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. Furthermore, enforcement of any arbitral award pursuant to arbitration proceedings may be limited by the mandatory provisions of Russian laws relating to categories of non-arbitrable disputes and the exclusive jurisdiction of Russian courts, and specific requirements to arbitrability of certain categories of disputes, including in respect of the Shares (i.e., specific requirements in relation to a type of an arbitral institution, arbitration rules, seat of arbitration and parties to an arbitration agreement for consideration of so-called corporate disputes in relation to Russian companies) and the application of Russian laws with respect to bankruptcy, winding up or liquidation of Russian companies. The possible need to re-litigate in the Russian Federation a judgment obtained in a foreign court on the merits may also significantly delay the enforcement of such judgment. 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.

Furthermore, any arbitral award pursuant to arbitration proceedings in accordance with the LCIA Rules and the application of English law to the Shares, the Underwriting Agreement and Underwriting Support Agreement may be limited by the mandatory provisions of Russian laws relating to the application of Russian laws with respect to bankruptcy, winding up or liquidation of Russian companies or the exclusive jurisdiction of Russian courts. In particular, recent amendments to the Arbitrazh Procedure Code provide that disputes involving Russian citizens and/or legal entities targeted by foreign sanctions, and/or foreign legal entities affected by secondary sanctions (the "**Targeted Persons**") or arising from foreign sanctions are within the exclusive jurisdiction of the Russian commercial (arbitrazhny) courts. The exclusive jurisdiction does not apply if the parties have agreed to refer the dispute to a foreign court or arbitration tribunal, unless a Russian court finds that the sanctions create "obstacles to accessing justice" for the Targeted Person and thereby render the relevant foreign arbitration or forum selection clause or agreement "incapable of being performed". There is no clear and comprehensive definition of "obstacles to accessing justice" that can render a clause or agreement "incapable of being performed" and its interpretation is yet to be tested in court. If the relevant arbitration or court selection clause or agreement is "incapable of being performed" due to sanctions, a Targeted Person is also permitted to seek anti-suit order from Russian courts to block initiation or continuation of foreign proceedings under the relevant foreign arbitration or court selection clause or agreement. A foreign judgement or arbitral award should be capable of recognition and enforcement by the courts of the Russian Federation only if a party that is the Targeted Person has participated in the relevant foreign proceedings without objections on jurisdiction and has not sought an anti-suit order from a Russian court.

See *"Risk Factors—Risks Relating to the Shares and the Trading Market—Investors may have limited recourse against the Company and its directors and executive officers"*.

AVAILABLE INFORMATION

For so long as any the Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which the Company is neither subject to Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934 (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted Shares, or to any prospective purchaser of such restricted 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).

FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Memorandum are not historical facts and constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and section 21E of the Exchange Act. Forward-looking statements are identified by words such as "believes", "anticipates", "expects", "estimates", "intends", "plans", "will", "may" and similar expressions, but these expressions are not the exclusive means of identifying such statements. These forward-looking statements are contained in "*Risk Factors*", "*Business*" and other sections of this Offering Memorandum. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause circumstances or the Company's results, performance or achievements to be materially different from any future circumstances, results, performance or achievements expressed or implied by such statements. Such forward-looking statements relate to, among other things:

- overall business conditions;
- changes in tax requirements (including tax rate changes, new tax laws and revised tax law interpretations);
- economic and political conditions in Russia;
- the timing, impact and other uncertainties of future actions;
- inflation, interest rate fluctuations, foreign currency and exchange rate fluctuations and other capital market conditions in Russia;
- the condition and performance of the Russian economy;
- the effects of, and changes in, the policy of the federal government of Russia (the "**Russian government**") and regional and municipal regulations;
- the effects of competition in the geographic and business areas in which the Company conducts its operations;
- the effects of changes in laws, regulations and taxation or accounting standards or practices in the jurisdictions where the Company conducts its operations;
- the Company's ability to maintain or increase market share for its products and services and control expenses;
- the Company's ability to meet its funding obligations and develop and maintain additional sources of financing;
- the Company's ability to continue to diversify its client base;
- the effects of the COVID-19 pandemic and related response measures, including lockdowns and travel restrictions, stability of the international and domestic financial markets, economic conditions in Russia and other countries, the Group's business and operations and the Group's employees, customers and counterparties;
- the future growth of the Company's business;
- acquisitions or divestitures by the Company or in the business areas in which the Company conducts its operations;
- technological changes; and
- the Company's ability to manage the risks associated with the aforementioned factors.

This list of important factors is not exhaustive. When relying on forward-looking statements, prospective investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Company operates. Such forward-looking statements speak only as at the date on which they are made. Accordingly, the Company does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. The Company does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

USE OF PROCEEDS

The Group expects to receive gross proceeds of approximately RUB 1,618 million based on the mid-point of the indicatice price range of the Offering assuming all Shares in the Offering are placed and that 1,578,958 New Shares that ZPIF had subscribed for, are purchased and paid for.

The net proceeds from the aforementioned transactions, after deduction of underwriting commissions, fees and expenses incurred by the Company in connection with the Offering, are intended to be used by the Company to acquire new land plots and to finance construction of Company's current projects.

Neither the Selling Shareholder, any member of its group, nor the Company will, directly or indirectly, use the proceeds of the Offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, affiliate, joint venture parties or other person or entity for the purpose of financing or facilitating any activity (i) with any person or entity that is: (a) subject or target of any sanctions administered or enforced by OFAC, the U.S. Department of State, any other agency of the U.S. government, the United Nations Security Council, the European Union, Her Majesty's Treasury of the United Kingdom or Swiss Secretariat for Economic Affairs SECO ("**Sanctions**"); (b) any Person, resident, organised or located within a country or territory subject to country-wide or territory-wide Sanctions (the "**Sanctioned Territory**"); (ii) in any Sanctioned Territory, or in any other manner that would otherwise violate any Sanctions, to the extent that such use of proceeds would be prohibited by Sanctions or would otherwise cause any person participating in the transaction to be in breach of Sanctions.

DIVIDEND POLICY

Russian law governs the procedure for payment of dividends that a company may distribute to its shareholders. Dividends may be paid on a quarterly, semi-annual or annual basis. Under the Joint Stock Companies Law and the Company's charter (the "**Charter**"), dividends may only be paid out of the Company's net profit, calculated according to Russian Accounting Standards. The Company may declare a dividend distribution only if: (1) the charter capital has been paid in full; (2) the net assets value is not less than the Charter capital and reserve fund or would not become less than the amount thereof as a result of adoption of such decision; (3) the Company has repurchased all shares that particular shareholders had the right to require the Company to repurchase; (4) the Company is not, and will not become, insolvent (as defined under Russian law) as a result of the payment of dividends; and (5) certain other conditions set forth under Russian law are fulfilled. According to the Joint Stock Companies Law and the Charter, it is in the competence of the Board of Directors to recommend to the shareholders the amount of dividends for approval by a majority vote at the general shareholders' meeting. The dividend approved at the shareholders' meeting may not exceed that recommended by the Board of Directors.

Dividends, if declared, are payable to shareholders pursuant to the Joint Stock Companies Law. For a further description, see "*Description of Share Capital and Certain Requirements of Russian Law – Description of Share Capital – Dividends*".

On 7 October 2020, the Board of Directors of the Company approved amendments to a dividend policy, pursuant to which the Company, subject to applicable requirements of Russian law, has the right to pay dividends on outstanding shares based on half-year and/or annual financial results. The dividend policy is intended to provide the shareholders with transparency regarding dividend distributions and aims to balance the appropriate cash returns to equity holders with the requirement of maintaining a balanced and sound financial position of the Company. Dividends are not to exceed the maximum retained earnings of the Company and will be calculated on the basis of the consolidated financial statements of the Company prepared in accordance with IFRS. The Board of Directors of the Company will exercise discretion on dividends, taking into account the Group's financial position, free cash flow, net income, outlook and macro-economic environment. Dividends are payable from net income and will depend on the Net debt/EBITDA (as adjusted for the purpose of calculating dividend-related payout ratios)[1] ratio for relevant period. If Net debt/EBITDA (as adjusted for the purpose of calculating dividend-related payout ratios) ratio is below 1, then dividend payment for that period would represent the greater of the amounts: (i) not less than 50% of net income or (ii) RUB 5 billion. If Net debt/EBITDA (as adjusted for the purpose of calculating dividend-related payout ratios) ratio is equal to or above 1, but is equal to or below 2, then dividend payment for that period would represent the greater of the amounts: (i) not less than 33% of net income or (ii) RUB 5 billion. If Net debt/EBITDA (as adjusted for the purpose of calculating dividend-related payout ratios) ratio is above 2, then dividend payment for that period would represent not less than RUB 5 billion. If payment of dividends would result in a breach of covenants under the Company's material undertakings, the Company may resolve not to pay any dividends. For example, pursuant to the Sovcombank Offers, the Company or any of its subsidiaries may not pay dividends without the prior consent of Sovcombank if the Group's Net Debt to EBITDA ratio exceeds 3 times for the relevant period. See "*Risk Factors–The Group may be subject to limitations on dividend payments and may decide not to pay dividends in the future, and holders of the Group's Shares outside of Russia may be subject, in any event, to limitations or delays in repatriating their earnings from distributions made on the Shares*".

The Company did not declare dividends for the year ended 31 December 2017. On 27 December 2018, the Company approved dividends for the nine months 2018 in the amount of RUB 102,001 thousand, which were fully paid as at 21 January 2019. On 10 April 2019, the Company approved dividends for 2018 in the amount of RUB 300 million which were fully paid as at 23 April 2019.

The Company did not declare dividends for the six months ended 30 June 2020.

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[1] For determination of the amount of dividends, EBITDA (as adjusted for the purpose of calculating dividend-related payout ratios) is calculated as profit and total comprehensive income plus depreciation of property, plant and equipment, plus finance costs less finance income, plus income tax expense and capitalised expense included in cost of sales.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's capitalisation as at 30 June 2020 and is extracted from the Interim Financial Statements. For further information regarding the Group's financial position, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Financial Statements included elsewhere in this Offering Memorandum.

	As at 30 June 2020
	(RUB thousands)
Cash and cash equivalents	**8,108,043**
Loans and borrowings:	
Current loans and borrowings	7,083,154
Non-current loans and borrowings	16,284,281
Total loans and borrowings	**23,367,435**
Total equity	**5,950,003**
Total capitalisation(1)	**29,317,438**

Notes:

(1) Total capitalisation is the sum of total loans and borrowings and total equity.

(2) Total capitalisation excludes long-term and short-term lease liabilities in the amount of RUB 1,052,110 thousand as at 30 June 2020.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The financial information set forth below as at and for the six-month periods ended 30 June 2020 and 2019 and for the years ended 31 December 2019, 2018 and 2017 has been extracted without material adjustment from the Financial Statements. The financial data set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and related notes included elsewhere in this Offering Memorandum and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Statement of profit or loss and other comprehensive income data for the six months ended 30 June 2020 and 2019 and for the years ended 31 December 2019, 2018 and 2017

	Six months ended 30 June		Year ended 31 December		
	2020	**2019**	**2019[(1)]**	**2018[(1)]**	**2017[(1)]**
			(RUB thousands)		
Revenue	22,675,944	23,414,592	51,145,124	38,717,495	42,445,232
Cost of sales	(16,994,472)	(18,784,326)	(41,286,322)	(31,403,915)	(35,686,544)
Gross profit	**5,681,472**	**4,630,266**	**9,858,802**	**7,313,580**	**6,758,688**
Distribution expenses	(1,245,044)	(1,133,825)	(2,464,719)	(1,990,537)	(1,668,286)
Administrative expenses	(1,205,061)	(1,643,812)	(3,203,738)	(2,125,293)	(1,611,925)
Other income	63,615	2,092,220	2,309,041	581,375	436,146
Share of profits of equity-accounted investees	42,017	-	10,363	-	-
Impairment of investment property	-	(264,581)	(223,588)	(689,000)	-
Other expenses	(600,412)	(898,593)	(1,233,948)	(540,547)	(375,602)
Operating results	**2,736,587**	**2,781,675**	**5,052,213**	**2,549,578**	**3,539,021**
Finance income	577,997	417,017	614,228	3,467,740	2,403,102
Finance costs	(2,351,752)	(2,388,285)	(4,485,317)	(2,853,339)	(1,543,826)
Net finance income/(costs)	**(1,773,755)**	**(1,971,268)**	**(3,871,089)**	**614,401**	**859,276**
Profit before tax	**962,832**	**810,407**	**1,181,124**	**3,163,979**	**4,398,297**
Income tax expense	(274,681)	(333,262)	(316,823)	(745,704)	(859,161)
Profit/ Profit from continuing operations	**688,151**	**477,145**	**864,301**	**2,418,275**	**3,539,136**
Discontinued operations					
Profit from discontinued operations	-	-	-	23,931	5,517
Profit and total comprehensive income for the period	**688,151**	**477,145**	**864,301**	**2,442,206**	**3,544,653**
Profit and total comprehensive income attributable to:					
Owners of the Company	523,437	310	(31,269)	1,582,481	3,348,940
Non-controlling interests reported in equity and liabilities	164,714	476,835	895,570	859,725	195,713
	688,151	**477,145**	**864,301**	**2,442,206**	**3,544,653**

Notes:

(1) Restated. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Accounting Policies*".

Statement of financial position of the Group as at 30 June 2020 and as at 31 December 2019, 2018 and 2017[(1)]

	As at 30 June	As at 31 December		
	2020	2019[(2)]	2018[(2)]	2017
	(RUB thousands)			
Assets				
Property, plant and equipment	744,887	736,720	159,226	272,653
Intangible assets	96,709	82,119	83,404	118,560
Investment property	990,859	978,441	1,260,741	1,949,741
Other investments	9,703,141	7,997,334	1,533,691	1,258,122
Advances given for acquisition of land plots	559,732	459,322	231,334	-
Deferred tax assets	2,473,142	2,102,834	1,202,014	1,216,265
Other non-current assets	-	15,969	-	-
Non-current assets	**14,568,470**	**12,372,739**	**4,470,410**	**4,815,341**
Inventories	54,785,509	53,491,758	48,098,334	37,147,441
Prepayments	5,004,714	5,488,958	4,915,790	1,518,909
Other investments	390,632	328,884	1,061,254	660,495
Current income tax	252,674	276,834	266,429	235,063
Accounts receivable, including contract assets	4,141,347	2,265,320	1,648,876	935,494
VAT input	262,514	203,305	52,258	44,057
Cash and cash equivalents	8,108,043	4,012,350	2,976,545	3,310,340
Current assets	**72,945,433**	**66,067,409**	**59,019,486**	**43,851,799**
Total assets	**87,513,903**	**78,440,148**	**63,489,896**	**48,667,140**
Equity				
Share capital	1,500,010	1,500,010	1,500,010	1,500,010
Retained earnings	3,597,991	3,078,181	3,752,698	2,788,561
Total equity attributable to owners of the Company	**5,098,001**	**4,578,191**	**5,252,708**	**4,288,571**
Non-controlling interest	852,002	1,044,755	-	-
Total equity	**5,950,003**	**5,622,946**	**5,252,708**	**4,288,571**
Liabilities				
Loans and borrowings	16,284,281	12,230,812	4,790,006	4,290,006
Accounts payable	4,108,497	3,838,246	7,560,919	12,321,828
Long-term lease liabilities	463,172	552,939	-	-
Deferred tax liabilities	1,975,000	1,889,023	1,115,115	1,541,464
Non-current liabilities	**22,830,950**	**18,511,020**	**13,466,040**	**18,153,298**
Loans and borrowings	7,083,154	4,113,275	508,385	68,608
Accounts payable, including liabilities under contracts with customers	42,564,885	42,594,211	40,867,237	22,912,926
Long-term lease liabilities	588,938	637,358	-	-
Provisions	6,165,060	6,111,855	2,102,404	2,661,610
Current income tax	377,119	82,236	102,782	250,031
Non-controlling interest in limited liability companies	1,380,966	767,247	1,190,340	332,096
Deferred income	572,828	-	-	-

Current liabilities	**58,732,950**	**54,306,182**	**44,771,148**	**26,225,271**
Total liabilities	**81,563,900**	**72,817,202**	**58,237,188**	**44,378,569**
Total equity and liabilities	**87,513,903**	**78,440,148**	**63,489,896**	**48,667,140**

Notes:

(1) Certain line items were renamed in each set of the relevant financial statements, including:

- "prepayments" in 2019 Financial Statements were renamed "advances for acquisition of land plots" in the Interim Financial Statements;
- "trade and other receivables, including contract assets" in 2019 Financial Statements were renamed "accounts receivable, including contract assets" in the Interim Financial Statements;
- "trade and other payables" in 2019 Financial Statements and 2018 Financial Statements were renamed "non-current accounts payable" in the Interim Financial Statements within non-current liabilities;
- "trade and other payables" in 2018 Financial Statements were renamed "accounts payable, including liabilities under contracts with customers" in 2019 Financial Statements within current liabilities;

and there were other not significant adjustments in namings.

(2) See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Accounting Policies*".

Statement of cash flows for the six months ended 30 June 2020 and 2019 and for the years ended 31 December 2019, 2018 and 2017(1)

	Six months ended 30 June		Year ended 31 December		
	2020	**2019**	**2019**	**2018(2)**	**2017**
			(RUB thousands)		
Cash flows from operating activities					
Profit for the period	**688,151**	**477,145**	**864,301**	**2,442,206**	**3,544,653**
Adjustments for:					
Depreciation and amortisation	128,319	185,942	302,393	85,420	92,141
Other income from participation in joint arrangements	-	(2,020,895)	(2,004,872)	-	-
Impairment of investment property	-	264,581	223,588	689,000	-
Finance income	(577,997)	(417,017)	(614,228)	(3,467,740)	(859,276)
Finance costs	2,351,752	2,388,285	4,485,317	2,853,339	-
Income tax expense	274,681	333,262	316,823	745,704	859,161
Cash flows from operating activities before changes in working capital and provisions	**2,864,906**	**1,211,303**	**3,573,322**	**3,347,929**	**3,636,679**
Changes in:					
Inventories	(266,522)	(1,808,240)	1,624,069	3,571,878	(1,237,486)
Accounts receivable, including contract assets, prepayments and VAT input	(1,673,687)	(725,871)	(1,748,975)	(3,665,798)	(241,127)
Accounts payable, including liabilities under contracts with customers	(1,782,075)	(1,303,741)	(10,108,068)	(303,583)	(2,192,256)
Provisions	(82,924)	3,616,944	3,244,243	(905,689)	1,531,811
Cash flows (used in)/from operations before income taxes and interest paid	**(940,302)**	**990,395**	**(3,415,409)**	**2,044,737**	**1,497,621**
Income tax paid	(181,679)	(125,867)	(399,051)	(1,301,024)	(1,412,814)
Interest paid	(789,222)	(516,747)	(1,139,786)	(528,327)	(720,203)
Net cash (used in)/from operating activities	**(1,911,203)**	**347,781**	**(4,954,246)**	**215,386**	**(635,396)**
Cash flows from investing activities					
Acquisition of investments	(463,004)	-	-	-	-
Interest received	51	1,513	1,791	248,817	294,026
Loans granted	(1,209,715)	(2,225,949)	(4,177,869)	(1,816,000)	(2,689,342)
Cash received on the acquisition of	-	-	-	90,528	-

	Six months ended 30 June		Year ended 31 December		
	2020	2019	2019	2018[(2)]	2017
			(RUB thousands)		
subsidiaries under common control					
Cash received on the acquisition of subsidiaries	45,893	-	-	-	-
Cash disposed with the subsidiaries, less compensation received	-	-	-	(15,105)	(3,270)
Acquisition of equity-accounted investees	-	-	(131,447)	-	-
Acquisition of property, plant and equipment	(47,668)	(69,334)	(271,033)	-	(238,403)
Proceeds from sale of property, plant and equipment and intangible assets	-	-	-	84,216	-
Loans repaid	189,330	249,600	611,203	700,713	1,430,429
Net cash used in investing activities	**(1,485,113)**	**(2,044,170)**	**(3,967,355)**	**(706,831)**	**(1,206,560)**
Cash flows from financing activities					
Payments of lease liabilities	(170,622)	-	(207,262)	-	-
Proceeds from loans and borrowings	10,424,373	7,267,662	21,757,804	1,000,000	4,639,931
Repayment of loans and borrowings	(2,919,444)	(1,355,164)	(10,683,598)	(866,894)	(2,571,977)
Payment by a related party for the acquisition of non-controlling interests	350,000	-	-	-	-
Redemption of treasury shares	-	-	(117,809)	-	-
Acquisition of non-controlling interests	-	-	(178,750)	-	-
Dividends paid	-	(557,042)	(557,042)	-	-
Net cash from financing activities	**7,684,307**	**5,355,456**	**10,013,343**	**133,106**	**2,067,954**
Net (decrease) / increase in cash and cash equivalents	**4,287,991**	**3,659,067**	**1,091,742**	**(358,339)**	**225,998**
Cash and cash equivalents at the beginning of period	4,012,350	2,976,545	2,976,545	3,310,340	3,084,342
Effect of exchange rate fluctuations on cash and cash equivalents	(192,298)	(99,467)	(55,937)	24,544	-
Cash and cash equivalents at the end of period	**8,108,043**	**6,536,145**	**4,012,350**	**2,976,545**	**3,310,340**

Notes:

(1) Certain line items were renamed in each set of the relevant financial statements, including:

- "increase in trade and other receivables and advances paid" in 2018 Financial Statements were renamed "increase in accounts receivables, including contract assets, prepayments and VAT input" in 2019 Financial Statements;
- "increase in accounts receivables, including contract assets, prepayments and VAT input" in 2019 Financial Statements were renamed "accounts receivable, including contract assets, prepayments and VAT input" in the Interim Financial Statements;
- "decrease in trade and other payables" in 2018 Financial Statements were renamed "decrease in accounts payable, including liabilities under contracts with customers" in 2019 Financial Statements;
- "cash disposed with subsidiaries, less compensation received" in 2018 Financial Statements were renamed "cash outgoing on the disposal of subsidiaries" in 2019 Financial Statements;
- "loans granted" in 2018 Financial Statements were renamed "provision of loans and payment for investments" in 2019 Financial Statements;
- "provision of loans and payment for investments" in 2019 Financial Statements were renamed "loans granted" in the Interim Financial Statements;

and there were other not significant adjustments in namings.

(2) Restated. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Accounting Policies*".

Selected Non-IFRS Financial Measures and Other Non-IFRS Information

	For the six months ended and as at 30 June		For the year ended and as at 31 December		
	2020	2019	2019	2018	2017
			RUB in thousand		
Adjusted EBITDA[(1)]	3,948,864	3,770,032	7,521,348	4,383,657	8,684,295
Adjusted EBITDA margin[(2)]	17.4%	16.1%	14.7%	11.3%	20.5%
Adjusted gross profit[(3)]	6,653,051	5,168,100	11,551,260	8,349,308	11,806,304
Adjusted gross profit margin[(4)]	29.3%	22.1%	22.6%	21.6%	27.8%
Total debt[(5)]	23,367,435	11,736,603	16,344,087	5,298,391	4,358,614
Adjusted net debt, net of project financing [(6)]	13,186,034	5,200,458	11,427,696	2,321,846	1,048,274
Total debt / Adjusted EBITDA[(7)]	3.0x	2.1x	2.2x	1.2x	0.5x
Net leverage (Adjusted net debt, net of project financing / Adjusted EBITDA)[(8)]	1.7x	0.9x	1.5x	0.5x	0.1x
ROE[(9)]	n/a	n/a	15.9%	50.7%	114.9%
ROCE[(10)]	n/a	n/a	5.3%	25.2%	42.1%

Notes:

(1)` Adjusted EBITDA as profit for the period before the effects of depreciation of property plant and equipment, finance costs, finance income, income tax expense and capitalised expense included in cost of sales, impairment of investment property and fines, penalties, default interests, including provision.

(2) Adjusted EBITDA margin is Adjusted EBITDA expressed as a percentage of revenue.

(3) Adjusted gross profit is gross profit plus capitalised interest expense included in cost of sales.

(4) Adjusted gross profit margin is Adjusted gross profit expressed as a percentage of revenue.

(5) Total debt is the aggregate of loans and borrowings, both current and non-current.

(6) Adjusted net debt, net of project financing is Total debt less cash and cash equivalents and bank borrowings (escrow).

(7) For the six months ended 30 June 2020 and 2019, this ratio is calculated by dividing Total debt by LTM Adjusted EBITDA.

(8) Net leverage is Adjusted net debt divided by Adjusted EBITDA. For the six months ended 30 June 2020 and 2019, this ratio is calculated by dividing Adjusted net debt by LTM Adjusted EBITDA.

(9) ROE for the years ended 31 December 2019, 2018 and 2017 represents profit from continuing operations divided by the average of total equity for the current and the previous years.

(10) ROCE for the years ended 31 December 2019, 2018 and 2017 represents profit from continuing operations divided by the aggregate of (a) the average of total equity for the current and the previous years and (b) the average of loans and borrowings for the current and the previous years.

Calculation of Adjusted EBITDA

	For the six months ended 30 June		For the year ended 31 December		
	2020	2019	2019	2018	2017
			RUB in thousand		
Profit and total comprehensive income	688,151	477,145	864,301	2,442,206	3,544,653
Plus depreciation of property, plant and equipment	128,319	185,942	302,393	85,420	92,141
Plus finance costs	2,351,752	2,388,285	4,485,317	2,853,339	1,543,826
Less finance income	(577,997)	(417,017)	(614,228)	(3,467,740)	(2,403,102)
Plus income tax expense	274,681	333,262	316,823	745,704	859,161
EBITDA	**2,864,906**	**2,967,617**	**5,354,606**	**2,658,929**	**3,636,679**
Plus Capitalised interest expense included in cost of sales	971,579	537,834	1,692,458	1,035,728	5,047,616
Plus impairment of investment property	-	264,581	223,588	689,000	-
Plus fines, penalties, default interests, including the	112,379	-	250,696	-	-

	For the six months ended 30 June		For the year ended 31 December		
	2020	2019	2019	2018	2017
	RUB in thousand				
provision					
Adjusted EBITDA	**3,948,864**	**3,770,032**	**7,521,348**	**4,383,657**	**8,684,295**

Calculation of Adjusted EBITDA margin

	For the six months ended 30 June		For the year ended 31 December		
	2020	2019	2019	2018	2017
	RUB in thousand				
Adjusted EBITDA	3,948,864	3,770,032	7,521,348	4,383,657	8,684,295
Divided by:					
Revenue	22,675,944	23,414,592	51,145,124	38,717,495	42,445,232
Adjusted EBITDA margin	**17.4%**	**16.1%**	**14.7%**	**11.3%**	**20.5%**

Calculation of Adjusted gross profit

	For the six months ended 30 June		For the year ended 31 December		
	2020	2019	2019	2018	2017
	RUB in thousand				
Gross profit	5,681,472	4,630,266	9,858,802	7,313,580	6,758,688
Plus Capitalised interest expense included in cost of sales	971,579	537,834	1,692,458	1,035,728	5,047,616
Adjusted gross profit	**6,653,051**	**5,168,100**	**11,551,260**	**8,349,308**	**11,806,304**

Calculation of Adjusted gross profit margin

	For the six months ended 30 June		For the year ended 31 December		
	2020	2019	2019	2018	2017
	RUB in thousand				
Adjusted gross profit	6,653,051	5,168,100	11,551,260	8,349,308	11,806,304
Divided by:					
Revenue	22,675,944	23,414,592	51,145,124	38,717,495	42,445,232
Adjusted gross profit margin	**29.3%**	**22.1%**	**22.6%**	**21.6%**	**27.8%**

Calculation of Total debt, Total debt / Adjusted EBITDA, Adjusted net debt and Net leverage (Adjusted net debt / Adjusted EBITDA)

	As at and for the six months (except where otherwise indicated) ended 30 June		As at and for the year ended 31 December		
	2020	2019	2019	2018	2017
	RUB in thousand, except where otherwise indicated				
Adjusted EBTDA	3,948,864	3,770,032	7,521,348	4,383,657	8,684,295
Loans and borrowings, current	7,083,154	4,504,519	4,113,275	508,385	68,608
Loans and borrowings, non-current	16,284,281	7,232,084	12,230,812	4,790,006	4,290,006

	As at and for the six months (except where otherwise indicated) ended 30 June		As at and for the year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
	RUB in thousand, except where otherwise indicated				
Total debt	**23,367,435**	**11,736,603**	**16,344,087**	**5,298,391**	**4,358,614**
Less cash and cash equivalents	8,108,043	6,536,145	4,012,350	2,976,545	3,310,340
Less bank borrowings (escrow)	2,073,358	-	904,041	-	-
Adjusted net debt	**13,186,034**	**5,200,458**	**11,427,696**	**2,321,846**	**1,048,274**
Total debt / Adjusted EBITDA (x, LTM)	**3.0x(1)**	**2.1x(2)**	**2.2x**	**1.2x**	**0.5x**
Net leverage (Adjusted net debt / Adjusted EBITDA) (x, LTM)	**1.7x(1)**	**0.9x(2)**	**1.5x**	**0.5x**	**0.1x**

Notes:

(1) For the six months ended 30 June 2020, this ratio is calculated by dividing total debt or Adjusted net debt (as appropriate for a specific ratio) by LTM Adjusted EBITDA as presented below:

	RUB in thousand
Adjusted EBITDA for the year ended 31 December 2019	7,521,348
Less Adjusted EBITDA for the six months ended 30 June 2019	3,770,032
Plus Adjusted EBITDA for the six months ended 30 June 2020	3,948,864
LTM Adjusted EBITDA for the 12 months ended 30 June 2020	**7,700,180**

(2) For the six months ended 30 June 2019, this ratio is calculated by dividing total debt or Adjusted net debt (as appropriate for a specific ratio) by LTM Adjusted EBITDA as presented below:

	RUB in thousand
Adjusted EBITDA for the year ended 31 December 2018	4,383,657
Less Adjusted EBITDA for the six months ended 30 June 2018	2,661,526
Plus Adjusted EBITDA for the six months ended 30 June 2019	3,770,032
LTM Adjusted EBITDA for the 12 months ended 30 June 2019	**5,492,163**

Calculation of ROE

	For the year ended 31 December			
	2019	**2018**	**2017**	**2016**
	RUB in thousand			
Total equity	5,622,946	5,252,708	4,288,571	1,870,885
Profit / Profit from continuing operations	864,301	2,418,275	3,539,136	2,262,011
Loans and borrowings, current	4,113,275	508,385	68,608	6,297,846
Loans and borrowings, non-current	12,230,812	4,790,006	4,290,006	-
ROE	**15.9%**	**50.7%**	**114.9%**	**279.1%**

Notes:

(1) ROE for the years ended 31 December 2019, 2018 and 2017 represents profit / profit from continuing operations divided by the average of total equity for the current and the previous years.

Calculation of ROCE

	For the year ended 31 December			
	2019	**2018**	**2017**	**2016**
	RUB in thousand			
Total equity	5,622,946	5,252,708	4,288,571	1,870,885
Profit / Profit from continuing operations	864,301	2,418,275	3,539,136	2,262,011
Loans and borrowings, current	4,113,275	508,385	68,608	6,297,846
Loans and borrowings, non-current	12,230,812	4,790,006	4,290,006	-
ROCE	**5.3%**	**25.2%**	**42.1%**	**31.78%**

Notes:

(1) ROCE for the years ended 31 December 2019, 2018 and 2017 represents profit / profit from continuing operations divided by the aggregate of (a) the average of total equity for the current and the previous years and (b) the average of loans and borrowings for the current and the previous years.

New contract sales and cash collections

	New contract sales(1)				
	2020	**2019**	**2018**	**2017**	**2016**
	NSA, thousand sqm				
Quarter 1	124	126	111	85	67
Quarter 2	93	106	124	75	75
Quarter 3	n/a	114	114	95	102
Quarter 4	n/a	118	163	131	96
	New contract cash collections(2)				
	2020	**2019**	**2018**	**2017**	**2016**
	RUB in millions				
Quarter 1	11,790	11,660	8,523	6,762	5,408
Quarter 2	12,176	10,045	9,735	6,012	6,592
Quarter 3	n/a	9,064	9,917	7,624	7,001
Quarter 4	n/a	12,148	14,326	9,837	5,920
Total	**23,966**	**42,917**	**42,501**	**30,235**	**24,921**

Notes:

(1) New contract sales represent the number of square metres of residential units and apartment-type units (by net sellable area) sold in the respective quarter of a year.

(2) New contract cash collections represent the cash received in the respective quarter of a year from the sale of residential units and apartment-type units.

The following table sets out the Group's sales in square metres and number of contracts (including in respect of the land plots held in the form of freehold ownership, leasehold rights and rights pursuant to other preliminary non-binding arrangements) excluding those transferred as consideration for the acquisition of land plots, the sales price per square metre and the cash collections for years 2019 and 2020 presented on a quarterly basis.

Project	Type		1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	Total
Total residential sales........		**Sales, sq.m.**	125,701	105,739	113,804	117,718	123,510	93,429	568,742
		Sales, lots	2,864	2,458	2,594	2,629	2,785	2,017	15,347
		Sales price, RUB/sq.m.	92,138	96,205	98,794	101,141	108,490	111,658	510,785
		Sales, RUB	**11,581,810,906**	**10,172,564,913**	**11,243,191,924**	**11,906,115,377**	**13,399,648,851**	**10,432,094,643**	**68,735,426,614**
Total commercial sales......		**Sales, sq.m.**	1,236	2,806	2,679	3,544	3,813	4,997	**19,075**
		Sales, lots	36	78	26	40	47	44	**271**
		Sales price, RUB/sq.m.	122,644	114,905	131,381	131,382	137,028	154,330	**652,773**
		Sales, RUB	**151,599,9680**	**322,409,109**	**351,942,647**	**465,596,366**	**522,487,133**	**771,108,395**	**3,949,543,330**
Total parking sales		**Sales, sq.m.**	445	443	527	1,458	415	1,012	4,300
		Sales, lots	16	30	36	99	26	75	282
		Sales price, RUB/lot	1,353,149	1,165,281	1,179,158	1,128,542	1,105,706	995,252	6,927,088
		Sales, RUB	**21,650,391**	**34,958,429**	**42,449,673**	**111,725,663**	**28,748,364**	**74,643,926**	**314,176,446**
Total Storeroom sales		**Sales, sq.m.**	72	114	77	251	45	37	596
		Sales, lots	21	45	32	91	20	11	220
		Sales price, RUB/sq.m.	83,047	95,088	97,125	104,260	116,992	86,253	488,931
		Sales, RUB	**5,978,526**	**10,792,5338**	**7,478,620**	**26,169,210**	**5,264,662**	**3,191,356**	156,007,712
Total sales Vnukovo		**Sales, sq.m.**	194	-	-	-	-	-	194
		Sales, lots	3	-	-	-	-	-	3
		Sales price, RUB/sq.m.	108,712	-	-	-	-	-	108,712
		Sales, RUB	**21,133,665**	**-**	**-**	**-**	**-**	**-**	**21,133,665**
Vnukovo, 1 stage	Residential...	**Sales, sq.m.**	30	-	-				30
		Sales, lots	1	-	-				1
		Sales price, RUB/sq.m.	136,055	-	-	-	-	-	136,055
		Sales, RUB	4,074,840	-	-				4,074,840
	Commercial..	**Sales, sq.m.**	-	-	-				-
		Sales, lots	-	-	-				-
		Sales price, RUB/sq.m.	-	-	-	-	-	-	-
		Sales, RUB	-	-	-				-
Vnukovo, 2 stage	Residential...	**Sales, sq.m.**	164	-	-				164
		Sales, lots	2	-	-				2
		Sales price, RUB/sq.m.	103,733	-	-	-	-	-	103,733
		Sales, RUB	17,058,825	-	-				17,058,825
	Commercial..	**Sales, sq.m.**	-	-	-				-
		Sales, lots	-	-	-				-

Project	Type		1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	Total
		Sales price, RUB/sq.m.	-	-	-	-	-	-	-
		Sales, RUB	-	-	-				-
Total sales Lyubertsy		**Sales, sq.m.**	**17,122**	**16,147**	**17,421**	**17,469**	**15,269**	**11,905**	**95,333**
		Sales, lots	**361**	**340**	**372**	**375**	**314**	**236**	**1,998**
		Sales price, RUB/sq.m.	**93,174**	**93,973**	**93,522**	**97,209**	**103,212**	**105,309**	**586,399**
		Sales, RUB	**1,595,286,313**	**1,517,375,991**	**1,629,252,028**	**1,698,144,209**	**1,575,958,778**	**1,253,707,004**	**9,269,724,323**
Lyubertsy, 1 stage	**Residential...**	**Sales, sq.m.**	-	-	-	37			37
		Sales, lots	-	-	-	1			1
		Sales price, RUB/sq.m.	-	-	-	104,054	-	-	104,054
		Sales, RUB	-	-	-	3,850,015	-	-	3,850,015
Lyubertsy, 2 stage	**Apartment...**	**Sales, sq.m.**	-	-	-				-
		Sales, lots	-	-	-				-
		Sales price, RUB/sq.m.	-	-	-	-	-	-	-
		Sales, RUB	-	-	-				-
	Commercial..	**Sales, sq.m.**	-	-	-				-
		Sales, lots	-	-	-				-
		Sales price, RUB/sq.m.	-	-	-	-	-	-	-
		Sales, RUB	-	-	-				-
Lyubertsy, 3 stage	**Residential...**	**Sales, sq.m.**	948	850	341				2,139
		Sales, lots	18	16	7				41
		Sales price, RUB/sq.m.	88,129	91,289	99,496	-	-	-	278,914
		Sales, RUB	83,572,404	77,604,752	33,928,204				195,105,360
	Commercial..	**Sales, sq.m.**	-	-	-				-
		Sales, lots	-	-	-				-
		Sales price, RUB/sq.m.	-	-	-	-	-	-	-
		Sales, RUB	-	-	-				-
Lyubertsy, 4 staage	**Residential...**	**Sales, sq.m.**	5,366	2,526	482	400	1	59	8,834
		Sales, lots	106	51	10	9	-	1	177
		Sales price, RUB/sq.m.	99,453	104,917	112,701	119,093	1,339,661	108,794	1,884,619
		Sales, RUB	533,686,650	264,967,740	54,322,019	47,637,152	1,473,627	6,418,860	908,506,048
	Commercial..	**Sales, sq.m.**	849	811	414	485	267	14	2,840
		Sales, lots	10	11	6	9	4	-	40
		Sales price, RUB/sq.m.	121,186	109,615	115,263	135,189	111,706	297,771	890,730
		Sales, RUB	102,850,852	88,842,946	47,718,926	65,566,544	29,825,440	4,168,800	338,973,508
Lyubertsy, 5 stage	**Residential...**	**Sales, sq.m.**	9,958	11,961	16,184	16,384	14,183	11,339	80,009
		Sales, lots	227	262	349	353	300	228	1,719
		Sales price, RUB/sq.m.	87,884	90,793	92,269	95,246	101,323	104,098	571,613

Project	Type		1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	Total
		Sales, RUB	875,176,407	1,085,960,554	1,493,282,879	1,560,517,736	1,437,068,184	1,180,366,385	7,632,372,145
		Sales, sq.m.				163	818	493	1,474
		Sales, lots				3	10	7	20
	Commercial.	**Sales price, RUB/sq.m.**	-	-	-	126,213	131,530	127,288	266,654
		Sales, RUB				20,572,762	107,591,527	62,752,959	190,917,248
		Sales, sq.m.	**4,625**	**2,248**	**3,971**	**5,291**	**7,501**	**5,551**	**29,187**
		Sales, lots	**102**	**49**	**84**	**108**	**155**	**105**	**603**
Total sales Nekrasovka		**Sales price, RUB/sq.m.**	**112,325**	**125,616**	**125,328**	**126,745**	**129,921**	**134,082**	**754,017**
		Sales, RUB	**519,534,932**	**282,423,050**	**497,6767,458**	**670,608,860**	**974,534,851**	**744,291,426**	**8,168,160,577**
		Sales, sq.m.	4,625	2,248	3,971	5,291	4,175	2,524	22,834
		Sales, lots	102	49	84	108	80	47	470
	Residential...	**Sales price, RUB/sq.m.**	112,325	125,616	125,328	126,745	134,019	141,457	765,490
Nekrasov-ka, 1 stage		**Sales, RUB**	519,534,932	282,423,050	497,676,458	670,608,860	559,529,669	357,036,908	2,886,809,877
		Sales, sq.m.	-	-	-	-	-	-	-
		Sales, lots	-	-	-	-	-	-	-
	Commercial.	**Sales price, RUB/sq.m.**	-	-	-	-	-	-	-
		Sales, RUB	-	-	-	-	-	-	-
		Sales, sq.m.	-	-	-	-	3,326	3,027	6,353
		Sales, lots	-	-	-	-	75	58	133
Nekrasov-ka, 2 stage	**Residential...**	**Sales price, RUB/sq.m.**	-	-	-	-	124,776	127,933	252,709
		Sales, RUB	-	-	-	-	415,005,182	387,254,518	802,259,700
		Sales, sq.m.	**16,819**	**11,834**	**16,207**	**14,537**	**15,069**	**13,108**	**87,574**
		Sales, lots	**387**	**283**	**397**	**310**	**329**	**270**	**1,976**
Total sales Putilkovo		**Sales price, RUB/sq.m.**	**99,092**	**107,253**	**108,167**	**106,483**	**114,336**	**123,894**	**659,225**
		Sales, RUB	**1,666,600,471**	**1,269,254,995**	**1,753,059,040**	**1,547,940,068**	**1,722,931,611**	**1,624,006,894**	**9,583,793,079**
		Sales, sq.m.	16,819	11,834	7,623	1,919	2,197	2,151	42,543
		Sales, lots	387	283	185	40	44	48	987
	Residential...	**Sales price, RUB/sq.m.**	99,092	107,253	112,886	123,475	124,612	123,782	691,100
Putilkovo, 1 stage		**Sales, RUB**	1,666,600,471	1,269,254,995	860,532,643	236,947,635	273,772,652	266,254,294	4,573,362,690
		Sales, sq.m.				722	291	378	1,391
		Sales, lots				10	6	7	23
	Commercial.	**Sales price, RUB/sq.m.**	-	-	-	113,249	174,615	156,046	443,910
		Sales, RUB				81,766,021	50,813,015	58,985,358	191,564,394
		Sales, sq.m.	-	-	8,584	11,896	12,581	9,819	42,800
		Sales, lots	-	-	212	260	279	214	965
Putilkovo, 2 stage	**Residential.....**	**Sales price, RUB/sq.m.**	-	-	103,976	103,331	111,147	114,957	**433,411**
		Sales, RUB	-	-	892,526,397	1,229,226,412	1,398,345,944	1,128,767,242	**4,648,865,995**

Project	Type		1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	Total
	Commercial...	**Sales, sq.m.**						760	760
		Sales, lots						1	1
		Sales price, RUB/sq.m.	-	-	-	-	-	223,684	223,684
		Sales, RUB						170,000,000	170,000,000
Total sales Tomilino		**Sales, sq.m.**	**19,236**	**15,669**	**17,679**	**17,990**	**15,814**	**12,328**	**82,525**
		Sales, lots	**410**	**331**	**365**	**372**	**328**	**266**	**2,072**
		Sales price, RUB/sq.m.	**76,387**	**82,416**	**84,377**	**89,049**	**94,885**	**99,385**	**526,499**
		Sales, RUB	**1,469,413,158**	**1,291,335,751**	**1,491,709,017**	**1,601,984,439**	**1,500,505,337**	**1,225,217,564**	**8,580,165,266**
Tomilino, 1 stage	**Residential...**	**Sales, sq.m.**	2,278	1,326	3,175	682	-	-	7,461
		Sales, lots	41	23	51	10	-	-	125
		Sales price, RUB/sq.m.	87,452	90,226	86,248	86,832	-	-	350,758
		Sales, RUB	199,174,801	119,645,409	273,837,892	59,219,664	-	-	651,877,766
	Commercial..	**Sales, sq.m.**	-126	1 145	458	499	387	162	2,525
		Sales, lots	- 1	10	4	5	3	2	23
		Sales price, RUB/sq.m.	103 000	94,664	102,161	104,743	107,708	102,873	615,149
		Sales, RUB	-12,973,880	108,353,732	46,789,944	52,266,831	41,682,860	16,665,423	252,784,910
Tomilino, 2 stage	**Residential....**	**Sales, sq.m.**	17,085	13,198	14,046	16,809	10,696	5,095	76,929
		Sales, lots	370	298	310	357	221	119	1,675
		Sales price, RUB/sq.m.	75,108	80,569	83,375	88,673	98,031	103,652	529,408
		Sales, RUB	1,283,212,237	1 063,336,610	1,171,081,181	1,490,497,944	1,048,538,118	528,106,730	5,521,436,210
	Commercial..	**Sales, sq.m.**						1,213	1,213
		Sales, lots						13	13
		Sales price, RUB/sq.m.	-	-	-	-	-	122,576	122,576
		Sales, RUB						148,684,681	148,684,681
Tomilino, 3 stage	**Residential....**	**Sales, sq.m.**				-	4,731	5,858	10,589
		Sales, lots				-	104	132	236
		Sales price, RUB/sq.m.				-	86,723	90,775	177,498
		Sales, RUB				-	410,284,359	531,760,730	942,045,089
Total sales Khimki		**Sales, sq.m.**	**5,595**	**1,221**	**180**	**-49**	**53**	**183**	**7,183**
		Sales, lots	**101**	**22**	**5**	**-1**	**-**	**3**	**130**
		Sales price, RUB/sq.m.	**73,435**	**82,482**	**94,097**	**99,181**	**150,595**	**89,326**	**589,116**
		Sales, RUB	**410,856,093**	**100,676,950**	**16,937,385**	**-4,859,862**	**7,981,529**	**16,346,573**	**547,938,668**
Khimki , 1 stage	**Residential...**	**Sales, sq.m.**	5,347	1,071	130	-49	-60	49	6,488
		Sales, lots	97	19	4	-1	-1	1	119
		Sales price, RUB/sq.m.	72,678	78,031	94,691	99,181	67,672	89,808	502,061
		Sales, RUB	388,603,044	83,532,434	12,309,785	-4,859,862	-4,060,316	4,400,592	479,925,677
	Commercial...	**Sales, sq.m.**	248	150	50	-	113	134	695

Project	Type		1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	Total
		Sales, lots	4	3	1	-	1	2	11
		Sales price, RUB/sq.m.	89,766	114,221	92,552	-	106,565	89,149	492,253
		Sales, RUB	22,253,049	17,144,516	4,627,600	-	12,041,845	11,945,981	68,012,991
Total sales Ostafyevo		**Sales, sq.m.**	**16,497**	**14,855**	**12,178**	**10,640**	**19,341**	**14,699**	78,634
		Sales, lots	**385**	**352**	**277**	**230**	**432**	**322**	1,998
		Sales price, RUB/sq.m.	**103,839**	**111,003**	**116,751**	**116,335**	**119,500**	**120,255**	569,378
		Sales, RUB	**1,713,077,526**	**1,648,903,594**	**1,421,830,416**	**1,237,829,861**	**2,311,253,678**	**1,767,626,588**	**10,100,521,663**
Ostafyevo, 1 stage	**Residential...**	**Sales, sq.m.**	16,497	14,855	12,178	3,861	2,586	2,483	52,460
		Sales, lots	385	352	277	85	58	52	1,209
		Sales price, RUB/sq.m.	103,839	111,003	116,751	125,336	130,791	128,701	716,421
		Sales, RUB	1,713,077,526	1,648,903,594	1,421,830,416	483,953,023	338,225,152	319,564,357	5,925,554,068
	Commercial.	**Sales, sq.m.**				87	1,141	280	1,508
		Sales, lots				1	12	3	16
		Sales price, RUB/sq.m.	-	-	-	122,251	134,595	108,365	365,211
		Sales, RUB				10,635,820	153,572,582	30,342,339	194,550,741
Ostafyevo, 2 stage	**Residential...**	**Sales, sq.m.**				6,692	15,614	11,936	**34,242**
		Sales, lots				144	362	267	**773**
		Sales price, RUB/sq.m.	-	-	-	111,064	116,527	118,777	**346,368**
		Sales, RUB				743,241,018	1,819,455,944	1,417,719,892	3,980,416,854
Total sales Prigorod Lesnoe		**Sales, sq.m.**	**20,642**	**18,912**	22,955	27,135	26,374	19,548	135,566
		Sales, lots	**468**	**440**	**502**	**622**	**598**	**425**	**3,055**
		Sales price, RUB/sq.m.	**87,337**	**88,040**	**90,123**	**93,741**	**94,171**	**95,553**	**469,729**
		Sales, RUB	**1,802,817,629**	**1,665,059,170**	**2,068,812,026**	**2,543,630,508**	**2,483,673,325**	**1,867,861,617**	**12,431,854,275**
Prigorod Lesnoe, 1 stage	**Residential....**	**Sales, sq.m.**	773	74	151	110	-	147	1,255
		Sales, lots	11	1	3	2	-	2	19
		Sales price, RUB/sq.m.	88,426	106,335	116,630	100,275	-	84,651	391,350
		Sales, RUB	68,395,915	7,844,366	17,611,086	11,030,260	-	12,443,679	117,325,306
	Commercial...	**Sales, sq.m.**	52	-	898	175	325	-	1,450
		Sales, lots	1	-	5	2	4	-	12
		Sales price, RUB/sq.m.	116,419	-	112,023	106,951	114,181	-	449,574
		Sales, RUB	6,031,680	-	100,616,510	18,670,510	37,108,830	-	162,427,530
Prigorod Lesnoe, 2 stage	**Residential....**	**Sales, sq.m.**	11,538	4,566	5,656	3,209	1,341	838	27,148
		Sales, lots	271	114	134	73	29	18	639
		Sales price, RUB/sq.m.	92,071	103,841	103,240	114,093	111,881	114,171	546,381
		Sales, RUB	1,062,330,524	474,131,482	583,927,040	366,125,878	150,032,027	95,675,639	2,732,222,590
	Commercial..	**Sales, sq.m.**	162	523	400	963	-	83	2,131
		Sales, lots	1	7	5	8	-	1	22

Project	Type		1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	Total
		Sales price, RUB/sq.m.	130,084	143,597	161,247	125,458	-	108,434	668,820
		Sales, RUB	21,102,220	75,030,696	64,539,260	120,823,116	-	9,000,000	290,495,292
		Sales, sq.m.	8,117	13,750	15,850	22,678	24,708	18,480	60,311
		Sales, lots	184	318	355	537	565	404	2,363
	Residential....	**Sales price, RUB/sq.m.**	79,462	80,584	82,153	89,381	92,947	94,737	519,264
Prigorod Lesnoe, 3 stage		**Sales, RUB**	644,957,290	1,108,052,625	1,302,118,130	2,026,980,744	2,296,532,468	1,750,742,299	9,129,383,556
		Sales, sq.m.	-						-
		Sales, lots	-						-
	Commercial..	**Sales price, RUB/sq.m.**	-	-	-	-	-	-	-
		Sales, RUB	-						-
		Sales, sq.m.							
		Sales, lots							
Prigorod Lesnoe, 4 stage	**Residential....**	**Sales price, RUB/sq.m.**	-	-	-	-	-	-	-
		Sales, RUB							
		Sales, sq.m.	**14,230**	**13,665**	**15,555**	**14,560**	**14,182**	**10,355**	**56,636**
		Sales, lots	**358**	**363**	**392**	**464**	**400**	**269**	**2,246**
Total sales Sputnik		**Sales price, RUB/sq.m.**	**109,232**	**114,494**	**116,707**	**121,459**	**120,459**	**134,624**	**716,975**
		Sales, RUB	**1,554,359,429**	**1,564,611,756**	**1,815,421,871**	**1,768,464,852**	**1,708,385,273**	**1,393,961,799**	**9,805,204,980**
		Sales, sq.m.	8,601	7,797	5,439	2,133	602	112	24,684
		Sales, lots	199	172	121	38	91	1	622
	Residential....	**Sales price, RUB/sq.m.**	114,069	118,822	123,268	128,273	131,775	186,393	802,600
		Sales, RUB	981,136,353	926,462,505	670,452,461	273,607,132	79,370,544	20,875,996	2,951,904,991
		Sales, sq.m.	392	342	342	940	194	507	2,717
		Sales, lots	12	23	23	61	10	37	166
	Parking.........	**Sales price, RUB/sq.m.**	1,479,217	1,184,629	1,241,950	1,200,100	1,177,702	1,085,239	7,368,837
Sputnik, 1 stage		**Sales, RUB**	17,750,601	27,246,470	28,564,857	73,206,078	11,777,020	40,153,858	198,698,884
		Sales, sq.m.	51	178	458	450	299	1,027	2,463
		Sales, lots	1	2	5	5	6	1	20
	Commercial..	**Sales price, RUB/sq.m.**	239,855	185,446	191,222	211,663	275,997	148,124	1,252,307
		Sales, RUB	12,335,759	33,037,219	87,650,407	95,294,762	82,522,987	152,123,238	462,964,372
		Sales, sq.m.	72	114	77	251	45	37	596
		Sales, lots	21	45	32	91	20	11	220
	Storeroom..	**Sales price, RUB/sq.m.**	83,047	95,088	97,125	104,260	116,992	86,253	488,931
		Sales, RUB	5,978,526	10,792,538	7,478,620	26,169,210	5,264,662	3,191,356	58,874,912
Sputnik, 2 stage	**Residential.....**	**Sales, sq.m.**	5,274	5,346	9,350	11,495	13,005	8,572	44,627
		Sales, lots	121	114	198	231	257	173	1,094

Project	Type		1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	Total
		Sales price, RUB/sq.m.	101,107	104,638	107,742	109,758	116,300	121,408	545,816
		Sales, RUB	533,258,400	559,361,065	1,007,390,709	1,261,668,085	1,512,478,716	1,040,712,229	5,914,869,204
	Parking.......	**Sales, sq.m.**	53	101	185	518	221	505	1,583
		Sales, lots	4	7	13	38	16	38	116
		Sales price, RUB/sq.m.	974,948	1,101,708	1,068,063	1,013,673	1,060,709	907,633	6,126,734
		Sales, RUB	3,899,791	7,711,959	13,884,816	38,519,585	16,971,344	34,490,068	115,477,563
	Commercial...	**Sales, sq.m.**						376	376
		Sales, lots						8	8
		Sales price, RUB/sq.m.	-	-	-	-	-	272,743	272,743
		Sales, RUB						102,415,054	102,415,054
	Storeroom...	**Sales, sq.m.**							
		Sales, lots							
		Sales price, RUB/sq.m.	-	-	-	-	-	-	-
		Sales, RUB							
Total sales Murino		**Sales, sq.m.**	**12,279**	**14,338**	**10,644**	**7,358**	**4,039**	**2,366**	**51,024**
		Sales, lots	**342**	**386**	**294**	**213**	**104**	**55**	**1,394**
		Sales price, RUB/sq.m.	**82,085**	**83,768**	**89,286**	**94,536**	**96,609**	**95,091**	**541,375**
		Sales, RUB	**1,007,960,286**	**1,201,083,733**	**950,364,623**	**695,598,397**	**390,205,016**	**224,984,488**	**4,470,196,543**
Murino, 1 stage	**Residential.....**	**Sales, sq.m.**	-	-	-	-	-	-	-
		Sales, lots	-	-	-	-	-	-	-
		Sales price, RUB/sq.m.	-	-	-	-	-	-	-
		Sales, RUB	-	-	-	-	-	-	-
Murino, 2 stage	**Residential.....**	**Sales, sq.m.**	3,353	2,154	813	493	119	376	7,308
		Sales, lots	75	45	16	10	3	9	158
		Sales price, RUB/sq.m.	84,745	86,035	87,917	90,928	96,840	94,561	453,870
		Sales, RUB	284,127,901	185,328,695	71,476,115	44,827,332	11,523,922	35,554,791	632,838,756
Murino, 3 stage	**Residential.....**	**Sales, sq.m.**	8,927	12,184	9,831	6,865	3,920	1,990	38,398
		Sales, lots	267	341	278	203	101	46	1,236
		Sales price, RUB/sq.m.	81,086	83,368	89,400	94,795	96,602	95,191	451,936
		Sales, RUB	**723,832,385**	**1,015,755,038**	**878,888,508**	**650,771,065**	**378,681,094**	**189,429,697**	**3,837,357,787**
Total sales Alkhimovo.......		**Sales, sq.m.**	**-**	**-**	**-**	**6,813,**	**8,290**	**6,871**	**14,513**
		Sales, lots	**-**	**-**	**-**	**169**	**190**	**169**	**528**
		Sales price, RUB/sq.m.	-	-	-	110,123	113,657	118,209	341,989
		Sales, RUB	**-**	**-**	**-**	**750,265,284**	**942,216,179**	**812,214,774**	**2,504,696,237**
Alkhimovo, 1 stage	**Residential.....**	**Sales, sq.m.**				6,813	8,290	6,871	14,513
		Sales, lots				169	190	169	528
		Sales price,	-	-	-	110,123	113,657	118,209	341,989

Project	Type		1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	Total
		RUB/sq.m.							
		Sales, RUB				750,265,284	942,216,179	812,214,774	2,504,696,237
Alkhimovo, 2 stage	**Residential**	**Sales, sq.m.**							
		Sales, lots							
		Sales price, RUB/sq.m.	-	-	-	-	-	-	-
		Sales, RUB							
Total sales Novodanilovskya,8		**Sales, sq.m.**	-	-	-	-	**1,495**	**1,628**	**3,123**
		Sales, lots	-	-	-	-	**29**	**29**	**58**
		Sales price, RUB/sq.m.	-	-	-	-	**221,522**	**209,910**	**242,513**
		Sales, RUB	-	-	-	-	**331,175,386**	**341,733,331**	**672,908,717**
Novodani-lovskya, 8, 2 stage	**Residential**	**Sales, sq.m.**					1,495	1,628	3,123
		Sales, lots					27	27	54
		Sales price, RUB/sq.m.	-	-	-	-	221,522	209,910	242,513
		Sales, RUB					331,175,386	341,733,331	672,908,717
Total sales Oktyabrsky		**Sales, sq.m.**	-	-	-	-	**172**	**152**	**324**
		Sales, lots	-	-	-	-	**2**	**2**	**4**
		Sales price, RUB/sq.m.	-	-	-	-	**42,605**	**59,778**	**102,383**
		Sales, RUB					**7,328,047**	**9,086,262**	**16,414,309**
Oktyabrsky, 1 stage	**Residential**	**Sales, sq.m.**						75	75
		Sales, lots						1	1
		Sales price, RUB/sq.m.	-	-	-	-	-	67,489	67,489
		Sales, RUB						5,061,700	5,061,700
Oktyabrsky, 1 stage	**Commercial**	**Sales, sq.m.**					172	77	249
		Sales, lots					2	1	3
		Sales price, RUB/sq.m.	-	-	-	-	42,605	52,267	94,872
		Sales, RUB					7,328,047	4,024,562	11,352,609

The following table sets out the Group's target commissioning plan in square metres (of total net sellable area) for the years 2020 to post 2025.

	2%	**4%**	**4%**	**7%**	**11%**	**70%**	
Area in sqm	**2H'2020**	**2021**	**2022**	**2023**	**2024**	**2025+[1]**	**total**
Lyubertsy	93,677	82,202	92,269	84,116	56,596	-	**408,860**
Alhimovo	-	44,669	73,722	44,760	40,453	40,113	**243,717**
Sputnik	-	97,202	5,749	148,475	70,710	162,940	**485,076**
Novodanilovskya,8	-	-	34,816	-	-	-	**34,816**
Ostafyevo	106,653	116,329	75,103	113,061	151,060	149,990	**712,196**
Tomilino	102,895	117,783	-	102,426	98,400	119,200	**540,703**
Nekrasovka		49,559	96,189	-	-	-	**145,748**
Putilkovo	101,261	96,191	-	156,093	86,983	642,912	**1,083,440**
Prigorod Lesnoe	-	137,587	130,000	128,200	128,200	1,447,441	**1,971,428**
Rumyantsevo	-	-	50,758	51,720	68,960	-	**171,438**
Yam	-	-	-	59,124	59,124	245,122	**363,370**

	2%	4%	4%	7%	11%	70%	
Zarechye	-	-	21,787	28,149	29,688	-	**79,624**
Mytishchi	-	-	66,059	27,037	44,423	263,378	**400,896**
Novoe Vnukovo	-	-	87,555	50,243	91,670	391,399	**620,965**
Korobovo	-	-	-	85,000	60,000	615,000	**760,000**
Molzhaninovo	-	-	-	98,540	149,405	855,815	**1,103,760**
Erino	-	-	-	-	90,000	453,000	**543,000**
Ryazanovskoe	-	-	-	-	135,000	1,484,000	**1,619,000**
Esenino Park	-	-	-	-	100,000	1,200,000	**1,300,000**
Yurlovo	-	-	-	85,000	65,694	394,162	**544,856**
Bogdanikha	-	-	-	-	45,000	555,000	**600,000**
Setun Park	-	-	-	-	60,000	167,500	**227,500**
Balashikha	-	-	-	-	80,000	350,223	**430,223**
Poyma	-	-	-	-	80,000	1,897,000	**1,977,000**
Saburovo	-	-	-	-	90,000	392,300	**482,300**
Total	**404,485**	**741,522**	**734,007**	**1,261,942**	**1,881,366**	**11,826,495**	**16,849,817**

Notes:

(1) Residual total unsold net sellable area to be commissioned post 2025.

(2) Ownership rights for certain projects of the Group, in particular the Yam, Erino, Esenino Park, Bogdanikha, Setun Park, Poyma, Saburovo, may not currently be agreed by the Group or currently be in process of registration or receipt of the relevant ownership title as at 30 June 2020.

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

The following overview of the Group's financial condition and results of operations as at and for the six months ended 30 June 2020 and 2019 and as at and for the years ended 31 December 2019, 2018 and 2017 is based on the Financial Statements. You should read this section in conjunction with the Financial Statements, including the notes thereto, as well as the Group's other financial information included elsewhere in this Offering Memorandum.

In addition, the following discussion contains certain forward-looking statements that reflect the Group's plans, estimates and beliefs. The Group's actual results may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum, including in "Risk Factors". See "Forward-Looking Statements" for additional information.

The selected consolidated financial information in this section has been derived from the Financial Statements, in each case without material adjustment, unless otherwise stated. The Financial Statements have been prepared in accordance with IFRS. The Interim Financial Statements have been prepared in accordance with IAS 34.

OVERVIEW

The Group is one of the leading residential developers in Russia conducting its business primarily in the Moscow Metropolitan Area. As at 1 October 2020, the Group was the second largest developer in the Moscow Metropolitan Area and the fourth largest developer in Russia by ongoing construction volume, according to the Unified Register of Developers. As at 30 September 2020, the Group constructed over 2 million square metres of residential housing. For the nine months ended 30 September 2020, it commissioned approximately 39 thousand square metres of residential and commercial space, according to the Unified Register of Developers.

The Group focuses its operations on developing large-scale residential projects, some of which are large urban districts in themselves, comprising residential housing and related infrastructure such as schools and kindergartens, sports centres, parking spaces, inner-roads and power distribution facilities, among others. The Group's projects are predominantly in the mass-market housing segment. The Group is a full-service developer undertaking real estate projects from concept to completion and managing all the key processes within the development cycle. As at 30 June 2020, the Group had nine large-scale projects under construction and 16 additional projects in the design and pre-design phases (including projects land rights for which are in the form of preliminary non-binding arrangements). See *"Business—Ongoing Development Projects*". As at 30 September 2020, the Group had over 1,500 employees.

The Group's operations have historically been concentrated in the Moscow Metropolitan Area, which encompasses Moscow, New Moscow (the territory annexed to Moscow as a part of a large-scale project to expand the territory of Moscow into parts of the Moscow Region) and the Moscow Region. Since its establishment in 2012, the Group has constructed approximately 1,290 thousand square metres of residential housing in the Moscow Region, approximately 181 thousand square metres of residential housing in Moscow, 133 thousand square metres of apartment-type properties (*apartamenty*) (for more information see "*Regulatory matters—Regulation of Real Estate*") in Moscow and the Moscow Region and approximately 200 thousand square metres of residential housing in the Leningrad Region. As at 30 September 2020, the Group had 25 ongoing large-scale development projects in the Moscow Metropolitan Area in various development stages. See *"—Ongoing Development Projects*".

As at 30 June 2020, the Group's total land bank (including in the form of freehold ownership, leasehold rights and rights pursuant to other preliminary non-binding arrangements) was approximately 15.4 million square metres of unsold net sellable area with a total appraised market value of RUB 176,850 million according to the Valuation Report, approximately 29% of which represented projects in the construction phase (with rights to land plots for some stages of such projects being in the form of preliminary non-binding arrangements) and approximately 71% of which represented projects in the design and pre-design phases. *"Business—Ongoing Development Projects*". The Group's profit per square metre as at 30 June 2020 exceeded RUB 30,000 in Moscow and RUB 15,000 in the Moscow Region.

For the years ended 31 December 2017, 2018, 2019 and for the six months ended 30 June 2019 and 2020, the Group had revenues of RUB 42.4 billion, RUB 38.7 billion, RUB 51.1 billion, RUB 23.4 billion and RUB 22.7 billion, respectively. As at 30 June 2020, the Group had total assets of RUB 87.5 billion.

OPERATING SEGMENTS

The Group's real estate development business is currently concentrated in one geographic region, Moscow and the Moscow Region. The Group is planning its expansion into St Petersburg and the Leningrad Region in near future and has hired a team of highly skilled professionals to help it develop its business in the new geographic region.

The Group's business encompasses a full cycle of real estate development activities that range from identification of investment opportunities, performance of feasibility studies, obtaining the necessary construction permits for carrying out construction and commissioning of projects and performing project management activities, and marketing Group's real estate projects to potential buyers. The Group's management does not report separately sales of residential and commercial real estate properties. The Group's management believes that all the Group's operations comprise a single reporting segment. None of the Group's customers represented more than 10% of the Group's revenue in any of the reporting periods under review.

KEY FACTORS AFFECTING THE GROUP'S FINANCIAL RESULTS

The Group's results have been affected, and are expected to be affected in the future, by a variety of factors, including the following:

Macroeconomic Factors

All of the Group's properties and projects, as well as its customers and lending banks, are located in Russia. As a result, Russian macroeconomic trends and country-specific risks significantly influence the Group's performance.

The following table sets out certain Russian economic data for the periods indicated.

	As at or for the six months ended 30 June 2020	As at or for the years ended 31 December 2019	2018	2017
Nominal Gross Domestic Product ("**GDP**") (billions of Roubles, at current prices)(1)	23,288.2	110,046.1	104,629.6	91,843.2
Real GDP growth (%, period-on-period)(1)	1.6	1.3	2.3	1.5
Surplus/(deficit) of the federal budget of the Russian Federation (billions of Roubles)(1)	12.4	1,967.6	2,745.7	(1,331.4)
International reserves (billions of U.S. dollars)(2)	564.8	510.7	455.4	432.1
Inflation (%, period-on-period)(3)	2.8	3.0	4.3	2.5
Appreciation/(depreciation) of the Rouble against the U.S. dollar (%, period-on-period)(4)	9.8	10.9	6.7	14.7
Unemployment rate (%)(1)	6.3	4.6	4.8	5.2
Real wage growth (%, period-on-period)(1)	6.8	2.4	6.8	2.9
Real disposable income growth (%, period-on-period)(1)	(8.0)	0.8	(0.3)	(1.2)

Notes:

(1) *Source:* Rosstat.

(2) International reserves are highly liquid assets held by the CBR and the government of the Russian Federation. The international reserve assets are made up of foreign currency reserves, monetary gold, special drawing rights (SDRs), a reserve position at the International Monetary Fund and other reserve assets. *Source*: CBR.

(3) Inflation is measured as the percentage change in the consumer price index. *Source*: Rosstat.

(4) Real appreciation is distinguished from nominal appreciation because the former also takes into account inflation in Russia and the United States, as well as certain other macroeconomic parametres that are calculated by the CBR. *Source*: CBR.

The state of the Russian economy, in particular its GDP, real wages and disposable income, will continue to significantly affect the Group's results of operations: improved macroeconomic conditions are expected to have a positive effect on the Russian population's disposable income and, consequently, on the willingness of the population to purchase real estate, thus positively affecting demand and policy for the Group's real estate. However, in the event of an economic downturn, the disposable income of the population may be adversely affected and some of the Group's clients may decide to rent housing instead of purchasing it, which may adversely affect the Group's results of operations.

Furthermore, the state of the Russian economy and, consequently, the Group's results of operations, may be affected by a number of other factors, including global macroeconomic conditions, sanctions, trade wars and geopolitical tension, currency volatility, dependence of the Russian economy on commodities and volatility in global prices of commodities, strength and stability of the Russian banking system and the CBR's interest rate policy, as well as health hazards, such as the emergence of COVID-19. In particular, in December 2019, the emergence of COVID-19 was reported in China and subsequently spread across China and several other countries and regions, including Russia, the United States and Europe. As a result of the outbreak, travel restrictions, quarantines and similar measures taken by governments and companies have had a significant impact on global commerce. In March 2020, the Russian government issued a country-wide lockdown, introducing several "non-working weeks", bans on public events, large gatherings (such as schools, sports facilities and bars and restaurants), border controls and travel and other restrictions to slow the spread of COVID-19. Such measures in Russia have reduced business activity, led to significant fall in the market quotations of securities and depreciation of the Rouble against other currencies. Increased volatility in the foreign exchange and securities markets resulted in the Russian population seeking a more stable investments, which in Russia has typically been real estate and, as a result, demand for the Group's properties increased resulting in an increase in sales. However, the suspension of operations on construction sites from 10 April 2020 until 12 May 2020 caused marginal delays in construction schedules and, therefore, to a relative underperformance with respect to the planned construction targets for the first half of 2020. The Group's management assesses the backlog in construction as insignificant and plans to achieve construction targets in the second half of 2020. At the same time, the incentive measures introduced by the Russian government (such as the introduction of a 6.5% interest rate on mortgages) have resulted in an increase in demand for real estate, which had a positive effect on the Group's sales and margins. See also "*Risk Factors—Risks Relating to the Group's Business—The implications of the COVID-19 pandemic and the disruption caused by various counter measures could have material adverse effect on the Group's financial condition",* "*Risk Factors—Risks Relating to the Group's Business—The Russian real estate market is cyclical in nature and, in the event of an economic downturn, the Group's sales and the value of its properties could be materially adversely affected", "Risk Factors—Risks Relating to the Group's Business— A number of factors may hinder the Group's ability to sell its projects on a timely basis", "Risk Factors—Risks Relating to the Group's Business—The Group may be subject to interest rate risk" and "Risk Factors—Risks Relating to the Group's Business— If the Group is unable to obtain adequate funding , it may be unable to fund its working capital and capital expenditure requirements including the acquisition of new properties for development, and may have to limit its operations substantially*".

Regulatory Conditions

The Group operates in a highly regulated industry and is subject to supervision by federal, regional and local authorities. The Group generally complies with such regulations in all material respects. It could be significantly affected by material changes to the existing, or implementation of additional, government regulations in Russia. For example, in 2017 and 2018, the Russian government implemented a number of legislative initiatives intended to reform the rules relating to share participation agreements. Pursuant to a share participation agreement, a purchaser acquires an interest in a property, often, prior to the commencement of its construction. As a result, such purchaser acts as a partial financier of the relevant development, which reduces the developer's requirements for external financing (such as bank loans).

The relevant legislative initiatives are aimed at reducing investment risks associated with investing in development projects for consumers by way of imposing stricter control measures on developers that utilise the share participation scheme. Such measures include, among others: (i) a requirement to utilise a separate project entity for each new development project (provided such project entity received a construction permit after 1 July 2018); (ii) a requirement for such project entity to have minimum capital reserves of at least 10% of the construction costs of the project and an additional 10% in cash reserves for the duration of the project; (iii) a requirement to make mandatory payments to the purchasers' compensatory fund in the amount of 1.2% of the price of each share participation agreement sold by a developer; (iv) requirements related to each project entity's maintenance costs and (v) requirements strengthening control over advance payments to the project entity's contractors and subcontractors. In addition, as a general rule, starting from 1 July 2019, developers are required to use escrow accounts into which payments under share participation agreements are made, and such funds become available to developers only after the commissioning of the relevant housing units; therefore, with a few exceptions, developers no longer have the benefit of interest-free development financing. In order to complete construction of a real estate development, developers will be required to obtain bank financing. Given that such bank loans will be supported by Group customers' money held in escrow, the Group expects that interest rates on such loans will, on average, be substantially lower than those applicable under retail loans or mortgages.

The Group's current projects are largely expected to continue to benefit from the existing exemptions to the escrow account regulations until 2020 (with a few exceptions) and, for the Prigorod Lesnoe, Lyubertsy, Putilkovo and Sputnik projects, until 2021, after which the Group expects to completely switch to escrow-backed housing sales and bank financing.

The table below sets out the Group's ongoing real estate development projects and the share of each project expected to be financed through escrow accounts and bank financing.

Ongoing Development Projects	**Number of stages**	**Stages subject to escrow**	**Total net sellable area (in square metres)**	**% of escrow from total net sellable area**	**Switch to escrow**
Alkhimovo[(2) (3)]	6	All	187,497	100%	2H2019
Novodanilovskya,8[(2)]	1	All	31,738	100%	1H2020
Rumyantsevo[(2)]	3	All	160,000	100%	2020
Korobovo[(2)]	12	All	760,000	100%	2021
Lyubertsy [(1) (3)]	6	6th	208,705	16%	2020
Esenino Park[(3)]	18	All	1,300,000	100%	2022
Molzhaninovo[(3)]	14	All	934,056	100%	2021
Mytishchi[(3)]	7	All	340,734	100%	2020
Nekrasovka[(2)]	3	2nd and 3rd	64,506	66%	1H2020
Ostafyevo[(2)]	6	2nd to 6th	507,858	84%	2H2019
Prigorod Lesnoe[(2)]	17	4th to 22nd	1,970,438	84%	2020
Putilkovo[(1) (3)]	10	3rd to 6th	777,790	81%	2020
Ryazanovskoe[(2)]	16	All	752,800	100%	2021
Sputnik[(1)]	12	3rd and 4th	461,674	51%	2020
Tomilino[(1)]	6	3rd to 6th	644,534	67%	2020
Novoe Vnukovo[(2)]	10	All	620,867	100%	2020
Yurlovo[(2) (3)]	8	All	544,856	100%	2021
Saburovo[(3)]	7	All	482,300	100%	2022
Yam[(3)]	6	All	363,370	100%	2021
Erino	12	All	543,000	100%	2022
Bogdanikha[(3)]	9	All	600,000	100%	2022
Balashikha[(3)]	9	All	430,223	100%	2022
Setun Park[(3)]	3	All	176,380	100%	2022
Poyma[(3)]	20	All	1,977,000	100%	2022
Zarechye[(3)]	3	All	71,140	100%	2021

Notes:

(1) Rights for land plots have been obtained by the Group.

(2) Rights for land plots have been obtained by joint ventures.

(3) Rights for land plots are being considered for acquisition without binding commitments being entered into.

Following the implementation of the above regulatory measures, in particular the introduction of escrow-backed financing, the Group's overall indebtedness and finance costs are expected to rise, which could consequently result in pressure on profitability (unless compensated through price increases); whilst liquidity risks are reduced, which is expected to reduce pressure on sales and allow the Group to achieve a more balanced sales strategy. Although according to Rosstat, residential prices on the primary market in Moscow surged by 17.7% and 3.4% (year-on –year) in the first six months of 2020 and 2019, respectively, and the Group estimates that so far it has been able to pass cost increases to consumers, there is a risk that a further increase in its property prices could reduce demand for its properties, which would put pressure on its revenue. If the Group does not pass these additional costs to consumers, the relevant increase in costs are likely to adversely affect the Group's profitability. See also "*Regulatory Matters–Financing of Construction*" and "*Risk Factors—Risks Relating to the Group's Business—The Group may be affected by changes in legislation related to the real estate development business*."

Mortgage Financing

The availability of mortgage financing and the corresponding interest rates affect demand for the Group's properties and, therefore, are important factors affecting the Group's results of operations. The availability and affordability of mortgage financing is particularly important in the economy- and comfort-class real estate projects (which comprise substantially all of the Group's development projects), due to the limited financial resources of purchasers of these types of properties.

In Russia, mortgages interest rates are closely correlated 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. Therefore, macroeconomic considerations and their impact on the banking system, availability of credit, disposable income and other macroeconomic considerations affect the availability and pricing of mortgages. See "—*Macroeconomic Factors*". The CBR cut the key interest rate by 3.25% in the last three and a half years, from 7.75% as at 31 December 2017, to 7.50% as at 17 September 2018, 6.25% as at 16 December 2019 and further to 4.25% as at 27 July 2020. Consequently, average mortgage interest rates (representing interest rates in respect of Rouble-denominated mortgages to Russian residents, as reported by the CBR) also declined from 10.78% as at 31 December 2017, to 9.54% as at 31 December 2018 and further to 7.4% as at 30 June 2020. Therefore, the CBR's key interest rate has a significant impact on the average mortgage interest rate.

In 2020, the Russian government instituted a mortgage lending support programme intended to support the construction sector of the economy by offering subsidised mortgages to the public. Under the programme, the government compensates participating banks for lowering their interest rates on mortgages. The programme has had a positive effect on sales of real estate developers, including on the Group's sales. On 14 October 2020, the Ministry of Finance of the Russian Federation submitted a draft resolution to the government proposing to extend the existing subsidised programme from 1 November 2020 (the previous deadline) to the first half of 2021.

A reduction in mortgage interest rates typically results in an expansion of the pool of potential purchasers of economy- and comfort-class real estate projects, which, consequently, has a positive effect on the Group's results of operations. Conversely, an increase in the CBR's key interest rate is likely to increase mortgage interest rates, which would have an adverse effect on the Group's results of operations. Also see "*Risk Factors—Risks Relating to the Group's Business—The Group may be subject to interest rate risk*".

Construction Costs and Other Development Costs

During the periods under review, the Group experienced increases in development and construction costs, including costs of materials, labour and pre-design and pre-construction processes. These increases were driven primarily by an increase in the number and scope of projects undertaken by the Group, rising expenses for contractors' fees as the Group switched to using more reliable but also more expensive contractors, as well as, to a lesser extent, cost increases resulting from increased demand for certain construction materials, such as cement and metal, which at times outpaced inflation growth. Demand for metals and other raw materials used by the Group generally correlates with macroeconomic fluctuations, which are in turn affected by global economic conditions, prices of iron ore and other natural resources, global production capacity and capacity utilisation rates as well as inflation and exchange rates and trade barriers.

Labour and other costs have been increasing in recent years due to labour shortages and growing costs of living in Russia, particularly in Moscow and the Moscow Region, driven, primarily, by the devaluation of the Rouble by more than 50% since early 2014 (and a corresponding increase in the price of imported products), international sanctions and Russian counter sanctions to ban a large number of foods imported from the United States and EU, and other factors. In addition, the increase in the VAT rate by 2% from 1 January 2019 has further increased retail prices and, subsequently, the cost of living in Russia. As a result of cost increases and because not all of these cost increases could be readily passed on to its real estate purchasers, the Group continued to experience pressure on profitability.

See "*Risk Factors—Risks Relating to the Group's Business—The Group may be subject to increases in operating, development and other expenses*" and "*Risk Factors—Risks Relating to the Group's Business— The Group may be subject to increased costs or project delays or cancellations if it is unable to hire contractors to build its projects on commercially reasonable terms, or at all, or if the contractors it hires fail to build the Group's projects to its high standards*".

Acquisition and Disposal of Subsidiaries

Disposal of a subsidiary

In December 2017, the Group disposed of several subsidiaries to a related party that (i) had provided loans to other related parties and (ii) owned land plots that had been pledged to receive bank loans. The losses of the subsidiaries included in total comprehensive income for the year amounted to RUB 73 million, and the effect of their disposal in the amount of RUB 389,665 thousand was recognised in equity.

In December 2018, the Group disposed of two subsidiaries. These subsidiaries engaged in the maintenance of multi-unit residential complexes, which were repurchased back from the related party in the first half of 2020.

Acquisition of subsidiaries

In the first half of 2019, the Group acquired a 100% interest in LLC "SD DM Apartments" that held a land plot on a leasehold basis, on which the Group plans to undertake a development project through a subsidiary in which the Group owns a 74% equity interest. The acquisition was classified as a purchase of an asset, since the acquired subsidiary had no activities at the time of the transaction. The acquisition cost, discounted to the date of payment, was RUB 1,108,695 thousand and was accounted in inventories in the amount of RUB 981,678 thousand (less the fair value of other acquired financial assets and liabilities).

On 19 December 2018, the Group acquired a 100% interest in LLC "Nekrasovka Invest" for RUB 409,865 thousand.

The acquisitions of the above companies were accounted for as acquisition of assets and not equity since, as at the date of acquisition, the companies had not developed the land plots they owned. The cost of acquisition was mostly allocated to inventories less relative fair values of payables and receivables of such subsidiaries at the date of acquisition.

On 28 June 2018, the Group acquired a 73.68% interest in LLC Samolet Dve Stolitsy, which, at the time of the acquisition, was the development entity for the Murino project in the Leningrad Region.

Acquisition under common control

In October 2018, the Group completed its corporate restructuring and, on 19 October 2018, the top company was registered as Samolet Group Public Joint Stock Company, which is now the holding company for all the Group's businesses. Also see "*Business—Corporate Structure*". To comply with its accounting policy, the Group restated financial statements as at and for the year ended 31 December 2017 to reflect the acquisition of the Company in 2018 as if it had taken place prior to 1 January 2017 when common control was obtained. The restatement resulted in net assets of the Group as at 31 December 2017 reported in the financial statements before restatement being decreased by RUB 58,757 thousand. As result of the acquisition of the Company under common control, the Company now holds a 100% equity interest in most Group companies.

In December 2017, the Group acquired 65% in LLC Mega-City through the contribution of monetary funds to the share capital of the company, which was previously controlled by Hyper Development Pte. Ltd. (Singapore). As a result of the acquisition, the Group acquired the legal interest in the company, over which it previously had only actual (beneficial) control. Based on the accounting policy applied, the Group included LLC Mega-City's results in the Group's financial statements since the date it acquired the actual control over the company.

Revenue and Cost Recognition

The Group elected to effect an early-adoption of the IFRS 15 accounting standard "Revenue from Contracts with Customers" starting from its first reporting period discussed herein. Although this revenue reporting standard is generally not applicable to reporting periods prior to 1 January 2018, the Group has adopted this standard for its Financial Statements in full and without exemptions starting from 2017. The adoption of IFRS 15 has changed the timing of recognition of revenue under share participation agreements (the "**share participation agreement**" or "**SPA**") entered into by the Group with its customers relating to the housing projects. The Group's revenue consists primarily of revenue generated under share participation agreements with its customers. See "*Regulatory matters—Financing of Construction*" and "*Business—Real Estate Development and Construction—Development Process—Project Design*". Following the adoption of IFRS 15, revenue from share participation agreements relating to a particular project is to be recognised over time in proportion to the accrual of costs incurred in, and the stage of completion of, the relevant project. For the effects of the relevant changes to revenue recognition on the Group's revenue resulting from the adoption of IFRS 15 by the Group, see "*—Results of Operations for the Years Ended 31 December 2018 Compared with the Year Ended 31 December 2017—Revenue*".

In addition, the adopted IFRS 15 requires that the Group recognise the financing component embedded in the funding it receives under a share participation agreement as a finance cost.

Significant Financing Component

IFRS 15 also requires the Group to assess, in respect of each share participation agreement, whether it contains a significant financing component. The financing component arises as one party is deemed to be providing financing to the other for the period between the receipt of payment under the share participation agreement and the transfer of title to a relevant property (in case of a pre-completion purchase) or between the transfer of title and receipt of payment under the share participation agreement (in case of, for example, a payment for property in instalments). Therefore, the total contract price for accounting purposes is broken down into the actual price of the property and the financing component, accounted for as a finance cost or income (as the case may be) in the financial statements of the Group. The contract price (and, consequently, revenue) is adjusted using a discount rate that reflects the rate that would be used in a separate financing transaction between the Group and its customer.

To determine the amount of the financing component under a share participation agreement, the Group takes into consideration the payment schedule under the share participation agreement, the expected completion rate for each reporting date between the date of the share participation agreement and completion of property construction and a relevant discount rate determined by the Group.

In the reporting periods under review, Group's sales were mostly based on share participation agreements pre-financed by its customers. Therefore, the adoption of IFRS 15 and reporting of the significant financing component had a significant impact on the Group's financial performance for the years ended 31 December 2018 and 2017. In 2019 and the first half of 2020, as the Group continued to implement escrow-backed financing of its real estate projects, the significant financing component continued to be reduced and had a lower impact on the Group's financial results, as it will no longer receive advance payment from its customers prior to project completion. This trend is expected to continue in the short- to medium term.

Seasonality

The Group's results of operations are subject to some seasonality. This applies in particular to the Group's construction activities, as due to the weather conditions in the Moscow Region a full range of construction work can only be carried out from late spring until late autumn/early winter. Certain construction works (such as, for example, excavation and foundation works) cannot be performed in winter due to cold weather. Consequently, because fewer properties are completed and commissioned during the first half of a year, revenue recognised over time is lower in the first half of a year than in the second half of a year. This seasonality means that the Group's revenue and expenses are not evenly spread across the year.

RECENT DEVELOPMENTS

Sales volumes in the nine months ended 30 September 2020 increased by 21%, from RUB 34 billion for the nine months ended 30 September 2019 to RUB 41 billion for the nine months ended 30 September 2020. Sales volumes (in terms of square metres) in the nine months ended 30 September 2020 remained relatively stable. For the nine months ended 30 September 2020, the Group sold 348 thousand square metres compared to 353 thousand square metres for the nine months ended 30 September 2019. The average price per square metre increased by 23%, from RUB 96 thousand per square metre for the nine months ended 30 September 2019 to RUB 118 thousand per square metre for the nine months ended 30 September 2020. In September 2020, the average price exceeded RUB 132 thousand per square metre.

Sales volumes of residential property in Moscow and New Moscow increased by 125%, from RUB 6.1 billion for the nine months ended 30 September 2019 to RUB 13.7 billion for the nine months ended 30 September 2020. Sales volumes (in terms of square metres) of residential property in Moscow and New Moscow increased by 86%, from 54.6 thousand square metres for the nine months ended 30 September 2019 to 101.5 thousand square metres for the nine months ended 30 September 2020.

Sales volumes of residential property in the Moscow Region in the nine months ended 30 September 2020 remained relatively stable. For the nine months ended 30 September 2020, sales volumes were RUB 24.3 billion compared to RUB 23.7 billion for the nine months ended 30 September 2019. Sales volumes (in terms of square metres) of residential property in the Moscow Region decreased by 12%, from 253.6 thousand square metres for the nine months ended 30 September 2019 to 223.4 thousand square metres for the nine months ended 30 September 2020.

Sales volumes of residential property in the Leningrad Region (attributed the Murino project) decreased by 73%, from RUB 3.2 billion for the nine months ended 30 September 2019 to RUB 0.9 billion for the nine months ended 30 September 2020. Sales volumes (in terms of square metres) of residential property in the Moscow Region decreased by 76%, from 37.5 thousand square metres for the nine months ended 30 September 2019 to 8.9 thousand square metres for the nine months ended 30 September 2020.

In July and August 2020, the Group established a number of subsidiaries in order to implement new development projects. In August 2020, the Group provided a guarantee (in the amount of up to RUB 525,000 thousand) to a bank in respect of a facility agreement entered into between the bank and the Group's related party. In September 2020, the General Shareholders' Meeting resolved to register an additional share issue increasing the authorised capital through the issuance of 50,000,000 additional Ordinary Shares with a nominal value of RUB 25 each.

Upon achievement of certain KPIs by key personnel of the Group and/or its subsidiaries, the Group may decide to pay performance-related compensation to such key personnel in the future period.

RESULTS OF OPERATIONS

The following table sets out selected data from the Group's consolidated statement of profit or loss and other comprehensive income for the periods indicated, as derived from the Financial Statements (included elsewhere in this Offering Memorandum).

	Six months ended 30 June		**Year ended 31 December**		
	2020	**2019**	**2019**	**2018**	**2017**
			(RUB thousands)		
Revenue	22,675,944	23,414,592	51,145,124	38,717,495	42,445,232
Cost of sales	(16,994,472)	(18,784,326)	(41,286,322)	(31,403,915)	(35,686,544)
Gross profit	**5,681,472**	**4,630,266**	**9,858,802**	**7,313,580**	**6,758,688**
Distribution expenses	(1,245,044)	(1,133,825)	(2,464,719)	(1,990,537)	(1,668,286)
Administrative expenses	(1,205,061)	(1,643,812)	(3,203,738)	(2,125,293)	(1,611,925)
Other income	63,615	2,092,220	2,309,041	581,375	436,146
Share of profits of equity-accounted investees	42,017	-	10,363	-	-
Impairment of investment property	-	(264,581)	(223,588)	(689,000)	-
Other expenses	(600,412)	(898,593)	(1,233,948)	(540,547)	(375,602)
Operating results	**2,736,587**	**2,781,675**	**5,052,213**	**2,549,578**	**3,539,021**
Finance income	577,997	417,017	614,228	3,467,740	2,403,102
Finance costs	(2,351,752)	(2,388,285)	(4,485,317)	(2,853,339)	(1,543,826)
Net finance costs	**(1,773,755)**	**(1,971,268)**	**(3,871,089)**	**614,401**	**859,276**
Profit before tax	**962,832**	**810,407**	**1,181,124**	**3,163,979**	**4,398,297**
Income tax expense	(274,681)	(333,262)	(316,823)	(745,704)	(859,161)
Profit	**688,151**	**477,145**	**864,301**	**2,418,275**	**3,539,136**
Discontinued operations					
Profit from discontinued operations	-	-	-	23,931	5,517
Profit and total comprehensive income for the period	**688,151**	**477,145**	**864,301**	**2,442,206**	**3,544,653**
Profit and total comprehensive income attributable to:					
Owners of the Company	523,437	310	(31,269)	1,582,481	3,348,940
Non-controlling interests reported in equity and liabilities	164,714	476,835	895,570	859,725	195,713
	688,151	**477,145**	**864,301**	**2,442,206**	**3,544,653**

Results of Operations for the Six-month Period Ended 30 June 2020 Compared with the Six-month Period Ended 30 June 2019

The following table sets out selected data from the Group's consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2020 and 2019, as derived from the Financial Statements (included elsewhere in this Offering Memorandum).

	Six months ended 30 June		Change from 2019 to 2020	Percentage change from 2019 to 2020	% of Revenue six months ended 30 June	
	2020	2019			2020	2019
	(RUB thousands)				*(%)*	
Revenue	22,675,944	23,414,592	(738,648)	(3.2)	100.0	100.0
Cost of sales	(16,994,472)	(18,784,326)	1,789,854	(9.5)	(74.9)	(80.2)
Gross profit	**5,681,472**	**4,630,266**	**1,051,206**	**22.7**	**25.1**	**19.8**
Distribution expenses	(1,245,044)	(1,133,825)	(111,219)	9.8	(5.5)	(4.8)
Administrative expenses	(1,205,061)	(1,643,812)	438,751	(26.7)	(5.3)	(7.0)
Other income	63,615	2,092,220	(2,028,605)	(97.0)	0.3	8.9
Share of profits of equity-accounted investees	42,017	-	42,017	100.0	0.2	-
Impairment of investment property	-	(264,581)	264,581	(100.0)	-	(1.1)
Other expenses	(600,412)	(898,593)	298,181	(33.2)	(2.6)	(3.8)
Operating results	**2,736,587**	**2,781,675**	**(45,088)**	**(1.6)**	**12.1**	**11.9**
Finance income	577,997	417,017	160,980	38.6	2.5	1.8
Finance costs	(2,351,752)	(2,388,285)	36,533	(1.5)	(10.4)	(10.2)
Net finance costs	**(1,773,755)**	**(1,971,268)**	**197,513**	**(10.0)**	**(7.8)**	**(8.4)**
Profit before tax	**962,832**	**810,407**	**152,425**	**18.8**	**4.2**	**3.5**
Income tax expense	(274,681)	(333,262)	58,581	(17.6)	(1.2)	(1.4)
Profit	**688,151**	**477,145**	**211,006**	**44.2**	**3.0**	**2.0**

Revenue

The Group's revenue decreased by RUB 738,648 thousand, or 3.2%, from RUB 23,414,592 thousand for the six months ended 30 June 2019 to RUB 22,675,944 thousand for the six months ended 30 June 2020, principally due to a decrease in sales revenue recognised over time, partially offset by an increase in sales revenue recognised at a point in time.

The following table sets out the breakdown of the Group's sales revenue for the six months ended 30 June 2020 and 2019.

	Six months ended 30 June		Change from 2019 to 2020	Percentage change from 2019 to 2020	% of Revenue Six months ended 30 June	
	2020	2019			2020	2019
	(RUB thousands)				*(%)*	
Sales revenue recognised at a point in time	996,587	35,245	961,342	2,727.6	4.4	0.2
Sales revenue recognised over time	21,018,821	22,795,204	(1,776,383)	(7.8)	92.7	97.4
Other revenue	599,077	418,563	180,514	43.1	2.6	1.8
Total revenue from contracts with customers	**22,614,485**	**23,249,012**	**(634,527)**	**(2.7)**	**99.7**	**99.3**
Rental income	61,459	165,580	(104,121)	(62.9)	0.3	0.7
Total revenue	**22,675,944**	**23,414,592**	**(738,648)**	**(3.2)**	**100.0**	**100.0**

The Group's sales revenue recognised at a point in time increased by RUB 961,342 thousand from RUB 35,245 thousand for the six months ended 30 June 2019 to RUB 996,587 thousand for the six months ended 30 June

2020, which was primarily due to the sale of units in the Murino and Tomilino projects after commissioning of certain buildings in the relevant projects in the first half of 2020, with revenue in connection with these sales being recognised at that point in time. The Group's sales revenue recognised over time decreased by RUB 1,776,383 thousand, or 7.8%, from RUB 22,795,204 thousand for the six months ended 30 June 2019 to RUB 21,018,821 thousand for the six months ended 30 June 2020, primarily due to a slowdown in construction progress mainly as a result of temporary suspension of construction operations and quarantine imposed by the authorities in response to the COVID-19 pandemic. The Group's other revenue increased by RUB 180,514 thousand, or 43.1%, from RUB 418,563 thousand for the six months ended 30 June 2019 to RUB 599,077 thousand for the six months ended 30 June 2020, which was primarily attributable to the beginning of operations of the Group's subsidiaries (such as, among others, housing and community services companies).

Sales volumes in the first half of 2020 remained relatively stable. For the six months ended 30 June 2020, the Group entered into share participation agreements in respect of 226 thousand square metres compared to 236 thousand square metres for the six months ended 30 June 2019. The average price per square metre increased by 19%, from RUB 94 thousand per square metre for the first half of 2019 to RUB 112 thousand per square metre for the first half of 2020 to RUB 129 thousand per square metre for August 2020 and to RUB 132 thousand per square metre for September 2020.

For the six months ended 30 June 2020, the Group recognised in sales revenue recognised over time the revenue from apartments that were transferred as a payment for the acquisition of land plots in the amount of RUB 1,616,552 thousand, compared to RUB 1,494,341 thousand for the six months ended 30 June 2019, which corresponds to approximately their market value at the time of execution of the contract.

Within a year from 30 June 2020, the Group expects to recognise RUB 28,954,378 thousand as sales revenue out of total payment obligations of RUB 43,627,787 thousand under SPAs outstanding (or partially outstanding) as at 30 June 2020. The Group expects to recognise the remaining contractual payment obligations under SPAs as sales revenue within two years of the end of the reporting period.

Sales revenue for each of the reporting periods included a significant financing component, determined on the basis of interest rates in effect on the date of execution of the relevant SPA, such interest rates ranging from 9.5% to 11.5% in the six months ended 30 June 2020 and from 10.5% to 11% in the six months ended 30 June 2019.

The Group's cost of sales decreased by RUB 1,789,854 thousand, or 9.5%, from RUB 18,784,326 thousand for the six months ended 30 June 2019 to RUB 16,994,472 thousand for the six months ended 30 June 2020. The decrease in the Group's cost of sales was due to a decrease in construction costs, which was due to a decrease in construction progress as a result of the imposition of anti-COVID-19 measures in the first half of 2020 and a reduction of the budgets to complete the construction of certain social infrastructure facilities, which was partially offset by an increase in the cost of materials and labour.

Gross profit

The Group's gross profit increased by RUB 1,051,206 thousand, or 22.7%, from RUB 4,630,266 thousand for the six months ended 30 June 2019 to RUB 5,681,472 thousand for the six months ended 30 June 2020 primarily due to the factors described above.

Distribution expenses

The Group's distribution expenses increased by RUB 111,219 thousand, or 9.8%, from RUB 1,133,825 thousand for the six months ended 30 June 2019 to RUB 1,245,044 thousand for the six months ended 30 June 2020, principally due to an increase in wages and salaries, social contributions and other distribution expenses, partially offset by a decrease in advertising expenses.

The following table sets out the components of the Group's distribution expenses for the six months ended 30 June 2020 and 2019.

	Six months ended 30 June		**Change from 2019 to 2020**	**Percentage change from 2019 to 2020**	**% of Revenue Six months ended 30 June**	
	2020	**2019**			**2020**	**2019**
	(RUB thousands)				*(%)*	
Advertising expenses	680,517	683,385	(2,868)	(0.4)	3.0	2.9
Wages and salaries	309,252	232,657	76,595	32.9	1.4	1.0
Social contributions	69,250	59,820	9,430	15.8	0.3	0.3

	Six months ended 30 June 2020	Six months ended 30 June 2019	Change from 2019 to 2020	Percentage change from 2019 to 2020	% of Revenue Six months ended 30 June 2020	% of Revenue Six months ended 30 June 2019
	(RUB thousands)				*(%)*	
Other	186,025	157,963	28,062	17.8	0.8	0.7
Total distribution expenses	**1,245,044**	**1,133,825**	**111,219**	**9.8**	**5.5**	**4.8**

The Group's expenses on wages and salaries related to distribution activities increased by RUB 76,595 thousand, or 32.9%, from RUB 232,657 thousand for the six months ended 30 June 2019 to RUB 309,252 thousand for the six months ended 30 June 2020. The increase in the Group's wages and salaries was principally due to an increase in the number of personnel employed by the Group which was due to the growth of the Group's business and increased number of projects.

The Group's other expenses increased by RUB 28,062 thousand, or 17.8%, from RUB 157,963 thousand for the six months ended 30 June 2019 to RUB 186,025 thousand for the six months ended 30 June 2020 principally due to an increase in the costs related to maintaining sales offices, the number of which grew due to an increase in the number of projects under construction.

Administrative expenses

The Group's administrative expenses decreased by RUB 438,751 thousand, or 26.7%, from RUB 1,643,812 thousand for the six months ended 30 June 2019 to RUB 1,205,061 thousand for the six months ended 30 June 2020, principally due to a decrease in wages and salaries, social contributions and advisory services.

The following table sets out the components of the Group's general and administrative expenses for the six months ended 30 June 2020 and 2019.

	Six months ended 30 June 2020	Six months ended 30 June 2019	Change from 2019 to 2020	Percentage change from 2019 to 2020	% of Revenue Six months ended 30 June 2020	% of Revenue Six months ended 30 June 2019
	(RUB thousands)				*(%)*	
Wages and salaries	550,329	905,007	(354,678)	(39.2)	2.4	3.9
Social contributions	128,430	173,692	(45,262)	(26.1)	0.6	0.7
Lease and amortisation of the right of use asset	17,146	87,079	(69,933)	(80.3)	0.1	0.4
Advisory services	120,907	192,162	(71,255)	(37.1)	0.5	0.8
Other	388,249	285,872	102,377	35.8	1.7	1.2
Total administrative expenses	**1,205,061**	**1,643,812**	**(438,751)**	**(26.7)**	**5.3**	**7.2**

The Group's expenses on wages and salaries decreased by RUB 354,678 thousand, or 39.2%, from RUB 905,007 thousand for the six months ended 30 June 2019 to RUB 550,329 thousand for the six months ended 30 June 2020, which was primarily attributable to accrual of bonuses. In the first half of 2019, the Group decided to pay of bonuses for the year 2018, wherein the remuneration policy was not formalised, thus the amount of wages and salaries for the first half of 2019 was larger than in the first half of 2020.

The Group's social contributions decreased by RUB 45,262 thousand, or 26.1%, from RUB 173,692 thousand for the six months ended 30 June 2019 to RUB 128,430 thousand for the six months ended 30 June 2020 as a result of a decrease in expenses related to wages and salaries in the first half of 2020 in comparison to the first half of 2019.

The Group's lease and amortisation of the right to use asset decreased by RUB 69,933 thousand, or 80.3%, from RUB 87,079 thousand for the six months ended 30 June 2019 to RUB 17,146 thousand for the six months ended 30 June 2020, primarily because in the first half of 2019 the Group included amortisation expenses related to leased assets in lease expenses; subsequently, the Group began to account for these expenses as other administrative expenses.

The Group's advisory services decreased by RUB 71,255 thousand, or 37.1%, from RUB 192,162 thousand for the six months ended 30 June 2019 to RUB 120,907 thousand for the six months ended 30 June 2020, which was primarily due to the Group's retaining a consultant in 2019 for a specific nonrecurring project.

The Group's other administrative expenses increased by RUB 102,377 thousand, or 35.8%, from RUB 285,872 thousand for the six months ended 30 June 2019 to RUB 388,249 thousand for the six months ended 30 June 2020, which was primarily attributable to the reclassification of depreciation of leased assets to other administrative expenses in the first half of 2020 in the amount of RUB 84,795 thousand and the reclassification of remuneration paid to members of the Board of Directors from other expenses in the amount of RUB 38,343 thousand.

Other income

The Group's other income decreased by RUB 2,028,605 thousand, from RUB 2,092,220 thousand for the six months ended 30 June 2019 to RUB 63,615 thousand for the six months ended 30 June 2020. In the first half of 2019, the Group established a joint venture for the purpose of developing a project with one of its partners. The Group's cash contribution to the share capital of this newly established joint venture was RUB 420 thousand, whilst the other partner contributed land plots with a fair value of RUB 6,945,000 thousand. In addition, the Group entered into loan agreements in the amount of RUB 2,500,000 thousand with entities related to the partner, with such loans bearing an interest rate below the prevailing market rates. The effect of discounting these loans to a fair market value of RUB 1,467,000 thousand at initial recognition was accounted for as cost of investment in the joint venture. As a result of these transactions, the Group recognised other income in the amount of RUB 2,020,895 thousand for the six months ended 30 June 2019, whilst no similar transactions were entered into in the first half of 2020.

Impairment of investment property

In the six months ended 30 June 2019, the Group recognised an impairment of investment property in the amount of RUB 264,581 thousand, attributable to the revaluation of a land plot in the Moscow Region to be used for construction of a shopping centre. In 2019, the Group amended the construction plan and tested the land plot for impairment based on the anticipated cash flows, as a result of which it recognised the additional impairment. In the first half of 2020 no such impairment was recognised.

Other expenses

The Group's other expenses decreased by RUB 298,181 thousand, or 33.2%, from RUB 898,593 thousand for the six months ended 30 June 2019 to RUB 600,412 thousand for the six months ended 30 June 2020, which was primarily attributable to the Group's creating a provision in the first half of 2020 for advances to suppliers in the amount of RUB 219,044 thousand due to their unstable financial condition, similar expenses in the first half of 2019 amounted to RUB 591,321 thousand, which resulted in a decrease in other expenses by RUB 372,277 thousand. In addition, in the first half of 2020, the Group reclassified payments to members of the Board of Directors to administrative expenses in the amount of RUB 38,343 thousand, which also contributed to a decrease in other expenses compared to the same period in 2019. The decrease in other expenses described above was partially offset by the Group's creating in the first half of 2020 litigation reserves in the amount of RUB 112,379 thousand, with no such litigation reserves having been created in the first half of 2019.

Net finance costs

The Group's net finance costs decreased by RUB 197,513 thousand, or 10.0%, from RUB 1,971,268 thousand for the six months ended 30 June 2019 to RUB 1,773,755 thousand for the six months ended 30 June 2020.

The following table sets out the components of the Group's finance income and finance costs for the six months ended 30 June 2020 and 2019.

	Six months ended 30 June		**Change from 2019 to 2020**	**Percentage change from 2019 to 2020**	**% of Revenue Six months ended 30 June**	
	2020	**2019**			**2020**	**2019**
	(RUB thousands)				*(%)*	
Finance income						
Interest income on loans	449,321	176,026	273,295	155.3	2.0	0.8
Interest income on deposits	64,590	96,231	(31,641)	(32.9)	0.3	0.4
Other	64,086	144,760	(80,674)	(55.7)	0.3	0.6
Total finance income	**577,997**	**417,017**	**160,980**	**38.6**	**2.5**	**1.8**

	Six months ended 30 June		Change from 2019 to 2020	Percentage change from 2019 to 2020	% of Revenue Six months ended 30 June	
	2020	2019			2020	2019
	(RUB thousands)				*(%)*	
Finance costs						
Foreign exchange losses	206,176	175,899	30,277	17.2	0.9	0.8
Interest expenses	2,965,083	3,078,031	(112,948)	(3.7)	13.1	13.1
Effect from recognition of contract terms for earlier payment	219,098	760,165	(541,067)	(71.2)	1.0	3.2
Impairment loss of financial assets at amortised cost	117,489	-	117,489	100.0	0.5	0
Other	14,690	-	14,690	100.0	0.1	0
Interest expense capitalised in inventory	(1,170,784)	(1,625,810)	455,026	(28.0)	(5.2)	(6.9)
Total finance costs(1)	**2,351,752**	**2,388,285**	**(36,533)**	**(1.5)**	**10.4**	**10.2**

Notes:

(1) Total finance costs comprise:

Interest expense on loans received	**Six months 2020**	**Capitalisa-tion**	**Remained in interest expense**	**Six months 2019**	**Capitalisa-tion**	**Remained in interest expense**
Interest expenses before capitalisation						
Forex	206,176	-	206,176	175,899	-	175,899
Bonds and other loans	1,185,507	(418,242)	767,265	571,285	(274,543)	296,742
Finance lease interest	40,812	-	40,812	24,626	-	24,626
Unwind of discount on long-term payables for land	192,581	(160,954)	31,627	360,099	(312,527)	47,572
Effect on change of contract terms	219,098	-	219,098	760,165	-	760,165
Unwind of discount on provisions related to completion of construction	136,129	-	136,129	243,515	-	243,515
Financing component on share participation agreements concluded after 1 January 2017	1,410,055	(591,588)	818,467	1,878,505	(1,038,740)	839,765
Financing component on share participation agreements concluded before 1 January 2017	-	-	-	-	-	-
Other	132,179	-	132,179	-	-	-
	3,522,536	**(1,170,784)**	**2,351,752**	**4,014,094**	**(1,625,810)**	**2,388,284**

The Group's total finance income increased by RUB 160,980 thousand, or 38.6%, from RUB 417,017 thousand for the six months ended 30 June 2019 to RUB 577,997 thousand for the six months ended 30 June 2020, primarily due to an increase in interest income on loans and other finance income. The Group's interest income on loans increased by RUB 273,295 thousand, from RUB 176,026 thousand for the six months ended 30 June 2019 to RUB 449,321 thousand for the six months ended 30 June 2020, which was primarily attributable to the loans provided to related parties and partners under joint ventures in 2019 and in the first half of 2020.

The Group's total finance costs decreased by RUB 36,533 thousand, or 1.5%, from RUB 2,388,285 thousand for the six months ended 30 June 2019 to RUB 2,351,752 thousand for the six months ended 30 June 2020, which was primarily due to a decrease in interest expenses and a decrease in effect on change of contractual terms.

The Group's interest expense decreased by RUB 112,948 thousand, or 3.7%, from RUB 3,078,031 thousand for the six months ended 30 June 2019 to RUB 2,965,083 thousand for the six months ended 30 June 2020, which was primarily attributable to a decrease in financing component on share participation agreements and a decrease in effect of change of contractual terms, which was partially offset by an increase in interest on bonds and other loans. The Group assessed significant financing component under share participation agreements at RUB

1,410,055 thousand for the six months ended 30 June 2020, compared to RUB 1,878,505 for the six months ended 30 June 2019, which was primarily attributable to a decrease in interest rates on financing transactions, as well as a decrease in received advances and pre-completion payments under share participation agreements due to the transition to escrow accounts.

The Group recognised effect on change of contractual terms in the amount of RUB 219,098 thousand for the six months ended 30 June 2020, compared to RUB 760,165 thousand in the six months ended 30 June 2019, which was attributable to an early repayment of accounts payable related to the land plot of the Prigorod Lesnoe project for the six months ended 30 June 2020 and to change of contract terms related to the land plot of the Tomilino project.

The Group's interest on bonds and other loans increased by RUB 614,222 thousand from RUB 571,285 for the six months ended 30 June 2019 to RUB 1,185,507 for the six months ended 30 June 2020, which was due to the Group's attracting project financing and new bonded loans.

Income tax expense

The following table sets out the components of the Group's income tax expense for the six months ended 30 June 2020 and 2019.

	Six months ended30 June		Change from 2019 to 2020	Percentage change from 2019 to 2020
	2020	**2019**		
	(RUB thousands)			*(%)*
Current income tax				
Current period	512,603	108,821	403,782	371.1
Deferred income tax				
Origination and reversal of temporary differences	(237,922)	224,441	(462,363)	(206.0)
Income tax expense	**274,681**	**333,262**	**(58,581)**	**(17.6)**

The Group's income tax expense decreased by RUB 58,581 thousand, or 17.6%, from RUB 333,262 thousand for the six months ended 30 June 2019 to RUB 274,681 thousand for the six months ended 30 June 2020, which was primarily attributable to an expected decrease in effective income tax rate.

For the six months ended 30 June 2020 and 2019, the applicable tax rate for the Group was 20% which represented the corporate income tax rate in the Russian Federation. The effective tax rate for the six months ended 30 June 2020 was 29% compared to 41% for the six months ended 30 June 2019, which was primary attributable to the recognition of impairment of investment property and provisioning for the six months ended 30 June 2019, expenses for which will not be recognised in tax accounting, in the amount of RUB 171,181 thousand.

Total comprehensive income for the period

For the reasons described above, the Group's total comprehensive income for the period ended 30 June 2020 was RUB 688,151 thousand and the Group's total comprehensive income for the period ended 30 June 2019 was RUB 477,145 thousand.

Results of Operations for the Years Ended 31 December 2019 Compared with the Year Ended 31 December 2018

The following table sets out selected data from the Group's consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2019 and 2018, as derived from the Financial Statements (included elsewhere in this Offering Memorandum).

	Year ended 31 December		Change from 2018 to 2019	Percentage change from 2018 to 2019	% of Revenue Year ended 31 December	
	2019	**2018**			**2019**	**2018**
	(RUB thousands)				*(%)*	
Continuing operations						
Revenue	51,145,124	38,717,495	12,427,629	32.1	100.0	100.0

Cost of sales	(41,286,322)	(31,403,915)	(9,882,407)	31.5	(80.7)	(81.1)
Gross profit	**9,858,802**	**7,313,580**	**2,545,222**	**34.8**	**19.3**	**18.9**
Distribution expenses	(2,464,719)	(1,990,537)	(474,182)	23.8	(4.8)	(5.1)
Administrative expenses	(3,203,738)	(2,125,293)	(1,078,445)	50.7	(6.3)	(5.5)
Other income	2,309,041	581,375	1,727,666	297.2	4.5	1.5
Share of profits of equity-accounted investees	10,363	-	10,363	100.0	0.0	-
Impairment of investment property	(223,588)	(689,000)	465,412	(67.5)	(0.4)	(1.8)
Other expenses	(1,233,948)	(540,547)	(693,401)	128.3	(2.4)	(1.4)
Operating results	**5,052,213**	**2,549,578**	**2,502,635**	**98.2**	**9.9**	**6.6**
Finance income	614,228	3,467,740	(2,853,512)	(82.3)	1.2	9.0
Finance costs	(4,485,317)	(2,853,339)	(1,631,978)	57.2	(8.8)	(7.4)
Net finance (costs)/income	**(3,871,089)**	**614,401**	**(4,485,490)**	**(730.1)**	**(7.6)**	**1.6**
Profit before tax	**1,181,124**	**3,163,979**	**(1,982,855)**	**(62.7)**	**2.3**	**8.2**
Income tax expense	(316,823)	(745,704)	428,881	(57.5)	(0.6)	(1.9)
Profit from continuing operations	**864,301**	**2,418,275**	**(1,553,974)**	**(64.3)**	**1.7**	**6.2**
Discontinued operation						
Profit from a discontinued operation	-	23,931	(23,931)	(100.0)	-	0.1
Profit and total comprehensive income for the year	**864,301**	**2,442,206**	**(1,577,905)**	**(64.6)**	**1.7**	**6.3**

Revenue

The Group's revenue increased by RUB 12,427,629 thousand, or 32.1%, from RUB 38,717,495 thousand in the year ended 31 December 2018 to RUB 51,145,124 thousand in the year ended 31 December 2019, principally due to an increase in sales volumes and sales prices of the Group's properties.

The following table sets out the breakdown of the Group's sales revenue for the years ended 31 December 2019 and 2018.

	Year ended 31 December		Change from 2018 to 2019	Percentage change from 2018 to 2019	% of Revenue Year ended 31 December	
	2019	2018			2019	2018
	(RUB thousands)				*(%)*	
Sales revenue recognised at a point in time	1,352,416	1,532,699	(180,283)	(11.8)	2.6	4.0
Sales revenue recognised over time	49,151,941	36,831,537	12,320,404	33.5	96.1	95.1
Other revenue	393,316	217,513	175,803	80.8	0.8	0.6
Total revenue from contracts with customers	**50,897,673**	**38,581,749**	**12,315,924**	**31.9**	**99.5**	**99.6**
Rental income	247,451	135,746	111,705	82.3	0.5	0.4
Total revenue	**51,145,124**	**38,717,495**	**12,427,629**	**32.1**	**100.0**	**100.0**

The Group's sales revenue recognised at a point in time decreased by RUB 180,283 thousand, or 11.8%, from RUB 1,532,699 thousand in the year ended 31 December 2018 to RUB 1,352,416, thousand in the year ended 31 December 2019 due to revenues recognised at a point in time in the first half of 2018 with respect to share participation agreements entered into before 1 January 2017 and absence of such revenues in 2019, partially offset by an increase in sales in completed buildings (mostly in the Murino, Prigorod Lesnoe and Tomilino projects) in 2019. The Group's sales revenue recognised over time increased by RUB 12,320,404 thousand, or 33.5%, from RUB 36,831,537 thousand in the year ended 31 December 2018 to RUB 49,151,941 thousand in the year ended 31 December 2019, primarily due to number of development projects leading to an increase in construction volume (in square meters), which was also supported by an increase in sales prices.

In 2019, the Group entered into share participation agreements in respect of 475 thousand square metres compared to 512 thousand square metres in 2018 while the average price per square metre increased by 15%, from RUB 85 thousand per square metre in 2018 to RUB 98 thousand per square metre in 2019.

Revenue growth was primarily attributable to the ongoing construction of the Ostafyevo, Putilkovo and Sputnik projects as well as the new Nekrasovka and Alkhimovo projects, while revenue growth related to the Lyubertsy and Vnukovo projects was reduced.

In the year ended 31 December 2019, the Group recognised revenue over time from residential units that were transferred as a payment for the acquisition of land plots in the amount of RUB 4,104,949 thousand, compared to RUB 2,345,405 thousand in the year ended 31 December 2018, which corresponds to approximately their market value at the time of execution of the contract.

Sales revenue for each of the reporting periods included a significant financing component, determined on the basis of interest rates in effect on the date of execution a relevant SPA, such interest rates ranging from 10% to 11.5% in the year ended 31 December 2019 and from 10% to 13% in the year ended 31 December 2018. The Group assessed that the financing component impact on revenue was equal to RUB 3,070,090 thousand and RUB 1,881,348 thousand for the years ended 31 December 2019 and 31 December 2018, respectively.

Cost of sales

The Group's cost of sales increased by RUB 9,882,407 thousand, or 31.5%, from RUB 31,403,915 thousand in the year ended 31 December 2018 to RUB 41,286,322 thousand in the year ended 31 December 2019 in line with an increase in total revenue from contracts with customers (which increased by 31.9%).

Gross profit

As a result of the changes in revenue and cost of sales, the Group's gross profit increased by RUB 2,545,222 thousand, or 34.8%, from RUB 7,313,580 thousand in the year ended 31 December 2018 to RUB 9,858,802 thousand in the year ended 31 December 2019.

Distribution expenses

The Group's distribution expenses increased by RUB 474,182 thousand, or 23.8%, from RUB 1,990,537 thousand in the year ended 31 December 2018 to RUB 2,464,719 thousand in the year ended 31 December 2019, principally due to an increase in personnel-related expenses.

The following table sets out the components of the Group's distribution expenses for the years ended 31 December 2019 and 2018.

	Year ended 31 December		**Change from 2018 to 2019**	**Percentage change from 2018 to 2019**	**% of Revenue Year ended 31 December**	
	2019	**2018**			**2019**	**2018**
	(RUB thousands)				*(%)*	
Advertising expenses	1,483,651	1,335,580	148,071	11.1	2.9	3.4
Wages and salaries	493,720	265,621	228,099	85.9	1.0	0.7
Social contributions	113,556	69,648	43,908	63.0	0.2	0.2
Other expenses	373,792	319,688	54,104	16.9	0.7	0.8
Total distribution expenses	**2,464,719**	**1,990,537**	**474,182**	**23.8**	**4.8**	**5.1**

The Group's advertising expenses increased by RUB 148,071 thousand, or 11.1%, from RUB 1,335,580 thousand in the year ended 31 December 2018 to RUB 1,483,651 thousand in the year ended 31 December 2019, while the share of advertising expenses in revenue decreased from 3.4% in 2018 to 2.9% in 2019 due to improved efficiency and transformation of business processes.

The Group's expenses on wages and salaries increased by RUB 228,099 thousand, or 85.9%, from RUB 265,621 thousand in the year ended 31 December 2018 to RUB 493,720 thousand in the year ended 31 December 2019, which was primarily attributable to an increase in the number of the Group's personnel in commercial and marketing departments.

The Group's other expenses increased by RUB 54,104 thousand, or 16.9%, from RUB 319,688 thousand in the year ended 31 December 2018 to RUB 373,792 thousand in the year ended 31 December 2019, mostly as a result of an increase in expenses on agents and the development of new sales channels.

Administrative expenses

The Group's administrative expenses increased by RUB 1,078,445 thousand, or 50.7%, from RUB 2,125,293 thousand in the year ended 31 December 2018 to RUB 3,203,738 thousand in the year ended 31 December 2019, principally due to an increase in wages and salaries, advisory services and social contributions, partially offset by a decrease in rent payments and utility and operating expenses.

The following table sets out the components of the Group's general and administrative expenses for the years ended 31 December 2019 and 2018.

	Year ended 31 December		Change from 2018 to 2019	Percentage change from 2018 to 2019	% of Revenue Year ended 31 December	
	2019	**2018**			**2019**	**2018**
	(RUB thousands)				*(%)*	
Wages and salaries	1,427,494	1,106,790	320,704	29.0	2.8	2.9
Advisory services	525,562	185,195	340,367	183.8	1.0	0.5
Social contributions	315,562	235,955	79,607	33.7	0.6	0.6
Depreciation	192,702	42,574	150,128	352.6	0.4	0.1
Value-added tax	88,015	54,232	33,783	62.3	0.2	0.1
Rent	60,814	171,576	(110,762)	(64.6)	0.1	0.4
Utilities and operating expenses	41,700	89,269	(47,569)	(53.3)	0.1	0.2
Other administrative expenses	551,889	239,702	312,187	130.2	1.1	0.6
Total administrative expenses	**3,203,738**	**2,125,293**	**1,078,445**	**50.7**	**6.3**	**5.5**

The Group's expenses on wages and salaries increased by RUB 320,704 thousand, or 29.0%, from RUB 1,106,790 thousand in the year ended 31 December 2018 to RUB 1,427,494 thousand in the year ended 31 December 2019, which was primarily attributable to an increase in the number of personnel employed by the Group which was due to the business transformation process within the Group, increased number of projects and development of new support functions. The Group's social contributions increased by RUB 79,607 thousand, or 33.7%, from RUB 235,955 thousand in the year ended 31 December 2018 to RUB 315,562 thousand in the year ended 31 December 2019, generally in line with an increase in expenses on wages and salaries.

The Group's advisory services increased by RUB 340,367 thousand, or 183.8%, from RUB 185,195 thousand in the year ended 31 December 2018 to RUB 525,562 thousand in the year ended 31 December 2019, which was primarily attributable to the Group's retention of consultants to assist it with transformation of certain key business process within the Group.

The Group's rent costs decreased by RUB 110,762 thousand, or 64.6%, from RUB 171,576 thousand in the year ended 31 December 2018 to RUB 60,814 thousand in the year ended 31 December 2019, which was partly offset by an increase in depreciation charge by RUB 150,128 thousand, from RUB 42,574 thousand in the year ended 31 December 2018 to RUB 192,702 thousand in the year ended 31 December 2019, which resulted from the implementation of IFRS 16 Leases starting from 1 January 2019 and led to the recognition of lease assets and subsequent depreciation costs instead of lease expenses for some of the Group's office facilities. The increase of both lease and depreciation expenses amounted to RUB 39,366 thousand and is attributable to an increase in office space required to accommodate an increased number of personnel.

The Group's other administrative expenses increased by RUB 312,187 thousand, or 130.2%, from RUB 239,702 thousand in the year ended 31 December 2018 to RUB 551,889 thousand in the year ended 31 December 2019, principally due to an increase in insurance and costs related to software and IT infrastructure.

Other income

The Group's other income increased by RUB 1,727,666 thousand, or 297.2%, from RUB 581,375 thousand in the year ended 31 December 2018 to RUB 2,309,041 thousand in the year ended 31 December 2019. In 2019, the Group established a joint venture for the purpose of developing a project with one of its partners. The Group's cash contribution to the share capital of this newly established joint venture was RUB 420 thousand, whilst the other partner contributed land plots with a fair value of RUB 6,945,000 thousand. In addition, the Group entered into loan agreements in the amount of RUB 2,500,000 thousand with entities related to the partner, with such loans bearing an interest rate below the prevailing market rates. The effect of discounting these loans to a fair market value of RUB 1,467,000 thousand at initial recognition was accounted for as cost of investment in the joint venture. As a result of these transactions, the Group recognised other income in the amount of RUB 2,004,872 thousand for 2019, whilst no similar transactions were entered into in 2018.

Other expenses

The Group's other expenses increased by RUB 693,401 thousand, or 128.3%, from RUB 540,547 thousand in the year ended 31 December 2018 to RUB 1,233,948 thousand in the year ended 31 December 2019, which was primarily attributable to the Group's recognising certain bad debts in 2019 resulting in an increase in bad debt provision by RUB 661,852 thousand.

Impairment of investment property

In the year ended 31 December 2019 and 31 December 2018, the Group recognised an impairment of investment property in the amount of RUB 223,588 thousand and RUB 689,000 thousand, respectively, attributable to the revaluation of a land plot in the Moscow Region to be used for construction of a shopping centre. In 2019, the Group amended the construction plan and tested the land plot for impairment based on the anticipated cash flows, as a result of which it recognised the additional impairment.

Net finance income/(loss)

The Group's net finance income of RUB 614,401 thousand in the year ended 31 December 2018 changed to net finance loss of RUB 3,871,089 thousand in the year ended 31 December 2019.

The following table sets out the components of the Group's finance income and finance costs for the years ended 31 December 2019 and 2018.

	Year ended 31 December		**Change from 2018 to 2019**	**Percentage change from 2018 to 2019**	**% of Revenue Year ended 31 December**	
	2019	**2018**			**2019**	**2018**
	(RUB thousands)				*(%)*	
Finance income						
Interest income	304,162	320,688	(16,526)	(5.2)	0.6	0.8
Interest income on bank deposits	166,600	122,649	43,951	35.8	0.3	0.3
Effect from modification of financial liabilities	-	2,852,363	(2,852,363)	(100.0)	-	7.4
Other	143,466	172,040	(28,574)	(16.6)	0.3	0.4
Total finance income	**614,228**	**3,467,740**	**(2,853,512)**	**(82.3)**	**1.2**	**9.0**
Finance costs						
Foreign exchange losses	157,011	15,818	141,193	892.6	0.3	0.0
Interest expenses	6,070,373	4,977,091	1,093,282	22.0	11.9	12.9
Effect from the recognition of contractual terms for earlier payment	1,388,966	-	1,388,966	100.0	2.7	-
Impairment loss of financial assets at amortised cost	79,264	-	79,264	100.0	0.2	-
Other	187,546	308,919	(121,373)	(39.3)	0.4	0.8
Interest expense capitalised in inventories	(3,397,843)	(2,448,489)	(949,354)	38.8	(6.6)	(6.3)
Total finance costs[(1)]	**4,485,317**	**2,853,339**	**1,631,978**	**57.2**	**8.8**	**7.4**

Notes:

(1) Finance costs comprise:

Interest expense on loans received	2019	Capitalisa-tion	Remained in interest expense	2018	Capitalisa-tion	Remained in interest expense
Forex	157,011	-	157,011	15,818	-	15,818
Bonds and other loans	1,172,826	(607,681)	565,145	609,299	(296,679)	312,620
Finance lease interest	58,892	-	58,892	-	-	-
Unwinding of discount on long-term payables for land	757,133	(580,669)	176,464	1,718,868	(1,427,325)	291,543
Effect on change of contract terms	1,388,966	-	1,388,966	-	-	-
Unwind of discount on provisions related to completion of construction	765,209	-	765,209	346,483	-	346,483
Financing component on share participation agreements concluded after 1 January 2017	3,316,313	(2,209,493)	1,106,820	1,776,657	(453,485)	1,323,172
Financing component on share participation agreements concluded before 1 January 2017	-	-	-	271,000	(271,000)	-
Other	266,810	-	266,810	563,703	-	563,703
	7,883,160	**(3,397,843)**	**4,485,317**	**5,301,828**	**(2,448,489)**	**2,853,339**

The Group's total finance income decreased by RUB 2,853,512 thousand, or 82.3%, from RUB 3,467,740 thousand in the year ended 31 December 2018 to RUB 614,228 thousand in the year ended 31 December 2019, which was primarily attributable to recognition of modification of financial liabilities in 2018 in connection with renegotiation of land acquisition terms in a number of projects.

The Group's total finance costs increased by RUB 1,631,978 thousand, or 57.2%, from RUB 2,853,339 thousand in the year ended 31 December 2018 to RUB 4,485,317 thousand in the year ended 31 December 2019, primarily due to an increase in interest expense and costs related to the effect of change in contract terms. The Group's interest expense increased from RUB 4,977,091 thousand in the year ended 31 December 2018 to RUB 6,070,373 thousand in the year ended 31 December 2019, which was attributable primarily to an increase in loans and borrowings. Effect on change of contract terms was recognised in the year ended 31 December 2019 in the amount of RUB 1,388,966 thousand, which was primarily attributable to renegotiated terms of land acquisition on a number of projects.

Income tax expense

The following table sets out the components of the Group's income tax expense for the years ended 31 December 2019 and 2018.

	Year ended 31 December		Change from 2018 to 2019	Percentage change from 2018 to 2019
	2019	2018		
	(RUB thousands)		*(%)*	
Current income tax				
Reporting year	(410,425)	(1,032,758)	622,333	(60.3)
Deferred tax expense				
Origination and reversal of temporary differences	93,602	287,054	(193,452)	(67.4)
Income tax expense	**(316,823)**	**(745,704)**	**428,881**	**(57.5)**

The Group's income tax expense decreased by RUB 428,881 thousand, or 57.5%, from RUB 745,704 thousand in the year ended 31 December 2018 to RUB 316,823 thousand in the year ended 31 December 2019, which was in line with the decrease of profit before income tax by 62.7% year-on-year.

For the years ended 31 December 2019 and 2018, the applicable tax rate for the Group was 20%, which represents the corporate income tax rate in the Russian Federation. The effective tax rate increased from 23.6% in the year ended 31 December 2018 to 26.8% in the year ended 31 December 2019, primarily as a result of the decrease in profit before income tax and a decrease in non-deductible expenses and unrecognised deferred tax assets on losses of the current year.

The following table sets out the reconciliation of the Group's effective tax rate for the years ended 31 December 2019 and 2018 to the Group's income tax expense.

	Year ended 31 December	
	2019	2018
	(RUB thousands)	
Profit before tax	1,181,124	3,163,979
Income tax at the applicable tax rate	(236,225)	(632,796)
Non-deductible expenses	(54,680)	(144,644)
Provision for income tax	4,819	166,765
Unrecognised deferred tax assets on losses of the current year	(49,200)	(152,569)
Effect on tax incentive	18,463	17,540
Income tax expense	**(316,823)**	**(745,704)**

Profit and total comprehensive income for the year

For the reasons described above, the Group's profit and total comprehensive income for the year ended 31 December 2019 and 2018 was RUB 864,301 thousand and RUB 2,442,206 thousand, respectively.

Results of Operations for the Years Ended 31 December 2018 Compared with the Year Ended 31 December 2017

The following table sets out selected data from the Group's consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2018 and 2017, as derived from the Financial Statements (included elsewhere in this Offering Memorandum).

	Year ended 31 December		Change from 2017 to 2018	Percentage change from 2017 to 2018	% of Revenue Year ended 31 December	
	2018	2017			2018	2017
	(RUB thousands)				(%)	
Continuing operations						
Revenue	38,717,495	42,445,232	(3,727,737)	(8.8)	100.0	100.0
Cost of sales	(31,403,915)	(35,686,544)	4,282,629	(12.0)	(81.1)	(84.1)
Gross profit	**7,313,580**	**6,758,688**	**554,892**	**8.2**	**18.9**	**15.9**
Other income	581,375	436,146	145,229	33.3	1.5	1.0
Distribution expenses	(1,990,537)	(1,668,286)	(322,251)	19.3	(5.1)	(3.9)
Administrative expenses	(2,125,293)	(1,611,925)	(513,368)	31.8	(5.5)	(3.8)
Impairment of investment property	(689,000)	-	(689,000)	(100.0)	(1.8)	-
Other expenses	(540,547)	(375,602)	(164,945)	43.9	(1.4)	(0.9)
Results from operating activities	**2,549,578**	**3,539,021**	**(989,443)**	**(28.0)**	**6.6**	**8.3**
Finance income	3,467,740	2,403,102	1,064,638	44.3	9.0	5.7
Finance costs	(2,853,339)	(1,543,826)	(1,309,513)	84.8	(7.4)	(3.6)
Net finance income	**614,401**	**859,276**	**(244,875)**	**(28.5)**	**1.6**	**2.0**
Profit before income tax	**3,163,979**	**4,398,297**	**(1,234,318)**	**(28.1)**	**8.2**	**10.4**
Income tax expense	(745,704)	(859,161)	113,457	(13.2)	(1.9)	(2.0)
Profit from continuing operations	**2,418,275**	**3,539,136**	**(1,120,861)**	**(31.7)**	**6.2**	**8.3**
Discontinued operations						
Profit from discontinued operations	23,931	5,517	18,414	333.8	0.1	0.0
Profit and total comprehensive income for the year	**2,442,206**	**3,544,653**	**(1,102,447)**	**(31.1)**	**6.3**	**8.4**

Revenue

The Group's revenue decreased by RUB 3,727,737 thousand, or 8.8%, from RUB 42,445,232 thousand in the year ended 31 December 2017 to RUB 38,717,495 thousand in the year ended 31 December 2018, principally due to a decrease in sales revenue recognised at a point in time, partially offset by an increase in sales revenue recognised over time as a result of accounting changes resulting from the implementation of new regulatory measures in the second half of 2018.

The following table sets out the breakdown of the Group's sales revenue for the years ended 31 December 2018 and 2017.

	Year ended 31 December		Change from 2017 to 2018	Percentage change from 2017 to 2018	% of Revenue Year ended 31 December	
	2018	2017			2018	2017
	(RUB thousands)				*(%)*	
Sales revenue on SPA recognised at a point in time	1,532,699	24,873,531	(23,340,832)	(93.8)	4.0	58.6
Sales revenue on SPA recognised over time	36,831,537	17,088,848	19,742,689	115.5	95.1	40.3
Revenue from sale of real estate properties developed by parties other than the Group recognised at a point in time	-	152,809	(152,806)	(100.0)	-	0.4
Other revenue	217,513	228,421	(10,908)	(4.8)	0.6	0.5
Total revenue from contracts with customers	**38,581,749**	**42,343,609**	**(3,761,860)**	**(8.9)**	**99.6**	**99.8**
Rental income	135,746	101,623	34,123	33.6	0.4	0.2
Total revenue	**38,717,495**	**42,445,232**	**(3,727,737)**	**(8.8)**	**100.0**	**100.0**

The Group's sales revenue on SPA recognised at a point in time decreased by RUB 23,340,832 thousand, or 93.8%, from RUB 24,873,531 thousand in the year ended 31 December 2017 to RUB 1,532,699 thousand in the year ended 31 December 2018, principally due to the entry into force of the new version of Federal Law No. 214-FZ, as a result of which, SPAs entered into after 1 January 2017 became non-cancellable with revenue under these contracts to be recognised over a period of time based on the contracts' stage of completion, while revenue from the SPAs entered into before 1 January 2017 was recognised at the completion of construction (i.e., at the time the relevant commissioning certificate is received). This led to a significant decline in sales revenue on SPA recognised at a point in time and a significant increase in sales revenue on SPA recognised over time.

The Group's sales revenue on SPA recognised at a point in time and sales revenue on SPA recognised over time in the aggregate decreased by RUB 3,598,143 thousand, or 8.6%, from RUB 41,962,379 thousand in the year ended 31 December 2017 to RUB 38,364,236 thousand in the year ended 31 December 2018. This was primarily due to different methods of revenue recognition as a result of changes in legislation described above. Notwithstanding the 8.6% decrease in the Group's sales revenue on SPA recognised at a point in time and sales revenue on SPA recognised over time, the Group's construction volumes, sales volumes and average prices increased between 2017 and 2018.

In 2018, the Group entered into share participation agreements in respect of 512 thousand square metres compared to 403 thousand square metres in 2017. The average price per square metre increased by 8%, from RUB 79 thousand per square metre in 2017 to RUB 85 thousand per square metre in 2018.

In 2018, the Group recognised revenue from apartments that were transferred as a payment for the acquisition of land plots in the amount of RUB 3,715,454 thousand compared to 2017 RUB 8,143,965 thousand in 2017, which corresponded approximately to their market value at the time of conclusion of the contract.

Sales revenue on SPA for each of the reporting periods included a significant financing component, determined on the basis of interest rates in effect on the date of execution a relevant SPA, such interest rates ranging from 10% to 13% in the year ended 31 December 2018 and from 13% to 15% in the year ended 31 December 2017. The Group assessed that the financing component impact on revenue was equal to RUB 1,881,348 thousand and RUB 5,250,160 thousand for the years ended 31 December 2018 and 31 December 2017, respectively.

Cost of sales

The Group's cost of sales decreased by RUB 4,282,629 thousand, or 12.0%, from RUB 35,686,544 thousand in the year ended 31 December 2017 to RUB 31,403,915 thousand in the year ended 31 December 2018, which was in line with revenue trend and supported by certain cost savings.

Gross profit

As a result of the changes in revenue and cost of sales, the Group's gross profit increased by RUB 554,892 thousand, or 8.2%, from RUB 6,758,688 thousand in the year ended 31 December 2017 to RUB 7,313,580 thousand in the year ended 31 December 2018.

Distribution expenses

The Group's distribution expenses increased by RUB 322,251 thousand, or 19.3%, from RUB 1,668,286 thousand in the year ended 31 December 2017 to RUB 1,990,537 thousand in the year ended 31 December 2018, principally due to an increase in advertising expenses and wages and salaries expenses.

The following table sets out the components of the Group's distribution expenses for the years ended 31 December 2018 and 2017.

	Year ended 31 December		**Change from 2017 to 2018**	**Percentage change from 2017 to 2018**	**% of Revenue Year ended 31 December**	
	2018	**2017**			**2018**	**2017**
	(RUB thousands)				*(%)*	
Advertising expenses	1,335,580	1,097,201	238,379	21.7	3.4	2.6
Wages and salaries	265,621	217,645	47,976	22.0	0.7	0.5
Social contributions	69,648	51,498	18,150	35.2	0.2	0.1
Other expenses	319,688	301,942	17,746	5.9	0.8	0.7
Total distribution expenses	**1,990,537**	**1,668,286**	**322,251**	**19.3**	**5.1**	**3.9**

The Group's advertising expenses increased by RUB 238,379 thousand, or 21.7%, from RUB 1,097,201 thousand in the year ended 31 December 2017 to RUB 1,335,580 thousand in the year ended 31 December 2018, which was primarily attributable to the increase in advertising expenses related to the promotion of the new Ostafyevo, Sputnik, Putilkovo and Tomilino projects.

The Group's expenses on wages and salaries increased by RUB 47,976 thousand, or 22.0%, from RUB 217,645 thousand in the year ended 31 December 2017 to RUB 265,621 thousand in the year ended 31 December 2018, which was primarily attributable to the increase in the number of management positions in the Group and consolidation of LLC Samolet Dve Stolitsy in the financial statements of the Group.

The Group's other expenses increased slightly by RUB 17,746 thousand, or 5.9%, from RUB 301,942 thousand in the year ended 31 December 2017 to RUB 319,688 thousand in the year ended 31 December 2018, in line with a general increase in the number of the Group's development projects in 2018 compared to 2017.

Administrative expenses

The Group's administrative expenses increased by RUB 513,368 thousand, or 31.8%, from RUB 1,611,925 thousand in the year ended 31 December 2017 to RUB 2,125,293 thousand in the year ended 31 December 2018, principally due to an increase in wages and salaries, social contributions, utility and maintenance costs and other administrative expenses, partially offset by a decrease in lease payments and consulting services.

The following table sets out the components of the Group's general and administrative expenses for the years ended 31 December 2018 and 2017.

	Year ended 31 December		**Change from 2017 to 2018**	**Percentage change from 2017 to 2018**	**% of Revenue Year ended 31 December**	
	2018	**2017**			**2018**	**2017**
	(RUB thousands)				*(%)*	
Wages and salaries	1,106,790	805,849	300,941	37.3	2.9	1.9

Social contributions	235,955	149,797	86,158	57.5	0.6	0.4
Lease payments	171,576	194,934	(23,358)	(12.0)	0.4	0.5
Consulting services	185,195	186,932	(1,737)	(0.9)	0.5	0.4
Utility and maintenance costs	89,269	51,915	37,354	72.0	0.2	0.1
Value added tax	54,232	47,916	6,316	13.2	0.1	0.1
Depreciation	42,574	58,994	(16,420)	(27.8)	0.1	0.1
Stationery and other office supplies	45,530	66,187	(20,657)	(31.2)	0.1	0.2
Other administrative expenses	194,172	49,401	144,771	293.1	0.5	0.1
Total administrative expenses	**2,125,293**	**1,611,925**	**513,368**	**31.8**	**5.5**	**3.8**

The Group's expenses on wages and salaries increased by RUB 300,941 thousand, or 37.3%, from RUB 805,849 thousand in the year ended 31 December 2017 to RUB 1,106,790 thousand in the year ended 31 December 2018, which was primarily attributable to an increase in the number of personnel employed by the Group which was due to an expansion of the Group's activities and new projects, such as the Ostafyevo project and the third construction stage of the Prigorod Lesnoe project.

The Group's social contributions increased by RUB 86,158 thousand, or 57.5%, from RUB 149,797 thousand in the year ended 31 December 2017 to RUB 235,955 thousand in the year ended 31 December 2018, generally in line with an increase in expenses on wages and salaries. The disparity between the rates of increase in wages and salaries and social contributions is due to regulatory requirements on calculation of the amounts of social contributions, which take into account various factors apart from the salary levels of an individual employee, and an uneven mix of higher and lower paid jobs in the Group.

The Group's lease payments decreased by RUB 23,358 thousand, or 12.0%, from RUB 194,934 thousand in the year ended 31 December 2017 to RUB 171,576 thousand in the year ended 31 December 2018, due to the optimisation of workspace used by Group employees and the corresponding reduction in office space rented.

The Group's other administrative expenses increased by RUB 144,771 thousand, or 293.1%, from RUB 49,401 thousand in the year ended 31 December 2017 to RUB 194,172 thousand in the year ended 31 December 2018, principally due to an increase in security, insurance and communication costs, costs related to marketing and corporate events, and the launch of new projects in 2018.

Other income

The Group's other income increased by RUB 145,229 thousand, or 33.3%, from RUB 436,146 thousand in the year ended 31 December 2017 to RUB 581,375 thousand in the year ended 31 December 2018, which was primarily attributable to the sale of other property to third parties, the increase in fines imposed on contractors, as well as the consolidation of the financial results of LLC Samolet Dve Stolitsy and its subsidiaries..

Other expenses

The Group's other expenses increased by RUB 164,945 thousand, or 43.9%, from RUB 375,602 thousand in the year ended 31 December 2017 to RUB 540,547 thousand in the year ended 31 December 2018, which was primarily attributable to the write-off of advances issued to general contractors and other receivables, the increase in litigation costs and compensation costs, as well as the consolidation of the financial results of LLC Samolet Dve Stolitsy and its subsidiaries.

Impairment of investment property

In the year ended 31 December 2017, a land plot in the Moscow Region, which was originally intended for the construction of a shopping centre was subsequently reclassified as an investment property due to a change in the Group's business strategy relating to the construction of commercial real estate for lease-out purposes. In the year ended 31 December 2018, due to a delay in the preparation of design documentation and the start of construction works, the Group recognised an impairment of investment property in the amount of RUB 689,000 thousand.

Net finance income

The Group's net finance income decreased by RUB 244,875 thousand, or 28.5%, from RUB 859,276 thousand in the year ended 31 December 2017 to RUB 614,401 thousand in the year ended 31 December 2018.

The following table sets out the components of the Group's finance income and finance costs for the years ended 31 December 2018 and 2017.

	Year ended 31 December		Change from 2017 to 2018	Percentage change from 2017 to 2018	% of Revenue Year ended 31 December	
	2018	2017			2018	2017
	(RUB thousands)				*(%)*	
Finance income						
Interest income	320,688	455,827	(135,139)	(29.6)	0.8	1.1
Interest income on short-term deposits	122,649	217,068	(94,419)	(43.5)	0.3	0.5
Impact of financial obligations modification	2,852,363	1,730,003	1,122,360	64.9	7.4	4.1
Foreign exchange income	59,605	204	59,401	29,118.1	0.2	0.0
Other income	112,435	-	112,435	100.0	0.3	-
Total finance income	**3,467,740**	**2,403,102**	**1,064,638**	**44.3**	**9.0**	**5.7**
Finance costs						
Foreign exchange expense	15,818	13,878	1,940	14.0	0.0	0.0
Interest expenses	4,977,091	6,709,447	(1,732,356)	(25.8)	12.9	15.8
Interest expense capitalised in inventory	(2,448,489)	(5,179,499)	2,731,010	(52.7)	(6.3)	(12.2)
Other expense	308,919	-	308,919	100.0	0.8	-
Total finance costs[(1)]	**2,853,339**	**1,543,826**	**1,309,513**	**84.8**	**7.4**	**3.6**

Notes:

(1) Finance costs comprise:

Interest expense on loans received	2018	Capitalisa-tion	Remained in interest expense	2017	Capitalisa-tion	Remained in interest expense
Forex	15,818	-	15,818	13,878	-	13,878
Bonds and other loans	609,299	(296,679)	312,620	950,293	(345,715)	604,578
Finance lease interest	-	-	-	-	-	-
Unwinding of discount on long-term payables for land	1,718,868	(1,427,325)	291,543	2,566,740	(2,566,740)	-
Effect on change of contract terms	-	-	-	-	-	-
Unwind of discount on provisions related to completion of construction	346,483	-	346,483	-	-	-
Financing component on share participation agreements concluded after 1 January 2017	1,776,657	(453,485)	1,323,172	825,504	-	825,504
Financing component on share participation agreements concluded before 1 January 2017	271,000	(271,000)	-	2,366,910	(2,267,044)	99,866
Other	563,703	-	563,703	-	-	-
	5,301,828	**(2,448,489)**	**2,853,339**	**6,723,325**	**(5,179,499)**	**1,543,826**

The Group's total finance income increased by RUB 1,064,638 thousand, or 44.3%, from RUB 2,403,102 thousand in the year ended 31 December 2017 to RUB 3,467,740 thousand in the year ended 31 December 2018, which was primarily attributable to the impact of financial obligations modification, partially offset by a decrease in interest income and interest income on short-term deposits.

Impact of financial obligations modification increased from RUB 1,730,003 thousand in the year ended 31 December 2017 to RUB 2,852,363 thousand in the year ended 31 December 2018, primarily due to renegotiation of land payment terms for Prigorod Lesnoe, Korobovo, Tomilino and Sputnik land plots, in particular, increasing the term of land lease contract and an upward adjustment of the land value as opposed to not having similar increases in the terms for the land plots in 2017.

The Group's interest income decreased by RUB 135,139 thousand, or 29.6%, from RUB 455,827 thousand in the year ended 31 December 2017 to RUB 320,688 thousand in the year ended 31 December 2018, primarily due to loans provided at lower interest rates.

Changes in the foreign exchange income and foreign exchange expense primarily resulted from foreign currency fluctuations of the Rouble against U.S. dollar.

The Group's total finance costs increased by RUB 1,309,513 thousand, or 84.8%, from RUB 1,543,826 thousand in the year ended 31 December 2017 to RUB 2,853,339 thousand in the year ended 31 December 2018, primarily due to a decrease in interest expense capitalised in inventory from RUB 5,179,499 thousand in the year ended 31 December 2017 to RUB 2,448,489 thousand in the year ended 31 December 2018, that decreased as a result of the effect from growing part of non-cancellable contracts, recognised as revenues over time (that affected interest expense capitalisation), which was partially offset by a decrease in interest expense that was due to disposal of the Group's companies with high interest expense burden in 2017 and early repayment of loans.

Income tax expense

The Group's income tax expense decreased by RUB 113,457 thousand, or 13.2%, from RUB 859,161 thousand in the year ended 31 December 2017 to RUB 745,704 thousand in the year ended 31 December 2018, which was primarily attributable to a decrease in deferred income tax.

For the years ended 31 December 2018 and 2017, the applicable tax rate for the Group was 20%, which represents the corporate income tax rate in the Russian Federation.

The following table sets out the components of the Group's income tax expense for the years ended 31 December 2018 and 2017.

	Year ended 31 December		**Change from 2017 to 2018**	**Percentage change from 2017 to 2018**
	2018	**2017**		
	(RUB thousands)			*(%)*
Current income tax				
Current year	(1,032,758)	(1,278,947)	246,189	(19.2)
Deferred income tax				
Origination and reversal of temporary differences	287,054	419,786	(132,732)	(31.6)
Income tax expense	**(745,704)**	**(859,161)**	**113,457**	**(13.2)**

The decrease in current income tax was principally due to a decrease in the Group's profit before income tax. The effective tax rate for 2018 was 24% compared to 19% for 2017, which was primarily due to an increase in the amount of unrecognised deferred tax assets on losses for 2018.

The following table sets out the reconciliation of the Group's effective tax rate for the years ended 31 December 2018 and 2017 to the Group's income tax expense.

	Year ended 31 December	
	2018	**2017**
	(RUB thousands)	
Profit before income tax	3,163,979	4,398,297
Income tax at applicable tax rate	(632,796)	(879,659)
Non-deductible expenses	(144,644)	(54,621)
Provision for income tax	166,765	(150,000)
Unrecognised deferred tax assets on losses of the current year	(152,569)	(15,690)
Tax incentive	17,540	240,809
Income tax expense	**(745,704)**	**(859,161)**

Profit and total comprehensive income for the year

For the reasons described above, the Group's profit and total comprehensive income for the year ended 31 December 2018 and 2017 was RUB 2,442,206 thousand and RUB 3,544,653 thousand, respectively.

LIQUIDITY AND CAPITAL RESOURCES

General

Real estate investment and development is a capital-intensive business, and the Group expects to have significant ongoing liquidity and capital requirements in order to finance its growth strategy, including investing in new properties and development projects, while making additional investments into the Group's existing properties and real estate development projects. The Group primarily finances its operations and investments through a combination of cash flow from operating activities and borrowings from banks. The Group usually funds the investment portion of its working capital by the Group's own funds.

The recently adopted regulation on escrow accounts in real estate development business, which came into effect on 1 July 2019, requires developers to hold all moneys received under agreements entered into prior to a property completion, in escrow until commissioning of the relevant housing units. This means that going forward the Group expects to rely heavily on the availability of loan financing from commercial banks. Generally, a number of banks have already developed new financing products which offer developers favourable interest rates against the funds held in escrow accounts in such banks, in accordance with the newly enacted regulation. The Group has executed financing term sheets in respect of the five projects in Alkhimovo, Nekrasovka, Tomilino, Ostafyevo and Novodanilovskya,8, which have already started or expect to start using escrow mechanism in the second half of 2020. The Group continues to negotiate with a number of Russian banks the terms of special project financings for its other projects and does not expect to face any significant difficulties with securing such financing. The Group will also continue to ensure that its construction progress on various projects correlates with the levels of its housing sales and will take out loan financing against prepayments received under SPAs and deposited in escrow.

Cash Flows

The following table sets out summary cash flow information for the six months ended 30 June 2019 and 2020 and the years ended 31 December 2019, 2018 and 2017.

	Six months ended 30 June		Year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
			(RUB thousands)		
Net cash from/(used in) operating activities	(1,911,203)	347,781	(4,954,246)	215,386	(635,396)
Net cash from/(used in) investing activities	(1,485,113)	(2,044,170)	(3,967,355)	(706,831)	(1,206,560)
Net cash from/(used in) financing activities	7,684,307	5,355,456	10,013,343	133,106	2,067,954
Net increase/(decrease) in cash and cash equivalents	**4,287,991**	**3,659,067**	**1,091,742**	**(358,339)**	**225,998**

Net cash (used in) / from operating activities

Six months ended 30 June 2020 compared to the six months ended 30 June 2019

The Group's net cash flows used in operating activities changed by RUB 2,258,984 thousand from an inflow of RUB 347,781 thousand for the six months ended 30 June 2019 to an outflow RUB 1,911,203 thousand for the six months ended 30 June 2020, principally as a result of an increase in cash outflows related to an increase in accounts receivable, including contract assets, prepayments and VAT input, which increased due to the increase in contract assets as a result of the increase in revenue under escrow accounts. An increase in cash outflows related to accounts payable (including liabilities under contracts with customers) also contributed to the changes in net cash flows.

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

The Group's net cash flows (used in) / from operating activities changed by RUB 5,169,632 thousand, from cash inflows of RUB 215,386 thousand in the year ended 31 December 2018 to cash outflows of RUB 4,954,246 thousand in the year ended 31 December 2019, principally as a result of an increase in cash outflows related to repayment of trade and other payables, which was partially offset by an increase in accounts receivable (including contract assets, prepayments and VAT input). Cash outflows related to trade and other payables increased from RUB 303,583 thousand in the year ended 31 December 2018 to RUB 10,108,068 thousand in the year ended 31 December 2019 primarily due to the repayment of payables related to land plots for such projects as Sputnik, Tomilino and Prigorod Lesnoe. Cash outflows related to accounts receivable decreased from cash outflows of RUB 3,665,798 thousand in the year ended 31 December 2018 to cash outflows of RUB 1,748,975 thousand in the year ended 31 December 2019, which was due to an increase of advances paid to suppliers in 2018.

Year ended 31 December 2018 compared to the year ended 31 December 2017

The Group's net cash flows (used in) / from operating activities changed by RUB 850,782 thousand, from cash outflows of RUB 635,396 thousand in the year ended 31 December 2017 to cash inflows of RUB 215,386 thousand in the year ended 31 December 2018, principally as a result of a change in inventories and trade and other payables, which was partially offset by an increase in trade and other receivables and advances paid and a decrease in provisions. Cash inflows from inventories changed from cash outflows of RUB 1,237,486 thousand in the year ended 31 December 2017 to cash inflows of RUB 3,571,878 thousand in the year ended 31 December 2018, which was primarily due to cash receipts related to commissioning of three major Group's real estate projects, Prigorod Lesnoe (Stage 1), Lyubertsy (Stage 3) and Vnukovo 2017.

Cash outflows from trade and other payables, which principally represent trade payables to contractors for construction work and related services, decreased from RUB 2,192,256 thousand in the year ended 31 December 2017 to RUB 303,583 thousand in the year ended 31 December 2018, which was principally due to payments made to such contractors in the first half of 2018 for the works completed and services provided in 2017. These changes in net cash flows (used in) / from operating activities were partially offset by changes in trade and other receivables and advances paid and provisions. Cash outflows from increase in trade and other receivables and advances paid was RUB 241,127 thousand in the year ended 31 December 2017 compared to RUB 3,665,798 thousand in the year ended 31 December 2018. The significant increase in cash outflows at 31 December 2018 was due to the launch of new construction stages in Tomilino, Putilkovo, Ostafyevo and Prigorod Lesnoe projects at the end of 2018 requiring an increased in advances paid to contractors and increase in outstanding indebtedness of Group's customers under SPAs, most of which was settled at the beginning of the 2019. Changes in provisions from cash inflows of RUB 1,531,811 thousand in the year ended 31 December 2017 to cash outflows of RUB 905,689 thousand in the year ended 31 December 2018 were due to different structure of contracts under which revenue recognised at a point in time in 2017.

Net cash (used in) / from investing activities

Six months ended 30 June 2020 compared to the six months ended 30 June 2019

The Group's net cash used in investing activities decreased by RUB 559,057 thousand, from negative RUB 2,044,170 thousand for the six months ended 30 June 2019 to negative RUB 1,485,113 thousand for the six months ended 30 June 2020, primarily due to a decrease in cash outflows for loans granted, which was partially offset by an increase in cash outflows for new investments.

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

The Group's net cash outflows used in investing activities increased by RUB 3,260,524 thousand, from RUB 706,831 thousand in the year ended 31 December 2018 to RUB 3,967,355 thousand in the year ended 31 December 2019, primarily due to an increase in loans granted to related parties as well as loans granted to partners upon the establishment of joint ventures in the amount of RUB 2,500,000 thousand.

Year ended 31 December 2018 compared to the year ended 31 December 2017

The Group's net cash outflows used in investing activities decreased by RUB 499,729 thousand, from RUB 1,206,560 thousand in the year ended 31 December 2017 to RUB 706,831 thousand in the year ended 31 December 2018, primarily due to a decrease in loans to related parties.

Net cash (used in) / from financing activities

Six months ended 30 June 2020 compared to the six months ended 30 June 2019

The Group's net cash generated from financing activities increased by RUB 2,328,851 thousand, from RUB 5,355,456 thousand for the six months ended 30 June 2019 to RUB 7,684,307 thousand for the six months ended 30 June 2020, principally due to an increase in loans financing. The increase in proceeds from loans and borrowings was a result of cash inflows from bonds and project financing. The increase in repayment of loans and borrowings was due to an increase in debt of the Group.

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

The Group's net cash generated from financing activities increased by RUB 9,880,237 thousand, from RUB 133,106 thousand in the year ended 31 December 2018 to RUB 10,013,343 thousand in the year ended 31 December 2019, which was primarily attributable to an increase in debt financing in 2019 both through bank loans and bonds in the total amount of RUB 21,757,807 thousand, which was partially offset by the repayment of facilities in the total amount of RUB 10,683,598 thousand and the repayment of dividends in the amount of RUB 557,042 thousand.

Year ended 31 December 2018 compared to the year ended 31 December 2017

The Group's net cash generated from financing activities decreased by RUB 1,934,848 thousand from RUB 2,067,954 thousand in the year ended 31 December 2017 to RUB 133,106 thousand in the year ended 31 December 2018, which was primarily attributable to a decrease in proceeds from loans and borrowings and a decrease in repayment of loans and borrowings, which was due to one local bond issue in 2018 for the amount of RUB 500,000 thousand compared to three local bond issues in 2017 for the total amount of RUB 4,290,000 thousand.

INDEBTEDNESS

Loans and Borrowings

The table below provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

	31 December		
	2019	**2018**	**2017**
	(RUB thousands)		
Non-current liabilities			
Unsecured bonds	5,712,594	4,790,006	4,290,006
Secured bank borrowings	5,571,253	-	-
Bank borrowings (escrow)	901,740	-	-
Interest	45,225	-	-
	12,230,812	**4,790,006**	**4,290,006**
Current liabilities			
Unsecured bonds (interest)	1,722,150,	-	-
Secured bank borrowings	1,460,275	-	-
Bank borrowings	780,000	-	-
Interest	150,850	93,365	62,291
Other borrowings from related parties	-	415,020	6,317
	4,113,275	**508,385**	**68,608**

Debt repayment terms and schedule

The following table sets out the payment terms and maturities of the Group's outstanding loans and borrowings:

				30 June	
				2020	**2019**
	Currency	**Nominal interest rate**	**Year of maturity**	**Carrying amount**	**Carrying amount**
				(RUB thousands)	
Unsecured bank loans	RUB	11%	2019	-	2,000,000
Secured bank borrowings [1]	RUB	4.5%- 12.71%,	2021-2023	8,708,830	4,257,683
Unsecured bonds	RUB	9.5% - 12%	2021-2029	13,179,727	4,781,588
Loans from related parties	RUB	12% - 13%	2023	982,000	-
Loans from third parties	RUB	12% - 16%	2019	-	170,000
Interest	RUB			496,888	108,189

	Currency	Nominal interest rate	Year of maturity	30 June 2020 Carrying amount	30 June 2019 Carrying amount
				(RUB thousands)	
Total				**23,367,435**	**11,317,460**

Notes:

(1) As a security for its obligations under a bank loan agreement, at 30 June 2020 the Group pledged its right-of-use assets/title to land plots with a carrying amount of RUB 4,275,002 thousand; property-related rights to residential properties under construction with a total carrying amount of RUB 18,645,268 thousand; rights of claim under a loan agreement in the amount of RUB 625,859 thousand; shares/interests in the Company and its subsidiaries.

	Currency	Nominal interest rate	Year of maturity	31 December 2019 Carrying amount	31 December 2018 Carrying amount	31 December 2017 Carrying amount
					(RUB thousands)	
Unsecured bonds	RUB	9.5%-12%	2020-2029	7,434,744	4,790,006	4,290,006
Secured bank borrowings	RUB	4.5%-12.71%	2021-2023	7,031,528	-	-
Bank borrowings	RUB	10.5%	2020	780,000	-	-
Bank borrowings (escrow)	RUB	floating	2022-2023	901,740	-	-
Loans from third parties	RUB	12-16%	2019	-	415,020	6,317
Interest	RUB			196,075	93,365	62,291
Total				**16,344,087**	**5,298,391**	**4,358,614**

Key Facility Agreements and Bonds

Facility agreement between LLC Samolet-Tomilino and Promsvyazbank Public Joint-Stock Company

In March 2020, one of the Company's subsidiaries, LLC Samolet-Tomilino, and Promsvyazbank PJSC entered into a facility agreement under which the bank agreed to provide a RUB 6,100,000 thousand facility in several tranches maturing in December 2022. The facility is available for drawdown until December 2021. The facility was provided for the purposes of financing the Tomilino project. The facility is secured, inter alia, by mortgage, pledge of participant interest in LLC Samolet-Tomilino and pledge of bank accounts. Under the SHA entered into between the Company and PJSC Promsvyazbank in respect of LLC Samolet-Tomilino, the articles of association of the company were amended to provide Promsvyazbank PJSC special voting rights which entitle it to block certain key corporate decisions of the Company.

Facility agreement between LLC SR-Group and VTB Bank (Public Joint-Stock Company)

In May 2020, one of the Company's subsidiaries, LLC SR-Group, and VTB Bank (PJSC) entered into a facility agreement under which the bank agreed to provide a RUB 10,400,000 thousand facility in four tranches maturing in December 2022. The facility is available for drawdown until March 2022. The facility was provided for the purposes of financing the Ostafyevo project. The facility is secured, among others, by mortgage, pledge of participant interest in LLC SR-Group and pledge of rights and guaranteed, among others, by the Company.

Facility agreement between LLC Bukhta-Land and Promsvyazbank Public Joint-Stock Company

In December 2018, one of the Company's subsidiaries, LLC Bukhta-Land, and Promsvyazbank PJSC entered into a facility agreement under which Promsvyazbank PJSC agreed to provide a RUB 4,657,683 thousand facility maturing in April 2021. The facility was available for drawdown until March 2019. The facility was provided for the purposes of securing letters of credit issued for payment under sale and purchase agreements of land plots for the Sputnik project. The repayment is scheduled in nine instalments in the amount of 19% of funds received in the preceding calendar quarter as a result of sales of the real estate pledged to Promsvyazbank PJSC and/or share participation agreements, but resulting in the total outstanding indebtedness specified in the facility agreement. The facility is secured and guaranteed by the Company and LLC Citystroy-MO. Under the SHA entered into between the Company and PJSC Promsvyazbank in respect of LLC Bukhta-Land, the articles of association of the company were amended to provide PJSC Promsvyazbank special voting rights which entitle it to block certain key corporate decisions of the Company.

Security agreements with National Bank TRUST and "Bank "Saint-Petersburg" Public Joint Stock Company

The Company and its subsidiary, LLC Mega-City, entered into suretyship agreements with National Bank TRUST to secure repayment of the facilities provided by National Bank TRUST to LLC Bogdanikha-Land, an entity which is not a member of the Group and which is owned by the partners of the Group. Total principal amount outstanding under the guaranteed facility agreements as at the date of this Offering Memorandum is RUB 2,464,013 thousand. In addition, the suretyship agreements impose certain restrictions on LLC Mega-City, for example, not to dispose of its participant's interest in LLC Prigorod Lesnoe, not to enter into any facility or pledge agreements with the third parties outside the Group (with certain exceptions), not to guarantee the obligations of third parties without prior approval of the lender. Furthermore, Company's subsidiary LLC Samolet LO entered into suretyship agreement with "Bank "Saint-Petersburg" Public Joint Stock Company to secure obligations of its contractor, which is not member of the Group, under its relevant agreement with "Bank "Saint-Petersburg" Public Joint Stock Company relating to the issue of bank guarantees.

Bonds Series 01

In November 2016, the Company issued bearer bonds in the principal amount of RUB 1,500 million. The final maturity of the bonds is in October 2026.

The amount of debt in circulation currently is RUB 1,500 million and the amount of debt not held by the Group is RUB 500 million. The next offer for redemption is planned in November 2020.

Bonds Series GK-BO-PO1

In May 2017, the Company issued bonds in the principal amount of RUB 2,500 million on the Moscow Stock Exchange. The final maturity of the bonds is in May 2022. The amount of debt in circulation currently is RUB 1,250 million.

Bonds Series GK-BO-PO2

In November 2017, the Company issued bonds in the principal amount of RUB 1,500 million maturing in October 2022 on the Moscow Stock Exchange.

Bonds Series GK-BO-PO3

In December 2017, the Company issued bonds in the principal amount of RUB 290 million on the Moscow Stock Exchange. The final maturity of the bonds is in December 2021. The amount of debt in circulation currently is RUB 290 million and the amount of debt not held by the Group is RUB 194 million.

Bonds Series GK-BO-PO4

In December 2018, the Company issued bonds in the principal amount of RUB 700 million on the Moscow Stock Exchange. The amount of debt in circulation currently is RUB 500 million and the amount of debt not held by the Group is RUB 100 million. The final maturity of the bonds is in December 2028.

Bonds Series GK-BO-PO5

In August 2019, the Company issued bonds in the principal amount of RUB 300 million on the Moscow Stock Exchange. In August 2019, the Company issued bonds in the principal amount of RUB 300 million on the Moscow Stock Exchange. The amount of debt in circulation currently is RUB 280 million and the amount of debt not held by the Group is RUB 172 million. The next offer for redemption is planned in February 2021.

Bonds Series GK-BO-PO6

In August 2019, the Company issued bonds in the principal amount of RUB 500 million on the Moscow Stock Exchange maturing in August 2029.

Bonds Series GK-BO-PO7

In October 2019, the Company issued bonds in the principal amount of RUB 3 billion on the Moscow Stock Exchange maturing in October 2022.

Bonds Series GK-BO-PO8

In March 2020, the Company issued bonds in the principal amount of RUB 6 billion on the Moscow Stock Exchange maturing in March 2023.

The Group's borrowings include a number of covenants, including, inter alia, maintaining certain financial ratios and restrictions on disposals and encumbrances of certain assets with certain exceptions, as well as restrictions on a change of control over the subsidiaries of the Company.

DIVIDENDS

In the first half of 2019, the Group declared and paid dividends for 2018 in the amount of RUB 5 per 1 ordinary share in the total amount of RUB 299,621 thousand.

On 27 December 2018, the Group declared dividends for the nine months ended 30 September 2018 in the amount of RUB 1.7 per 1 ordinary share in the total amount of RUB 102,001 thousand.

No dividends were announced or paid for the years ended 31 December 2017 and 2016. See "*Dividends policy*".

SIGNIFICANT ACCOUNTING POLICIES

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that management consider to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Restatements

The consolidated financial information of the Group as at and for the year ended 31 December 2018 has been derived from or calculated based on the comparative information presented in the 2019 Financial Statements while the consolidated financial information of the Group as at and for the year ended 31 December 2017 has been derived from or calculated based on the 2018 Financial Statements. During 2019, in order to increase transparency, the Group made a decision to make certain revisions and reclassifications to prior year comparatives to make them consistent with the 2019 year classifications and/or with the new information that became known to the Company after 31 December 2018, effecting the following captions: inventories, accounts receivable, prepayments, accounts payable, provisions and some other items. For further details relating to the restatements and reclassifications see Note 5 "Changes in comparative data" to the 2019 Financial Statements included elsewhere in this Offering Memorandum.

The information on the Consolidated Statement of Financial Position of the Group as at 31 December 2019 has been derived from or calculated based on the comparative information presented in the Interim Financial Statements for the six-month period ended 30 June 2020. During the six months ended 30 June 2020 the Group made certain reclassification adjustments to comparative information, effecting the presentation of loans and borrowings. For further details relating to the reclassifications see Note 4 "Changes in significant accounting policies" to the Interim Financial Statements for the six-month period ended 30 June 2020.

Revenue

Revenue from contracts with customers

Revenue from contracts with customers includes revenue from the sale of apartments, commercial real estate and parking spaces which are constructed under beforehand developed and approved design projects without reference to a specific customer's requests. Revenue from the sale of real estate properties is recognised at the transaction price, which represents consideration to which the Group expects to be entitled in exchange for transferring promised good or service to the customer, and is adjusted for a significant financing component to reflect the price that a customer would pay for the promised goods, if the payment was made in cash, when (or to the extent that) they are transferred to the customer. Revenue is recognised at a point in time or over the time, when the customer obtains control of the asset. Customers generally pay for real estate properties within less than six months, and returns of purchased properties are immaterial. Most of the Group's revenue is generated under share participation agreements. According to Federal Law No. 214-FZ, under which most of the Group's real estate properties under construction are sold, the developer has the right to receive the full amount of remuneration stipulated by the agreements, the construction of the properties is performed without violations pursuant to share participation agreements and the customer under such contract does not have the right to unilaterally repudiate the contract without recourse to the courts, except such termination is explicitly provided for in the agreement. Therefore, share participation agreement are considered non-cancellable according to the standard procedure. Revenue is recognised over time based on progress toward complete satisfaction of a performance obligation under the contract. The Group uses the resources input method to assess the progress of performance obligations under the contract being satisfied, based on the actual costs incurred compared to total planned costs. The acquisition cost of land plots and/or right of use assets, as well as provisions for completion of construction of properties not transferred into joint ownership, are excluded both from actual and total planned costs and are included in the cost of sales of the period using the same base of recognition as revenue. Revenue from the sale of real estate is recognised at prices in effect on the date of the contracts with customers, which may differ significantly from those in effect on the date of revenue recognition. The Group assesses the significant financing component when of the contract is concluded using the discount rate that would have been applied for a separate financing transaction between the Group company and its customer at the time of entering into the contract. The transaction price in sales of real estate properties using escrow accounts is adjusted for savings in interest expenses in case the interest rule on project borrowings is decreased compared to the base (market) rate. A change in the initial estimate of these savings is recognised in the period when the change actually takes place.

Rental income

Other revenue includes income from the lease of assets, which is recognised in revenue on a straight line basis over contract term.

Finance income and costs

The Group's finance income and expenses include:

- interest income;
- interest expense;
- net gain or loss from revaluation of financial assets and liabilities denominated in a foreign currency;
- unwinding of the discount on financial instruments.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

The effective interest rate is the rate for discounting estimated future cash payments or receipts throughout the expected effective term of a financial instrument to precisely:

- the gross carrying amount of the financial asset; or
- the amortised cost of a financial liability.

Borrowing costs that are not directly attributable to the acquisition or construction of a qualifying asset are recognised in profit or loss for the period using the effective interest method. Interest expense recognised as a result of an adjustment for a significant financing component is accounted for in the same way as borrowing costs.

Interest expenses directly attributable to the cost of inventories, namely land plots for the construction of properties or the creation of any other qualifying assets on which significant time must be spent to prepare them for the planned use or sale, are included in the cost of these assets up to the time when they are recognised in the cost of sales or are ready for sale.

The capitalisation of interest starts on the date when the Group incurs expenses related to the qualifying asset, specifically when active development of project documentation required to receive a construction permit for the first blocks of a micro-district begins. The Group capitalises interest expenses that could have been avoided if it did not incur expenses on qualifying assets. Capitalised interest expenses are calculated based on the Group's weighted-average financing rate, except in those cases when the funds were borrowed explicitly to create a qualifying asset. A significant financing component on advances received under a co-investment contract is capitalised in the cost of land plots and other assets according to the general practice, as part of interest expenses. Interest expenses are capitalised in the cost of qualifying assets throughout the period of construction, net of any investment income from short-term investment of these loan funds. Foreign currency gains and losses are reported on a net basis as either finance income or finance expense, depending on whether foreign currency movements represent a net gain or a net loss position.

Foreign currency transactions

Transactions in a foreign currency are restated in the respective functional currencies of Group entities at the exchange rates in effect on the transaction dates.

Monetary assets and liabilities denominated in a foreign currency at the reporting date are restated in the functional currency at the exchange rate in effect on that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest accrued and payments during the period, and the amortised cost in a foreign currency restated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in a foreign currency that are measured at fair value are restated in the functional currency at the exchange rate in effect on the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are restated at the exchange rate on the transaction date.

Foreign currency differences arising as a result of restatement are recognised in profit or loss for the period, except for differences arising on the restatement of available-for-sale equity instruments which are recognised in other comprehensive income.

Employee benefits

Liabilities on short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised in the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the liability can be estimated reliably.

To the extent that the Group's contributions to social programs benefit not only the Group's employees, they are recognised in profit or loss as incurred.

Expenses on severance pay are recognised at the earliest of the following dates: when the Group can no longer annul the provisions on the payment of this remuneration or when the entity recognises the restructuring costs.

Income tax

Income tax expense comprises current and deferred tax. It is 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

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year 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 dividends.

Deferred tax

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 to the extent that the Group is able to control the timing of the reversal of the temporary differences and 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 assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. 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. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences following from the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities at the end of the reporting period. 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 that intend to settle current tax liabilities and assets on a net basis or the tax assets and liabilities of which will be realised simultaneously. In accordance with the tax legislation of the Russian Federation, the tax losses and current tax assets of a Group company may not be set off against the 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. When determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties, and late-payment interest may be due. Income tax liabilities include potential additional tax assessments, including fines and penalties, estimated by management. Their assessment relies on estimates and assumptions and may involve a series of judgments about the impact of future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Inventories

Inventories include construction-in-progress in projects where the Group acts as a developer, with such construction-in-progress intended for sale, as well as the cost of land plots, right-of-use assets and the construction of social and infrastructure facilities that were not recognised in the cost of sales using percentage of completion, land plots or lease rights in projects for which construction permits are in the process of being obtained and the development of which will start shortly, as well as finished products and investment contributions under co-investment contracts for properties under construction by third or related parties. Inventories are measured at the lower of purchase cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to complete and selling expenses, with due account of the project timeline. The cost of real estate properties under construction is determined based on the specific costs of their construction. These costs include direct expenses of constructing the buildings in which the properties are located and general costs of the project or an individual stage, such as costs to obtain permits, technical and other documentation, land lease and right-of-use assets, constructing utility networks and other infrastructure and social facilities, construction and costs, urban land improvement and parking lots, construction of social facilities and other infrastructure, and interest attributable to the construction. Total costs are allocated to individual objects of construction on a pro rata basis relative to the square meters intended for sale.

Where a real estate property is not being actively developed, net rental costs are shown in profit or loss.

The construction of residential real estate may require:

- delivers certain properties to the local authorities upon completion of construction for no consideration, e.g., certain commercial spaces, schools, kindergartens, etc., including the interior finishing thereof;
- constructs certain infrastructure facilities, e.g., power stations and electrical power networks, water supply and sewerage systems, roads;
- demolishes structures on the territory of the land plot and resettles the residents thereof to new finished apartments.

When such contracts are concluded as part of the process of acquiring land plots and receiving construction permits, these contracts cannot be assessed as separate onerous contracts, and the costs to complete their construction are included in the total cost of construction of the property to which they relate or are assigned. Also, impairment losses on the parking spaces and infrastructure facilities that must be constructed pursuant to the permit documents are included in the cost of the real estate properties for sale. Construction expenses on social infrastructure that will not be transferred into common ownership are recognised in the cost of construction as each structure is built and are distributed based on the square meters of the structure being built. These expenses usually appear after the construction of the structures to which they relate, which is why provisions on the completion of construction are created in the amount of the future construction costs on these structures (with due account of the time value of money). A normal operating cycle for a construction project may exceed twelve months. For this reason, inventories are classified as current assets even when they are not expected to be realised within twelve months after the reporting date. Group management includes in inventories the Group's expenses incurred from the start date of preparation of the design and engineering documentation necessary to obtain the relevant permits for the construction of the first blocks of a micro-district.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted as separate items (significant components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within other income or other expenses in profit or loss for the period.

Subsequent expenditures

Subsequent expenditures increase the cost of items of property, plant and equipment only if it is highly probable that the future economic benefits associated with the expenditures will flow to the Group.

The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss for the period as they are incurred.

Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the construction of the asset is completed and it is ready for use. Depreciation is based on the cost of an asset less its estimated residual value and is charged using the straight-line method. Depreciation methods, estimated useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

- office equipment – 3 years; and
- vehicles – 5 years.

Investment property

An investment property is a property that is held either for the generation of income from lease and/or the receipt of benefits from an increase in value or both, but not one held for sale in the ordinary course of business, use in construction or for administrative needs. An investment property includes land plots intended for the construction of commercial real estate for generation of rental income and subsequent sale, as well as real estate properties that are rented out by the Group. An investment property is initially measured at its acquisition or construction cost. The Group chose an accounting model based on historical cost that stipulates accounting at historical cost less accumulated depreciation and amortisation and accumulated impairment losses.

When the actual use of a property changes in such a way that it becomes property, plant and equipment or an inventory, its carrying amount on the date of reclassification becomes its value for subsequent accounting.

Financial instruments

Recognition and measurement

Trade receivables and issued debt securities are initially recognised at the time when they appear. All other financial assets and liabilities are initially recognised when the Group enters into contractual relations regarding these instruments.

A financial asset (unless it is a trade receivable that does not contain a significant financing component) or a financial liability is initially measured at fair value, while an accounting item that is not measured at fair value is measured through profit and loss, plus the transaction costs related directly to its acquisition or issue. Trade receivables that do not contain a significant financing component are initially measured at the transaction price.

Financial assets – Classification and measurement

On initial recognition, a financial asset is classified as measurable: at amortised cost or at fair value through other comprehensive income for debt instruments, at fair value through other comprehensive income for equity instruments, or at fair value through profit and loss.

Financial assets are reclassified after their initial recognition only if the Group changes its financial asset management business model, and in this case all impacted financial assets are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is measured at amortised cost only if it meets both of the following conditions and has not been classified, at the Group's discretion, as measurable at fair value through profit and loss:

- it is being held under a business model aimed at receiving the cash flows stipulated by the contract, and

- the contractual terms envisage the appearance of cash flows within defined timeframes, representing exclusively the payment of principal and interest on the unpaid part of principal.

An investment in a debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions and has not been classified, at the Group's discretion, as measurable at fair value through profit and loss:

- it is being held under a business model, the purpose of which is achieved both through the receipt of the cash flows stipulated by the contract and through the sale of financial assets; and
- its contractual terms envisage the appearance of cash flows within defined timeframes, representing exclusively the payment of principal and interest on the unpaid part of principal.

On the initial recognition of investments in equity instruments not held for trading, the Group may, at its own discretion, decide (without the right of subsequent cancellation) to present future changes in their fair value within other comprehensive income. This choice is made for each investment separately.

All financial assets that do not meet the criteria to be measured at amortised cost or at fair value through other comprehensive income, as described above, are measured at fair value through profit and loss. On initial recognition, the Group may, at its discretion, classify (without the right of subsequent reclassification) a financial asset that meets the criteria to be measured at amortised cost or at fair value through other comprehensive income as measurable at fair value through profit and loss, if this makes it possible to eliminate or significantly mitigate an accounting discrepancy that would otherwise appear.

The Group assesses the goals of the business model under which an asset is being held at the level of the portfolio of financial instruments, since this best reflects the business management method and the method of providing information to management. In this regard, the following information is considered:

- the policies and goals established for this portfolio, as well as the practical effect of these policies. This includes the management strategy to receive the interest income stipulated by the contract, maintain a set interest rate structure, ensure that the repayment deadlines of financial assets match the repayment deadlines of the financial liabilities used to finance these assets, or the expected cash outflows, or the sale of cash flows through the sale of assets.
- how portfolio performance is measured and how this information is brought to the attention of Group management.
- the risks impacting the performance of the business model (and the financial assets held under this business model) and how these risks are managed.
- how the managers responsible for portfolio management are remunerated (for example, does this remuneration depend on the fair value of the indicated assets or on the receipt of the cash flows on the assets stipulated by the contract).
- the frequency, scope, and timeframes for the sale of financial assets in past periods, the reasons for these sales, and the expectations on the level of future sales.

The transfer of financial assets to third parties under transactions that do not meet the criteria for derecognition are not considered sales for this purpose, and the Group continues to recognise these assets.

Financial assets held for trading or under management, the performance of which is measured at fair value, are measured at fair value through profit and loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measurable at amortised cost or at fair value through profit or loss. A financial liability is classified as measurable at fair value through profit or loss if it held for trading, it is a derivative instrument, or it is classified as such by the organisation, at its discretion, upon initial recognition. Financial liabilities measured at fair value through profit or loss are measured at fair value, and net profits or losses, including any interest expense, are recognised within profit or loss. Subsequently, other financial liabilities are measured at amortised cost using the effective interest method. Interest expense and exchange gains and losses are recognised in profit or loss. Any profit or loss appearing upon derecognition is also recognised in profit or loss.

Modification of financial assets and financial liabilities

If the terms of a financial asset change, the Group assesses whether the cash flows from this modified asset differ significantly. If the cash flows differ significantly, the stipulated cash flows under the initial financial asset are deemed to have ceased. In this case, the initial financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows from the modified asset measured at amortised cost do not differ significantly, this modification of terms does not lead to the derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the adjustment to the gross carrying amount as a profit or loss from the modification in profit or loss. The gross carrying amount of the financial asset is restated as the present value of the reconsidered or modified cash flows, discounted using the initial effective interest rate for this financial asset. The carrying amount of the modified financial asset is adjusted by the costs and commission fees incurred and amortised throughout the remaining effective term of the modified financial asset.

The Group derecognises a financial liability when its terms are changed in such a way that the amount of cash flows from the modified liability change significantly. In this case, a new financial liability with modified terms is recognised at fair value. The difference between the carrying amount of the previous financial liability and the value of the new financial liability with modified terms is recognised in profit or loss.

If the modification of the terms (or the substitution of the financial liability) does not result in the derecognition of the financial liability, the Group uses an accounting policy consistent with the approach to the adjustment of the gross carrying amount of a financial asset in those cases when the modification of terms does not result in the derecognition of the financial asset.

For the purposes of a quantitative analysis, the terms are deemed to differ significantly if the present value of cash flows under the new terms, including payments of commission fees less received commission fees discounted at the initial effective interest rate, differ by at least 10% from the discounted present value of the remaining cash flows under the initial financial liability. If the substitution of one debt instrument with another or modification of its terms is shown in accounts as a settlement, the costs or commission fees incurred are recognised as part of profit or loss from the settlement of the corresponding debt obligation. If the substitution of one debt instrument with another or modification of its terms is not shown in accounts as a settlement, the costs or commission fees incurred are adjusted by the carrying amount of the corresponding liability and this adjustment is amortised throughout the remaining effective term of the modified liability.

Derecognition

The Group derecognises a financial asset when it loses the rights to the cash flows from this financial asset specified by the contract or transfers the rights to receive the cash flows specified by the contract through the performance of a transaction under which nearly all risks and rewards associated with the title to this financial asset are transferred to the other party or under which the Group neither transfers nor retains a significant part of all risks and rewards associated with the title to this financial asset but does not retain control over the financial asset.

The Group derecognises a financial liability when the contractual obligations under the liability are met, annulled, or terminated. On the derecognition of a financial liability, the difference between the settled carrying amount and the remuneration paid (including any non-cash assets transferred or obligations assumed) is recognised in profit or loss.

Mutual settlement

Financial assets and 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 recognised amounts and intends either to settle on a net basis or to sell the asset and settle the liability simultaneously.

Impairment

The Group recognises provisions for expected credit losses (ECLs) on:

- financial assets measured at amortised cost;
- investments in debt instruments measured at fair value through other comprehensive income; and
- contract assets.

Impairment provisions are measured in one of the following two ways:

- 12-month expected credit losses: these are expected credit losses that result from default events that are possible within 12 months after the reporting date; and
- total expected credit losses: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group recognises provisions for expected credit losses in an amount equal to total expected credit losses, except for instruments on which the amount of recognised provisions will be equal to 12-month expected credit losses:

- debt securities and other financial assets, if it was determined that they have a low credit risk as at the reporting date; and
- debt securities and other financial assets, as well as balances on bank accounts, on which credit risk (i.e., the risk of default throughout the expected life of a financial instrument) has not increased significantly since initial recognition.

Provisions for losses on trade receivables and contract assets will always be measured in an amount equal to total expected credit losses.

The Group analyses reasonable and supportable information that is relevant and available without undue cost or effort when assessing whether there was a significant increase in credit risk for each financial asset since initial recognition and when assessing expected credit losses. This includes both quantitative and qualitative information, the analysis based on the Group's historic experience and credit quality analysis carried out based on all available data and forward-looking information.

The Group assumes that the credit risk for a financial asset increased significantly if it is overdue for more than 45 days.

The Group includes a financial asset in financial assets on which a default event has occurred in the following cases:

- it is unlikely that the borrower will repay its credit obligations to the Group in full without the Group taking measures such as the realisation of pledged collateral (if available); or
- a financial asset is more than 45 days overdue.

Credit losses are measured as the present value of all expected cash shortfalls (i.e., the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive). The amount of expected credit losses is discounted using the effective interest rate for the corresponding financial asset.

The Group assesses expected credit risks on an individual basis for individually significant counterparties based on an evaluation of the relevant counterparty's financial standing and the likelihood of possible losses. The Group rates the quality of major counterparties with due account of the accumulated information, public data or ratings assigned by professional rating agencies, and assesses the likelihood of a default and expected losses using the public information of rating agencies by comparing the assigned quality ratings with the ratings of these agencies.

Expected credit losses on all other debts are measured using the portfolio method based on actual data on the share of credit losses over the past two years, with a breakdown into categories depending on transactions, individual characteristics, and deadlines.

Provision of information of impairment

Provisions for losses on financial assets measured at amortised cost are deducted from the gross carrying amount of these assets and included in financial expenses.

Issued share capital

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares are recognised as a deduction from equity, net of any tax effects.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance expense.

Warranties

A provision for warranties on the quality of construction is recognised when buildings are commissioned. The provision is based on historical warranty repair data and a weighting of all possible outcomes against their associated probabilities.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Provisions for costs to complete

Under construction projects, the Group assumes obligations to construct social and other infrastructure such as schools, preschools, roads, and utility networks, expenses on which are borne by the Group throughout the entire project and which are not transferred into common ownership.

These objects are usually built after the residential buildings to which they relate, and therefore the Group accrues the corresponding provision as they are constructed. The amount of the provision is measured based on the present value of estimated unavoidable net costs required to complete the construction of these objects. Accrual of the provision starts from the time when the construction permit for each building or project stage is received, pro rata to the area to be sold in each building (or stage), and is recognised as the construction process.

Leases

Starting from 1 January 2019, the Group began to apply IFRS 16 Leases. Prior to 1 January 2019, the Group applied the following accounting policy:

Determining whether an arrangement contains a lease

At inception of the agreement, the Group assesses whether this agreement is or contains elements of a lease. The contract is as contains a lease, if the performance of the agreement depends on the use of a specific asset and this agreement conveys a right to use the asset.

At the inception or upon the reassessment of an agreement, the Group separates all payments and other consideration required by this agreement into those that relate to the lease and those that relate to other elements of the agreement on the basis of their relative fair values. If the Group concludes that it is impracticable to separate the payments reliably for a finance lease, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the recognised liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

Leased assets

Assets held by the Group under lease agreements that transfer practically all the risks and rewards of ownership to the Group are classified as finance leases. Upon initial recognition, the leased asset is measured in an amount equal to its lowest fair value and the present (discounted) value of the minimum lease payments. This asset is then accounted in accordance with the accounting policy applicable to that asset.

Other lease agreements are classified as operating leases and the leased assets are not recognised in the Group's statement of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss for the period on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of total lease expenses, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between finance expense and a reduction of the outstanding liability. Finance expenses are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other expenses

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in profit or loss as incurred.

FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk;
- currency risk; and
- interest rate risk.

Basic principles of risk management

Group management has overall responsibility for the establishment and oversight of the Group's 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 established limits.

Fair value

Fair values of financial assets and financial liabilities are attributable to Level 3 of the fair value hierarchy, except for bonds issued which are attributable to Level 1.

As at 30 June 2020, the fair value of financial liabilities did not differ materially from their carrying amount, except for land payables (Level 3) whose fair value exceeded their carrying amount by approximately RUB 121 million compared to exceed the carrying amount by RUB 201 million as at 31 December 2019 and bonds (Level 1) whose quotes as at 30 June 2019 exceeding their carrying amount by RUB 74 million compared to below the carrying amount by RUB 355 million as at 31 December 2019.

Fair value of the Group's financial assets measured at amortised cost does not differ materially from their carrying amount.

Credit risk

Credit risk principally arises from the Group's financial assets. During the reporting period the structure of the Group's financial assets and their related risk categories did not change significantly. During the six months ended 30 June 2020, additional provisions for impairment of loans issued for the total of RUB 86,418 thousand and trade and other receivables, including contract assets, for the total amount of RUB 124,314 thousand were created.

Contingencies

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 take out professional indemnity insurance for risks associated with force majeure circumstances which may arise in relation to the buildings during the period from the date revenue is recognised to the date the title is registered by the buyer or the date of signing the transfer acts. The risk of losses for force majeure circumstances in this period is incurred by the Group itself.

Since 25 December 2018, in cases stipulated by Federal Law No. 214-FZ the Group acting as the developer, participates in the Society of Mutual Liability Insurance. Until the Group obtains full insurance coverage, there is a risk that the loss or destruction of certain assets and other circumstances could have a material adverse effect on the Group's operations and financial position.

Litigation

The Group is acting as a respondent in several court proceedings related to the performance of contractual obligations. Management believes that the outcome of the court proceedings will not have a material adverse effect on the Group's operations.

Due to delays in commissioning dates of some construction projects at the end of 2019, the Group assessed with a high probability the possibility of an outflow of economic benefits and accrued a corresponding provision as at 31 December 2019. In addition, the Group is in several litigations with contractors for advanced works, for some of which a provision was created in 2019 due to long lines of debt collection or elimination of deficiencies in works. In addition, the Group initiated a number of litigations with contractors in relation to prepaid work which were provided for in 2019 due to violations of debt repayment terms or terms of correcting work defects.

Tax risks

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes 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 generally remains open for review by the tax authorities during the three subsequent calendar years. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

Transfer pricing legislation enacted in the Russian Federation provides for major modifications making local transfer pricing rules closer to OECD guidelines but creating additional uncertainty in the practical application of tax legislation in certain circumstances. These transfer pricing rules provide for an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe the basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level. The Group performed controlled transactions in 2018 and 2017, the pricing of which may be subject to audit and which could cause disputes regarding the compliance of the prices used with the market (arm's length) level of prices.

In addition, the Group acquires works, services, raw materials and materials from various suppliers that are fully responsible for tax and financial reporting compliance.

Meanwhile, the current practice of the tax authorities indicates that claims of the tax authorities brought against suppliers related to non-compliance with tax legislation can lead to additional tax risks for the Group. If tax authorities substantiate the legitimacy of such claims, additional tax claims may be brought against the Group despite the fact that the management of such suppliers are fully responsible for completeness and timelessness of tax payments. Management has not made any provisions for such liabilities in the Financial Statements on the grounds that the risk estimate of cash outflow related to settlement of these liabilities is possible but not probable. According to the Group's management, it is impossible to determine the financial consequences of potential tax liabilities which can arise as a result of transactions held with such suppliers due to the diversity of approaches in assessing the degree of violation of the tax legislation.

All 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 tax authorities and courts, especially due to reform of the supreme courts that are resolving tax disputes, could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Warranties

The Group is contractually responsible for the quality of construction works performed subsequent to the date when the property is sold, which, in accordance with applicable law, is a period of up to five years from the date of the sale except the technical and utilities equipment. The warranty period for technical and utilities equipment is three years. Based on the analysis of real estate market practices regarding warranty claims, Group management believes that their amount will be immaterial. No provisions have been recognised in these consolidated financial statements in relation to warranties for work performed.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

A number of new standards, amendments to standards and interpretations came into effect for annual periods beginning after 1 January 2020 and have first been applied only to the consolidated financial statements for the six months ended 30 June 2020. Such pronouncements had no significant impact on the Group's operations and Financial Statements.

BUSINESS

OVERVIEW

The Group is one of the leading residential developers in Russia conducting its business primarily in the Moscow Metropolitan Area. As at 1 October 2020, the Group was the second largest developer in the Moscow Metropolitan Area and the fourth largest developer in Russia by ongoing construction volume, according to the Unified Register of Developers. As at 30 September 2020, the Group constructed over 2 million square metres of residential housing. For the nine months ended 30 September 2020, it commissioned approximately 39 thousand square metres of residential and commercial space, according to the Unified Register of Developers.

The Group focuses its operations on developing large-scale residential projects, some of which are large urban districts in themselves, comprising residential housing and related infrastructure such as schools and kindergartens, sports centres, parking spaces, inner-roads and power distribution facilities, among others. The Group's projects are predominantly in the mass-market housing segment. The Group is a full-service developer undertaking real estate projects from concept to completion and managing all the key processes within the development cycle. As at 30 June 2020, the Group had nine large-scale projects under construction and 16 additional projects in the design and pre-design phases (including projects land rights for which are in the form of preliminary non-binding arrangements). See *"Business—Ongoing Development Projects*". As at 30 September 2020, the Group had over 1,500 employees.

The Group's operations have historically been concentrated in the Moscow Metropolitan Area, which encompasses Moscow, New Moscow (the territory annexed to Moscow as a part of a large-scale project to expand the territory of Moscow into parts of the Moscow Region) and the Moscow Region. Since its establishment in 2012, the Group has constructed approximately 1,290 thousand square metres of residential housing in the Moscow Region, approximately 181 thousand square metres of residential housing in Moscow, 133 thousand square metres of apartment-type properties (*apartamenty*) (for more information see "*Regulatory matters—Regulation of Real Estate*") in Moscow and the Moscow Region and approximately 200 thousand square metres of residential housing in the Leningrad Region. As at 30 September 2020, the Group had 25 ongoing large-scale development projects in the Moscow Metropolitan Area in various development stages. See *"—Ongoing Development Projects*".

As at 30 June 2020, the Group's total land bank (including in the form of freehold ownership, leasehold rights and rights pursuant to other preliminary non-binding arrangements) was approximately 15.4 million square metres of unsold net sellable area with a total appraised market value of RUB 176,850 million according to the Valuation Report, approximately 29% of which represented projects in the construction phase (with rights to land plots for some stages of such projects being in the form of preliminary non-binding arrangements) and approximately 71% of which represented projects in the design and pre-design phases. *"Business—Ongoing Development Projects*". The Group's profit per square metre as at 30 June 2020 exceeded RUB 30,000 in Moscow and RUB 15,000 in the Moscow Region.

For the years ended 31 December 2017, 2018, 2019 and for the six months ended 30 June 2019 and 2020, the Group had revenues of RUB 42.4 billion, RUB 38.7 billion, RUB 51.1 billion, RUB 23.4 billion and RUB 22.7 billion, respectively. As at 30 June 2020, the Group had total assets of RUB 87.5 billion.

HISTORY

The following are the principal milestones in the Group's history and development:

2012 LLC Samolet Development (which was a parent company of the Group prior to 2014) was founded by a team of professionals with a proven track record of completing large-scale real estate development projects in Russia.

The Group began the development of the Lyubertsy project.

2014 The Group began the construction of the first 2015 stage of the Lyubertsy project, which became its first project to be accredited for mortgage financing by Sberbank and VTB.

The Company was founded on 22 December 2014.

2015 The Group completed the construction of the first 2015 stage of the Lyubertsy project and began to sell residential units in it.

The Group began the construction of the Oktyabrsky project in collaboration with the Government of the Moscow Region within the framework of the social programme aimed at building housing for investors who invested in development projects of other developers which were never completed.

The Group acquired LLC Milvertin and LLC Bukhta-Land, which hold land assets and act as developer entities for the Vnukovo and Sputnik projects.

The Group began the construction of the Vnukovo and Prigorod Lesnoe projects.

2016 The Group was ranked fifth among developers in the Moscow Region by sales volumes of commissioned poured concrete multi-storey housing according to Vesti.ru.

The Group began the construction of the Sputnik project in the Moscow Region and added the Murino project in the Leningrad Region to its in-construction portfolio.

The Group completed the development of the second 2016 stage of the Lyubertsy project and the first 2016 stage of the Vnukovo project in the Moscow Region.

2017 The Group was ranked the second largest developer in the Moscow Region by commissioning volumes, according to the Unified Register of Developers. The Group's properties cash sales exceeded RUB 20 billion in 2017.

In the Moscow Region, the Group completed the development of the Vnukovo project and the third 2017 stage of the Lyubertsy project. In the Leningrad Region, the Group completed the development of the first 2017 stage of the Murino project.

The Group began the construction of the Tomilino and Khimki projects.

2018 The Group began the construction of the Ostafyevo and Putilkovo projects.

The Group began the development of the Alkhimovo, Korobovo and Molzhaninovo projects and launched Novodanilovskya,8, its first business class project in Moscow.

The Group acquired a controlling share in a joint venture to develop land plots with the total area of 440 hectares in New Moscow, in particular in the Novoe Vnukovo district and near the Ryazanovskoe settlement.

The Company completed its corporate restructuring and, on 19 October 2018, was registered as Samolet Group Public Joint Stock Company. Following the restructuring, all Group entities were consolidated into the Group, which is now the holding company for all the Group's businesses. Also see "*—Corporate Structure".*

2019 The Group's project land bank exceeded 10 million square metres (including projects land rights for which are in the form of preliminary non-binding arrangements).

The Group and Sberbank agreed to begin strategic cooperation in information and construction technologies.

The Group and LLC Etagi, a leader in the real estate services market, launched a nationwide online service for accelerated apartment purchases (the projects are conducted within equity accounted investees).

The Group implemented a special project "Your District" with Yandex services.

The Group signed a number of agreements with landowners for the joint development of two new projects in the Moscow Metropolitan Area. The estimated amount of investment is to exceed RUB 56 billion.

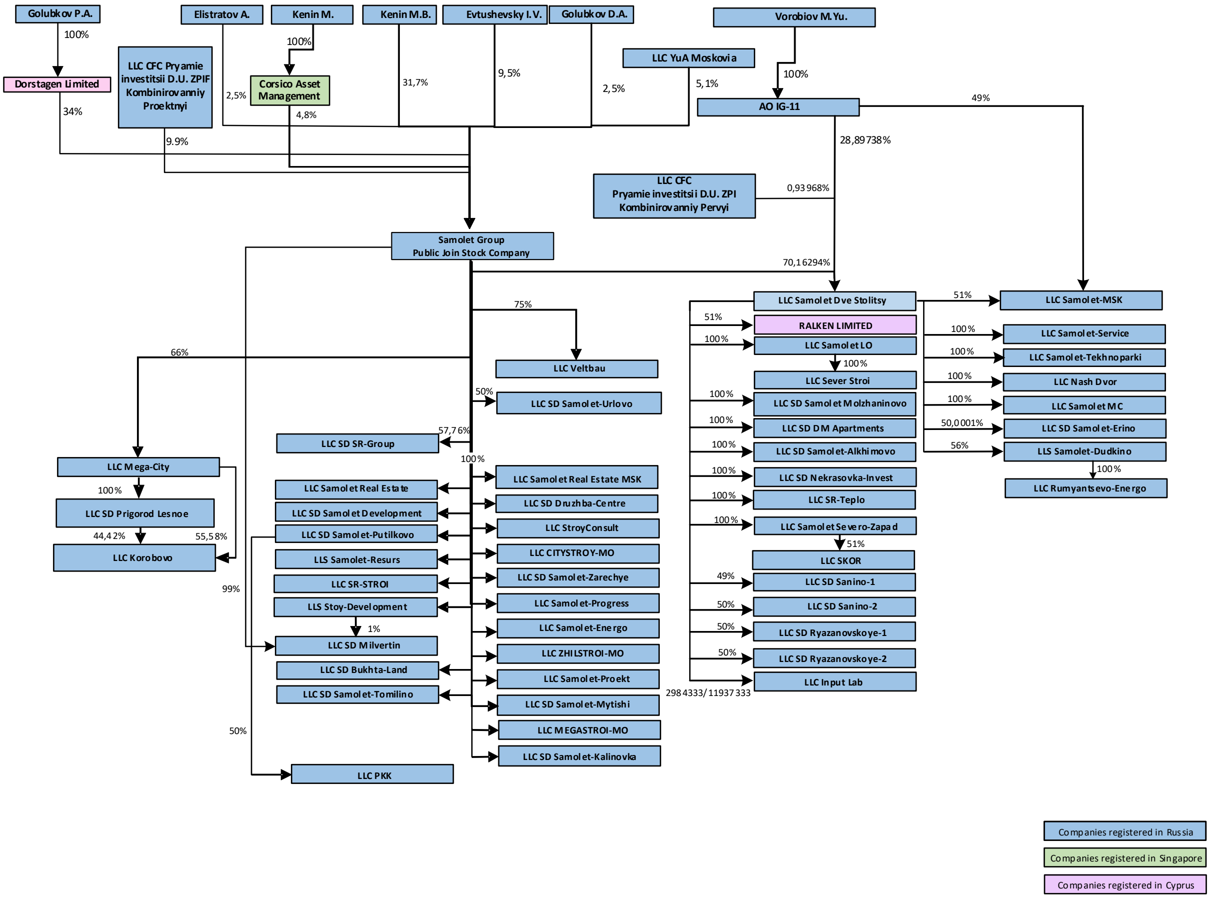
2020 The Group launched the multifunctional digital platform Vmeste.ru in its buildings. Vmeste.ru is a platform that allows residents to communicate with neighbours and connect with their relevant management company.

The Group entered into project financing agreements with a number of large commercial banks with a total limit in excess of RUB 30 billion.

The Group was assigned a credit rating of ruA-, with a stable outlook, by Expert RA, Russia's leading credit rating agency.

CORPORATE STRUCTURE

The diagram below sets out the Group's corporate structure, showing its principal subsidiaries and its beneficial interest in each of them as at the date of this Offering Memorandum.



COMPETITIVE STRENGTHS

The Group believes it is in position to benefit from the following competitive strengths:

Focus on the attractive housing market of the Moscow Metropolitan Area. As at 1 September 2020, the Group was the second largest developer in the Moscow Region and the fifth largest developer in Russia by ongoing construction volume, according to the Unified Register of Developers. It believes that real estate in the Moscow Metropolitan Area (and certain other regions in Russia) is attractive in the medium- to long-term due to the following characteristics:

Relatively low housing area per capita: Moscow and Saint Petersburg remains the regions with relatively low housing stock per capita of 19 and 24 square metres, respectively (as at the end of 2019, according to Rosstat). The Group believes that there is a substantial growth potential in Russia and its key region Moscow, compared to other country's key cities and/or regions, which generally have a higher housing stock per capita (for example, Paris' housing stock was 32 square metres per capita, Helsinki's was 34 square metres per capita, Zurich's was 39 square metres per capita and Rome's was 40 square metres per capita, as at 31 December 2019 according to Eurostat). The Group believes that this factor represents a sustainable medium-term driver of demand in residential real estate in the Moscow Metropolitan Area, the key region where the Group operates.

Aging housing in Russia: According to AIZHK, more than 74% of Russian housing (representing approximately 2.7 billion square metres) was built before 1995, which, the Group believes, is an opportunity for its potential customers to purchase new housing and thereby improve their living conditions. The Group does not expect the age structure of Russian housing to change significantly over the medium to long-term due to the relatively low housing replenishment rate (commissioned multi-occupancy residential real estate in Russia in 2019 was approximately 43 million square metres, according to Rosstat, which represented approximately 2% of total Russian housing). Moreover, the supply of new housing in Moscow and the Moscow Region declined. As at 30

June 2020, there were 3,053 thousand square metres supplied compared to 4,203 thousand square metres as at 30 June 2019 and 7,972 thousand square metres in 2019 compared to 10,239 thousand square metres in 2018. Consequently, the Group believes that as a result of Russia's aging housing and a decline in the supply of new housing, there will be strong and sustainable demand for the Group's properties.

Superior housing affordability: The Group estimates that in 2019 the housing affordability ratio (calculated as annual average household income divided by average apartment price per square metre) in the Moscow Region was 26%, which represented an increase from 16% reported in 2008. Although average price per square metre has significantly increased since 2000, housing affordability ratio has been gradually improving in the Moscow Metropolitan Area due to growing wages and slow price growth. Demand for housing in the Moscow Region grew rapidly in 2020 due to the increasing availability of mortgage lending. The Group believes that this demand driver is further exacerbated by the fact that the Group operates in regions with largest and wealthiest population in Russia, the Moscow Metropolitan Area, and that the Moscow Metropolitan Area will continue to attract investment in real estate from other regions of Russia.

Declining mortgage rates and a low mortgage penetration rate provides a significant room for further mortgage lending growth: Because the Group operates primarily in the mass-market segment, it believes that mortgage rates represent an important demand driver. The mortgage rates have largely declined (the weighted average mortgage rate in August 2020 was 7.28% compared to 9.2% in December 2019 and 9.7% in December 2018) following the CBR's key rate downward trend (the CBR's key rate as at 30 September 2020 was 4.25% compared to 7.75% at the beginning of 2018). The Russian government also supports mortgage lending through, among other things, subsidies programmes. For example, in May 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 3 million in the regions and in the amount of up to RUB 8 million in Moscow. On 14 October 2020, the Ministry of Finance of the Russian Federation submitted a draft resolution to the government proposing to extend the existing subsidised programme from 1 November 2020 (the previous deadline) to the first half of 2021.

Also, in 2019, the Russian government announced a new subsidy programme for families with two or three children (subject to a cap on the total loan amount) offering mortgage loans at 6% (or in some cases even lower) per annum for a period of up to five years. The mortgage lending volumes have largely increased. In July 2020, over 89 thousand loans were issued in the Moscow Metropolitan Area in the total amount of RUB 397 billion, which is a 20% increase year on year by value. The average interest rate for issued mortgage loans in Roubles amounted to 8.08% in the Moscow Region and 8.12% in Moscow in July 2020. Furthermore, in 2019, Russia's mortgage penetration rate (representing mortgages as a percentage of GDP) of 6% was significantly below that of the United States and Norway, where mortgage penetration rates were 46% and 81%, respectively. The Group believes that declining mortgage rates, continuous support of the Russian government and comparatively low mortgage penetration rate will continue to increase demand for its projects in the future.

Ongoing industry consolidation: The real estate market in Russia has a fragmented structure with large number of small-scale developers. According to the Unified Register of Developers, in 2019 through September 2020, the top 10 developers by volume under construction in the Moscow Metropolitan Area comprised 45% of the market, and the top 10 developers by commissioning volumes overall in Russia comprised 18% of the market (compared to 17.5% in September 2019). The industry leaders (including the Group) are long-standing developers with a substantial track record. The new requirements of Russian legislation for real estate developers regarding capital adequacy, financing schemes, managing project expenses, track record and level of disclosure are expected to put significant pressure on the smaller developers, which is likely to result in the consolidation of the fragmented market.

Flexible business model with an innovative risk-minimising approach to project development. The Group utilises an innovative business model based on developing large-scale residential projects, entering into mutually-beneficial and long-term partnership arrangements with landlords, using an asset-light model and building strong relationships with its customers.

Large-scale residential development projects. The Group believes that it has a unique expertise in developing large-scale residential projects some of which are large urban districts comprising, among other things, residential housing and related infrastructure such as schools and kindergartens, sports centres, parking, inner-roads and power distribution facilities. According to the Valuation Report, as at 30 June 2020, four (the Prigorod Lesnoe, Ryazanovskoe, Poima and Esenino park projects) of the Group's 25 existing projects comprised more than 1,000 thousand square metres of unsold net sellable area each, while the average size of the project is 600 thousand square metres. Such large projects allow the Group to achieve standardisation and economies of scale, manage its portfolio so as to maximise its returns and secure long-term revenue streams.

Partnership with landlords. The Group typically acquires land plots by entering into partnerships or other arrangements with landowners, rather than purchasing land. For example, the Group may form a joint venture with a landlord, where the landlord-partner receives an ownership stake in the project entity and the payment for the land plot is made through dividend paid out of profit from the project. Alternatively, the Group may acquire land and pay for it with units being constructed on the land plot. These arrangements enable the Group to minimise upfront equity payments, utilise a balanced approach to its risk and return profile as it is required to attract less debt financing to fund land acquisition and has access to attractive land plots since landlords are likely to see higher returns from dividend payments or project unit sales compared to an outright sale of the land plots. Such schemes also enable the Group to minimise risks related to obtaining necessary land rights as this is always the responsibility of the landlord.

Scalable asset-light business model. The Group outsources construction works to third-party contractors, which allows it to minimise its asset base while retaining control over the critical stages of project development processes. The Group conducts competitive tenders at spot market prices which the Group believes enable it to maintain financial and operational stability in any market situation as the Group is able to relatively quickly adjust both its prices and costs if market conditions change. The Group does not enter into long-term contracts but rather tends to establish multiple short-term contracts only for a small fraction of total project works (usually, the Group signs 3 to 5 year contracts with counterparties) throughout the whole construction period. The Group follows the same approach with suppliers of building materials, with whom it tends to maintain long-term relationship to ensure that the quality and specifications of their products are compliant with the Group's requirements, while the Group contracts purchases for each stage separately. Such approach enables it to ensure that cash outflows are balanced with cash inflows from project sales throughout the construction period and also allows the Group to have competitive pricing at any point in the cycle of the project. Furthermore, the Group believes that such approach enables it to substantially scale its operations without incurring significant costs, as the Group is not required to invest in fixed assets or in significant expansion of its workforce from project to project. All construction works conducted on the Group's projects by diversified third party contractors are managed by its in-house project management department which ensures control over construction terms, quality and other critical aspects. Asset-light model and standartisation lead to the highest revenues per employee, which accounts for RUB 41 million revenue per employee in comparison to RUB 13 million for competitors. As a result, the Group believes that utilising such flexible and scalable approach to construction process while maintaining control over critical stages is one of its significant advantages.

New affordable living proposition targeting a very promising consumer group. The Group strives to deliver the most advanced product offering in the mass-market segment. The Group believes that the key pillar of its product strategy was the introduction of its affordable living residential units to the market. The Group believes that its affordable living proposition is better for the consumer than the economy segment because it offers a higher quality of construction at lower price: for example, the Group builds brick and poured concrete buildings with ready-for-living residential units as opposed to the panel housing and shell-and-core units in the economy segment. In addition, the Group has its own in-house project design department and is therefore able to quickly react to changing customer preferences. Furthermore, the Group utilises a dynamic pricing model, which allows it to competitively price its development projects. The Group's affordable living properties are marketed to families with an average monthly income of approximately RUB 90,000 – 120,000 thousand per family so that no more than approximately 30% of the household income is spent on mortgage payments. A buyer makes a down payment of 20% on an 18-year loan at a rate of 6.5%. The average age of the customer ranging from 25 to 35, who have higher education. This consumer class represents a large percentage of real estate consumers in Russia (and in the Moscow Metropolitan Area in particular).

Continuing relationships with customers. The Group believes that sale of an apartment to a customer is just the beginning of a long-term relationships with such client. The Group creates infrastructure and facilitates provision for a wide range of services within the residential complexes built by the Group. The Group also creates ecosystem of services providing customers with the full range of necessary products and services. For instance, in 2020, the Group launched a multifunctional digital platform Vmeste.ru in its buildings. Vmeste.ru is a platform that allows residents to communicate with neighbours and track requests for services to be provided by the management company, to manage personal housing and utility accounts, pay housing and utility bills, conduct surveys, organise events and share local news. In 2020, the Group established Samolet Real Estate agency, which offers a wide range of services including all operations with real estate such as purchase, sale, exchange, investments, trade-in.

Large land bank and identified pipeline of projects with defined selection criteria for new projects. In less than seven years, the Group became the second largest residential real estate developer by commissioning volumes in the Moscow Region and strives to continue maintaining a leading position going forward. The Group's market share of ongoing construction volumes in Moscow and the Moscow Region in 2020 combined is estimated at 5%. The Group targets to increase its market share in the Moscow Metropolitan Area to 20% by 2025. As at 30 June 2020, the Group's total land bank (including in the form of freehold ownership, leasehold rights and rights pursuant to other preliminary non-binding arrangements) was approximately 15.4 million square metres of unsold net sellable area with a total appraised market value of RUB 176,850 million (according to the Valuation Report), approximately 29% of which represented projects in the construction phase (with rights to land plots for some stages of such projects being in the form of preliminary non-binding arrangements) and approximately 71% of which represented projects in the design and pre-design phases. See *"Business—Ongoing Development Projects*". The Group's management believes that the Group's land bank as at 30 June 2020 was considered the largest land bank compared to the Group's competitors (for example, as at 31 December 2019, the land bank of PIK, LSR and Etalon was 11.1 million square metres, 8.3 million square metres and 7.6 million square metres, respectively). The Group plans to commission approximately 1.89 million square metres and plans to have 23 projects in pipeline by 2024. The projected CAGR of commissioning volumes for the years 2020-2024 is more than 40%. The management of Group expects to commission 447 thousand square metres by 2020 (13 projects in the pipeline), 742 thousand square metres by 2021 (17 projects in the pipeline), 734 thousand square metres by 2022 (25 projects in the pipeline), 1,262 thousand square metres by 2023 (23 projects in the pipeline) and 1,881 thousand square metres by 2024 (23 projects in the pipeline). The Group believes it has a well-defined commissioning pipeline of current and future projects spread over at least next 15 years. The Group plans to continue expanding land bank portfolio with new projects and expects to sell more than one million square metres per annum on the basis of current land bank and new potential projects which are not yet included in current land bank portfolio. For example, the Group is currently considering whether to participate in the renovation project in Saint Petersbourg, which is the only project in Russia where a commercial company is an operator of the city renovation programme. The land bank of the renovation project is expected to be 8 million metres in Saint Petersburg.

The Group established criteria for selecting new potential projects, including, among others, that a project's profitability is to exceed RUB 15 thousand per square metre for projects located in the Moscow Region and RUB 30 thousand per square metres for projects located in Moscow, that the Group is able to utilise the asset-light model, that the Group engages in projects by way of entering into partnerships (or other beneficial arrangements) with landlords and that the project has positive net present value exceeding RUB 1 billion. The Group believes that its land bank portfolio and well-defined criteria for selecting new projects will secure and drive its commissioning volumes in the future.

The Group offers an attractive living proposition for the modern consumer. The Group underlines its competitive strengths in product offerings as follows:

- Ready-for-living residential units: its customers are not required to invest time and money in interior construction works. Certain of the Group's properties include full furniture equipment.
- Delivering according to schedule: the Group strives to commission its projects according to agreed terms so its customers do not pay mortgage and rental payments at the same time.
- Provision of all necessary infrastructure: as the Group develops large-scale projects, it also constructs the necessary infrastructure including roads, schools and kindergartens. As a result, its potential customers have all the necessary facilities for their family in place by the time the Group commissions its projects.

The Group believes that offering ready-for-living residential units attracted a new customer segment: customers who were otherwise unable to afford a new residential unit due to financial constraints and potential development risks. The Group offers affordable living projects and plans to focus primarily on this type of development project in the future.

Low leverage profile. The Group believes that it remains in a strong financial position with a Adjusted net Debt / Adjusted EBITDA LTM ratio of 1.7x as at 30 June 2020, 1.5x as at 31 December 2019 and 0.5x as at 31 December 2018. All of the Group's debt is Rouble-denominated, which is intended to match its debt to revenue streams (that are also in Roubles) and the Group does not currently plan to attract financing in foreign currency in the future. As at 30 June 2020, the Group had outstanding unsecured bonds in the amount of RUB 13,180 million and no unsecured loans. The Group plans to maintain Adjusted net debt / Adjusted EBITDA ratio at 1.0x (with Adjusted EBITDA margin being above 20%) after 2021 as it does not plan to have capital expenditures or have material pre-payments for acquisition of new land plots. The Group believes that its low leverage profile enables it to grow at faster pace than competition while allowing a higher degree of flexibility in its decision-making processes.

Seasoned management team. The Group's senior management team has a proven track record in the Russian real estate development market since the 1990s. On average, the Group's management team has over 15 years of relevant experience in real estate and has extensive expertise in land acquisition, construction, land zoning and design of public infrastructure. The Group understands the importance of timely cooperation with state authorities and its senior management maintains long-standing relationships with local authorities and participates in relevant meetings and events on a state level. The Group believes that its strong reputation as one of the leading developers in the Moscow Metropolitan Area highlights the importance of its operations in the region to local authorities and they tend to listen to the Group's opinion on matters related to the real estate industry. The Group believes that it has developed corporate governance standards according to international standards and strives to be fully transparent in its decision-making process. The Group's Board of Directors is composed of five directors and includes one experienced independent director with relevant executive experience in the leading Russian companies. Group's board committees are also chaired by Independent Director. The Group also offers management incentive programmes linked to the profitability of the Group's business. The Group believes that its track record, defined growth strategy and reputation in the sector will enable it to attract highly motivated and experienced personnel in the future. The Group implements scalable matrix management structure, which ensures control over construction terms, rigorous cost-cutting approach and broadens the Group's in-house expertise.

STRATEGY

Focus on residential real estate development in the Moscow Metropolitan Area. The Group plans to continue operating in the Moscow Metropolitan Area. Being currently the second largest developer in the Moscow Region by ongoing construction volume, it seeks to maintain one of the leading positions in this strategically important region with high growth potential. As at the date of this Offering Memorandum, the Group had nine ongoing construction projects located in the Moscow Metropolitan Area: Prigorod Lesnoe, Putilkovo, Ostafyevo, Sputnik, Tomilino, Lyubertsy, Novodanilovskya,8, Alkhimovo and Nekrasovka. The Group plans to commence construction of 16 additional projects in the Moscow Metropolitan Area, which are currently in the design phase: Molzhaninovo, Korobovo, Novoe Vnukovo, Ryazanovskoe, Mytishchi, Zarechye, Setun Park, Poyma, Yurlovo, Erino, Bogdanikha, Saburovo, Yam, Rumyantsevo, Balashikha and Esenino Park. The Group's projects are located outside of the city centre, which enables the Group to develop large-scale and affordable projects and the Group expects to maintain similar geographical coverage in the future.

Continued adherence to asset-light strategy. Currently, the Group believes itself to have an optimal balance between outsourcing and in-house activities as it understands importance of maintaining control over critical stages of the process while keeping operational flexibility, a limited leverage profile, strong control over costs and an ability to scale operations without significant investments in fixed assets. The Group plans to follow this approach in the future and does not expect to transition into a vertically integrated company.

Land acquisition arrangements. The Group typically acquires land plots by entering into mutually-beneficial land acquisition arrangements with landowners. This approach enables the Group to minimise upfront cash payments, have access to attractive land plots and limit risks of market volatility. The Group plans to continue employing this approach in its future development projects, while remaining flexible and ready to consider acquisition of new land plots with a limited upfront payments if it allows the Group to secure attractive deal terms. The Group is also constantly reviewing the terms of its cooperation with landlords and in certain circumstances, may consider early pre-payments of land plots or a partial or full buyout of a partner's stake in a project if that would allow the Group to secure attractive returns without substantial changes in the risk profile for the Group.

Continuous development of the affordable living proposition. The Group believes that it currently offers unique product to its customers and intends to continue developing new affordable living proposition in the future. According to Wanta Group agency, the Group is one of the top 3 most recognised and reliable developers in the Moscow Metropolitan Area. The Group estimates that, on average, construction is completed within 18 months of its start. The Group plans to maintain and further develop its recognition by continuing to offer affordable ready-for-living residential units in large-scale residential projects commissioned in accordance with the schedule.

Continue developing the Group's land bank portfolio based on defined criteria for selection of new projects. The Group plans to continue adding new projects to its portfolio in the regions in which it operates. Taking into account the size of its existing land bank, the Group developed its investment criteria with a focus on profitability per constructed area rather than monetary terms (subject to minimum area of construction) as the Group believes that it reflects its investment strategy in the most accurate way. The Group intends to develop new projects on land plots acquired by the means of land partnerships as opposed to acquiring real estate companies with an existing project portfolio, while the Group continues to monitor the market to identify the most suitable and financially attractive opportunities.

Ongoing enhancement of the Group's operational efficiency. The Group believes that the construction industry has not experienced any substantial technological improvements in terms of project and cost management for many years. As the Group aims to become one of the leading developers in Russia with a focus on profitability and business efficiency, it plans to accelerate its investments in expansion of its project design capabilities and develop new technological solutions to enhance the Group's day-to-day operational activities. Automating and streamlining project processes is expected to reduce operating costs. As a result, the Group expects that development of technological solutions, which the Group undertakes (such as internet acquiring service, targeted online advertising, the SKOR real-estate buying service, and the "Your District" special project in cooperation with Yandex), will enhance profitability in the medium- and long-term. In addition, the Group has been working on creating an ecosystem for its customers and digital initiatives, such as, for example Vmeste.ru, 10D.

REAL ESTATE DEVELOPMENT AND CONSTRUCTION

Types of property

The Group mainly develops real estate properties for the mass-market and, to a lesser extent, the business segments of the market in the Moscow Metropolitan Area.

Mass-market real estate

The Group develops large-scale mass-market real estate projects. The Group markets the majority of its mass-market development projects as the affordable living properties, which combines the features of the economy class (the main feature being the attractive price per square metre) and comfort class (the main feature being the quality of housing and apartment fit-ups, built in less-desirable locations than typical comfort class properties). These properties benefit from modern amenities, some of which have a full fit-up of residential units with a number of fit-up options for customers to choose from, as well as storage facilities and underground parking being a complementing feature of some of the projects. The Group markets properties in this segment principally to middle class families and young professionals with an annual income between RUB 1.2 million and RUB 2 million. In September 2020, the average prices per square metre in these projects were approximately RUB 132,000 for projects in the Moscow Metropolitan Area. The Group's mass-market class projects include, among others, the Prigorod Lesnoe, Putilkovo, Ostafyevo, Tomilino, Lyubertsy, Molzhaninovo, Korobovo, Novoe Vnukovo, Ryazanovskoe, Alkhimovo, Mytishchi, Nekrasovka, Zarechye, Esenino Park and Yurlovo projects in the Moscow Metropolitan Area. For a more detailed description of the projects see "*—Ongoing Development Projects".* As at 30 June 2020, the unsold net sellable area for mass-market class real estate was 14,712,131 thousand square metres, which represented 95% of the total net sellable area of the Group's properties, and the market value of the mass-market class real estate was RUB 141,582 million, which represented 80% of the total market value of the Group's properties.

Business class real estate

Although the Group is heavily focused on the mass-market segment, it also has two business class housing projects in Moscow and two business class housing projects in the Moscow Region. The business class project is marketed to the upper middle class customers seeking well-located properties that benefit from modern amenities and high-quality fittings. The properties are constructed using brick and poured concrete, which gives the Group flexibility in design. The Group's business class projects are Novodanilovskya,8 and Setun Park in Moscow and Sputnik and Zarechye in the Moscow Region. For a more detailed description of the projects see "*—Ongoing Development Projects".* The Group also constructs apartment-type housing, which is considered non-residential real estate (see "*Regulatory matters—Regulation of Real Estate*"). The Novodanilovskya,8 and the Sputnik projects consist entirely of apartment-type properties. As at 30 June 2020, the unsold net sellable area for business class real estate was 702,810 thousand square metres, which represented 5% of the total net sellable area of the Group's properties, and the market value of business class real estate was RUB 34,868 million, which represented 20% of the total market value of the Group's properties. Generally, the Group does not plan to concentrate on business class projects in the future.

Phases and stages of development

The Group completes its projects in a number of phases, such as land acquisition, project design, construction and sales phases. See "*—Development Process".* The Group's ongoing development projects are at various phases of completion, ranging from the design phase to the sale phase. Also, the Group often implements its projects in a number of stages, each of which is completed within a year (such as, for example, the first stage of the Tomilino project in 2019, second stage of the Tomilino project in 2020). In addition to projects in various development phases, the Group also has a number of projects in the pipeline under consideration. These pipeline projects are typically potential development projects on land plots to which the Group has not yet acquired legal rights. They encompass both land plots which the Group is in the process of purchasing or negotiating to purchase and those which the Group is assessing for suitability.

The Group has obtained external valuations with respect to each of its major planned and current ongoing development projects. The Group's beneficial interests in the projects in its current portfolio (including properties held as investments and properties for future development) were valued by C&W, subject to the assumptions set out in the Valuation Report, at RUB 176,850 million as at 30 June 2020.

Development Process

Generally, the Group's development process involves the following key phases: assessing development opportunity and acquiring land plots, project design, construction, and sales.

Assessing Development Opportunities and Acquiring Land Plots

The first phase of a project involves assessing its viability and acquiring the relevant land plot. The Group's assessment of a project's viability commences with an initial analysis of the project by senior management, during which the Group conducts an analysis of certain key project criteria (such as, among others, the project's location in the Moscow Metropolitan Area; whether it can provide an aggregate net sellable area of not less than 100 thousand square metres; and zoning requirements permitting construction of high-rise buildings). The Group also liaises with the relevant government authorities to ensure that there are no significant regulatory obstacles that could hinder the Group's ability to deliver the project on time and on budget. After a high-level overview of land specifications and a preliminary review of deal terms, if the initial analysis yields satisfactory results, the Group's investment analysis, commercial and construction departments undertake a feasibility analysis of the project and prepare a detailed presentation with detailed information on land status, an overview of potential constraints and a preliminary analysis for the investment committee's review. The Company takes into consideration a number of principal parameters of the relevant project, including a payback period of less than five years, EBITDA margin of at least 20% and net profit in excess of RUB 300 million per year. Then, following the preliminary approval by the investment committee, the Group's investment analysis and legal departments (sometimes with the assistance of a third-party due diligence provider) conduct an in-depth due diligence exercise, preliminarily negotiate certain key parametres of the project with the relevant counterparties and prepare a preliminary construction plan. The results of the due diligence exercise and the preliminary negotiations are reflected in a detailed project term sheet that is submitted for a pre-final approval by the Group's investment committee and then for the final approval by the Group's Board of Directors.

Following approval of the project by the Group's Board of Directors, the Group enters into agreements with owners of land plots. The Group uses three main schemes of such partnership: the joint venture structure, the unit sharing structure and the buyout structure.

Joint Venture Structure: Project partners hold a stake in the project entity through entering into joint venture arrangements or acquiring non-controlling interests and may participate in project management with various inputs. The partners receive returns on their investment in the project by way of dividend payments. In certain projects, in addition to dividend payments, partners may also receive cash payments (in accordance with the terms of the relevant investment arrangements entered into by the partners). The joint venture structure was, for example, used by the Group in the Prigorod Lesnoe and Ostafyevo projects. The joint venture structure accounted for 77% of the total unsold net sellable area of the Group's properties. ROTA Group, one of the Group's key partners, a diversified investment holding with assets in the agriculture, real estate and entertainment sectors, primarily in the Moscow Region, is the Group's partner in the Prigorod Lesnoe, Korobovo, Yam, Poyma and Bogdanikha projects.

Unit Sharing Structure: The Group enters into a lease agreement for the land plots to be developed with subsequent stage-by-stage buyout of the relevant land plots. Under this structure, payments by the Group for the land plots are typically made in the form of assigning rights to units (e.g., residential units) in the development project pursuant to a pre-agreed valuation formula. In certain projects, along with the assignment of rights to units, the Group makes a cash prepayment, usually as a security deposit, which is subsequently accounted for in the total acquisition price of the land plot. This land plot acquisition structure was, for example, used by the Group in the Lyubertsy, Putilkovo and Khimki projects. For the Group's new projects, units in which are sold utilising the escrow accounts scheme, the Group enters into a contract to purchase land plots with a seller and, simultaneously, the seller enters into a share participation agreement with the Group to acquire a number of units corresponding to the selling price of the land plots. Having executed the share participation agreement, the Group receives project financing from a bank to undertake development of the relevant project (including paying for the land plots). The Group pays for the land plots using the proceeds from the project financing and the seller uses these funds to pay for units acquired through share participation agreement and these funds are then deposited into escrow accounts until the relevant building is commissioned (as required by law from 1 July 2019 for sales of units by way of entering into a share participation agreements). The unit sharing structure accounted for 17% of the total unsold net sellable area of the Group's properties. Some of the Group's key partners, for example, are Absolut Group and Bank UralSib. Absolut Group, a real estate investment and development group, which is one of the largest landlords in Russia, is engaged in the Lyubertsy and Nekrasovka projects. Bank UralSib, one of the largest commercial banking companies in Russia, is the Group's partner in the Putilkovo project. The Group also enters into partnership agreements with private individuals, which do not have industry expertise but rather acquire land plots for investment purposes.

Buyout Structure: Land plots are acquired with deferred cash payments, typically with a three-year payback period. The Group makes cash payments in instalments, which are typically tied to the projects' stages of completion: as a stage is competed and sold, a portion of the proceeds is used to make the relevant instalment payment. Under this structure, the Group uses the underlying development properties as collateral. This structure was used by the Group, for example, in the Sputnik and Tomilino projects. The buyout structure accounted for 6% of the total unsold net sellable area of the Group's properties. The Group utilises one of these partnership structures to obtain land plots for development. The Group's landlord partners were investment companies (representing approximately 47% of the Group's portfolio), sole proprietors (representing approximately 25% of the Group's portfolio), large landlords (representing approximately 20% of the Group's portfolio) and banks (representing approximately 7% of the Group's portfolio).

Project Design

The project design phase involves developing a detailed project implementation plan and includes preparing the land plot for development, obtaining the necessary zoning and construction permits and arranging financing for the project. At the outset, the Group obtains regulatory approvals of a project's urban planning documentation such as the master plan, land tenure and building rules and site design. In certain cases, there may be a need to change the existing urban development restrictions (such as zoning restrictions). The Group may also be required to change the land category or establish the required type of permitted use of the land plots (usually for multi-storey residential buildings). The timetable for preparing land for urban development depends on the initial urban planning parametres of the land and can take from one month, in case of acceptable existing urban planning parametres, to one and a half years.

In the course of the project design phase, the Group typically enters into an investment agreement with a local or regional government entity. An investment agreement sets out the terms of the Group's construction commitments and specifies the Group's and the government entity's share in the completed project. In most cases, an investment contract requires a certain portion of the project to be allocated or monetary compensation be provided to the local and/or regional government entity. Alternatively, in order to obtain development rights for a land plot, the Group may choose to purchase an entity that is already a party to an investment agreement in relation to that land plot.

Depending on the terms of the Group's investment contracts, the Group may be required to perform specified urban planning and development activities before a construction permit can be 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 development of local infrastructure including, for example, building kindergartens, schools and hospitals, landscaping adjacent land, constructing or improving roads, building water heating stations, and providing utilities access. The general contractor for a given development or project is responsible for the supervision of urban planning and development for the land the Group develops.

The Group invests considerable resources in creating an appropriate project design and implementation plan for each new development. As at 30 September 2020, the Group's in-house design team consisted of approximately 220 employees, including engineers and architects. The Group's design team plans entire communities consisting of multiple buildings and a public infrastructure. The team works on the planning and design of the Group's developments in collaboration with recognised architects (such as, for example, de Architekten Cie, a Dutch architecture and design firm). A team responsible for preparing the business plan and the budget and assessing the financial viability of each of the Group's projects is also involved. In-house project design allows the Group to design its developments on an expedited schedule, receive regulatory approvals relatively quickly and scale designs across projects. The Group's designs reflect regional demand while utilising a standardised approach to construction processes to the greatest extent possible, which allows volume purchases of materials and components and more efficient use of labour. In 2020, the Group invested in smart home technology, that uses devices such as sensors connected to the Internet of Things (IoT) that can be remotely monitored, controlled or accessed and provide services that respond to the needs of the customers. Such technology is expected to be used in the Nekrasovka and Lyubertsy projects.

The Group finances the design phase of development with its own funds or, in a number of projects, the Group receives project financing from a bank. Following receipt of construction permits, it usually begins to pre-sell residential units under share participation agreements. Pursuant to a share participation agreement, the purchaser acquires the right to receive, at a future date, a specified real estate unit (such as an apartment or a parking space in a garage) in the building under construction. From 1 July 2019, a purchaser makes payment into escrow account (not directly to the developer), set up in an authorised bank, and the funds are held on escrow account until the completion of the construction of the relevant units. Once the property is commissioned, the purchaser obtains ownership of the relevant unit and the Group gains access to the funds on the escrow account.

See "*Regulatory matters—Financing of Construction*" and "*Risk Factors—The Group may be affected by changes in legislation related to the real estate development business*".

Construction

Once the Group has determined to proceed with a project and has obtained all the necessary approvals and permits from the relevant regional and local authorities, the Group begins construction. The construction process typically comprises several key phases. The first, basement-level, phase, involves completing excavation works and constructing the foundation. Then, during the second phase, buildings are erected, windows are installed and the building is prepared for the third phase. The third, engineering, phase involves installing engineering systems such as main engineering systems, electrical, plumbing and other systems and internal building equipment. The next, finishing works, phase comprises the fit-up of common and technical areas, as well as the fit-up and decoration of the units. The final, infrastructure, phase includes building social facilities (such as healthcare, education and other public facilities) and transportation infrastructure (such as internal and external roads). Typically, the construction phase of a development project takes approximately one and a half to two years to complete. During each phase of the construction process, the relevant regulatory authorities inspect the project to ensure that the Group and the general contractor have complied with the terms of the permits, approvals and applicable regulations.

The Group hires contractors to complete various construction phases of a project. It also negotiates purchases of construction materials from a large number of suppliers. The Group purchases a few construction materials directly, the majority contracts for supply and delivery of building materials are entered into by the Group's contractors. It uses a competitive and transparent tender selection process to ensure that its contractors' services and supplies are priced most efficiently. The Group's tender department selects materials and equipment, holds negotiations with regard to project costs and supply terms, and conducts tenders, which are held on an arm' length basis. The tender department provides the general contractor with the commercial proposals of the suppliers that won the tenders and the prices and conditions of supply contracts. All the Group's contractors and suppliers pass through a rigorous selection process: the Group hires only reliable contractors and suppliers who are capable of delivering high quality work (or materials, in the case of suppliers) on time and within budget. If the Group has not previously worked with a contractor or supplier, the Group typically conducts a comprehensive due diligence exercise in relation thereto, including inspecting their work carried out recently on other projects. The Group also consults its other contractors and suppliers for recommendations as to suitable new contractors and suppliers.

The Group has an in-house project management department staffed by three to four employees per each project. The department oversees each phase of development of the project, from urban planning to transferring the housing to customers and social infrastructure facilities, engineering and transportation facilities to operating companies. The department also oversees each stage of the construction process in order to, among other things, ensure compliance with the contractual and regulatory terms of the project and improve cost control. At joint meetings with project teams and project managers, the department's employees escalate issues related to deviations in the implementation of projects from time and cost parametres set in schedules and budgets, document management decisions and analyse the effectiveness of implemented measures.

Upon completion of the construction phase of a development project, the Group is required to go through an inspection process in respect of the property, known as state commissioning. Once a property has received state commissioning, the Group prepares all the documents necessary to transfer the units to purchasers. It is the responsibility of individual purchasers to ensure that they then register their ownership in respect of the newly constructed property in the Unified State Register of Real Estate.

Sales, marketing and mortgage financing

The Group's sales and marketing activities are primarily handled by its in-house sales department, which as at 30 September 2020 consisted of approximately 190 professionals who are experienced specialists in real estate sector. The Group's in-house sales department focuses exclusively on the sale of the Group's developments and building strong relationships with current and potential customers. In order to incentivise its sales force, the Group implemented a KPI-based compensation scheme, which are currently being formalised. The Group's in-house sales department is responsible for gathering information on the preferences of potential customers, which forms an important part of the Group's land acquisition strategy and project design activities. The Group's in-house sales department also prepares contractual and other documentation for the sale of properties and assists customers with receiving mortgage financing.

The Group currently has seven sales offices located at construction sites (including one site under construction) and a main sales office, which has three call centres. On average, there are approximately 25,000-30,000 calls per month (the conversion rate being 100%) and 3,500-4,500 primary target calls per month (the conversion rate being 14-18%). The Group also has a showroom at each of its construction sites, i.e., a model apartment fitted out with interior finishing, appliances and furniture. The showroom is staffed by the Group's marketing and sales personnel who respond to questions and invite customers for a tour of the model apartment. The Group's marketing and sales personnel receive substantial training in finding target homebuyers, customer service, facilities services (if applicable), construction schedules and building plans. The Group believes that this results in a sales force with extensive knowledge of its products and related services. The Group emphasises its commitment to on-time delivery of residences that are constructed with high-quality materials. The Group also holds special promotional events when it launches new developments. Sales and marketing of the Group's properties is mainly carried out by the sales department. The Group's inhouse marketing and sales department's functionality includes web marketing, call centre, site visit assistance, transaction documents preparation and mortgage assistance. However, in some cases, due to a large number of properties, the Group engages brokers and real estate agents to advertise some of its properties.

Prior to completion of a development project, the Group commences marketing activities and pre-sells properties. Typically, by the time a development project is completed, the Group will have pre-sold between 90% and 95% of the units. The Group uses multiple channels such as on-site billboards, the internet, direct mail advertising, distribution of leaflets in neighbouring areas, general and specialised press, radio and television, SMM-marketing digital formats and commercial exhibitions to market the Group's residences and continuously explores new sales channels. On average, there are approximately 3,700-4,300 meetings are held each month (the conversion rate being 15%). The focus of the Group's advertising efforts is to attract buyers to specific apartment developments. Since 2019, the Group has begun to sell its properties through its online platform "Samolet Client" (being personal client's account). This platform allows potential purchasers to review and select apartments, make an appointment with a manager to view an apartment, book and purchase apartments. It also allows customers to make an online application for mortgages, as well as to submit documents online for completion of the deal, track all stages of the purchase, download various types of documentation on a deal. On average, approximately 850-950 deals are concluded each month (the conversion rate being 4%).

Mortgage financing is an important factor in the Group's revenue generation metrics: the share of apartment sales to property buyers that use mortgage financing is 75% in the six months ended 30 June 2020 compared to 68% in the six months ended 30 June 2019 and 70% in the year ended 31 December 2019. On average, approximately 700-800 deals are concluded each month (the conversion rate being 3%). The Group's strategic partners are Sberbank, DomRF and VTB. These banks offer the Group's customers preferential treatment (for example, by offering lower interest rates on mortgage financing). The Group is continually expanding its list of partners. The Group currently works with more than 20 partner banks, including Sberbank, VTB, DomRF, Rossiysky Capital, Gazprombank, Vozrozhdenie, Absolut, Uralsib, Bank Rossiya, Zenit, Otkrytiye, SvyazBank, Delta Credit, Raiffeisen, Sovcombank, SNGB and Transcapital.

Land Bank

As at 30 June 2020, the Group's total land bank comprised approximately 15.4 million square metres of unsold net sellable area with a total appraised market value of RUB 176,850 million (according to the Valuation Report) (including on the land plots in the form of freehold ownership, leasehold rights and rights pursuant to other preliminary non-binding arrangements). As at 30 June 2020, the unsold net sellable area was approximately 15.4 million square metres, approximately 29% of which represented projects in the construction phase (with rights to land plots for some stages of such projects being in the form of preliminary non-binding arrangements) and approximately 71% in the design and pre-design phases. According to the Valuation Report, the average gross asset value is RUB 11,515 per square metre (calculated as gross asset value divided by unsold net sellable area). The Group believes that it has a sizeable and high-quality land bank.

PROJECTS

In the first half of 2020, the Group completed and sold approximately 226 thousand square metres of residential and non-residential real estate. Some of the Group's residential buildings have commercial space (such as shops and offices) located on the lower floors. As at 30 June 2020, the Group had completed four projects and 15 stages in other projects, had nine projects in the construction phase and 16 projects in the design and pre-design phases.

Completed Projects

From 2017 to 2019, the Group developed and sold over 1,373 thousand square metres of completed residential real estate (386 thousand square metres in 2017, 512 thousand square metres in 2018 and 475 thousand square metres in 2019) including 10.5 thousand square metres of commercial real estate. These projects were located in the Moscow Region, Moscow and the Leningrad Region.

The following table sets forth the history of the Group's completed projects or completed stages of projects by year of completion.

Completed Projects/ Stages of Projects	Location	Number of buildings	Net sellable area
Prigorod 1.0 Lesnoe(1)	Moscow Region	10	209,071
Prigorod 2.0 Lesnoe(1)	Moscow Region	14	198,432
Sputnik 1.1(2)	Moscow Region	3	65,726
Sputnik 1.1(2)	Moscow Region	3	67,216
Tomilino 2019(3)	Moscow Region	5	108,767
Lyubertsy 2015(4)	Moscow Region	8	142,523
Lyubertsy 2016(4)	Moscow Region	13	207,271
Lyubertsy 2017(4)	Moscow Region	16	208,324
Lyubertsy 2018(4)	Moscow Region	14	161,216
Murino 2017(5)	Leningrad Region	2	67,403
Murino 2018(5)	Leningrad Region	2	73,118
Murino 2020(5)	Leningrad Region	2	58,600
Vnukovo 2016(6)	Moscow	9	72,600
Vnukovo 2017	Moscow	10	110,907
Khimki 2019	Moscow Region	5	48,119
Oktyabrsky 2016	Moscow Region	1	7,284

Notes:

(1) The Prigorod Lesnoe project comprises 17 stages. Prigorod 1.0 Lesnoe and Prigorod 2.0 Lesnoe are the first two stages of the Prigorod Lesnoe project. See *"–Ongoing Development Projects - Projects under Construction – Project Prigorod Lesnoe"*.

(2) The Sputnik project comprises four stages. Sputnik 1.1 is the first stage of the Sputnik project. See *"–Ongoing Development Projects - Projects under Construction – Project Sputnik"*.

(3) The Tomilino project comprises six stages. Tomilino 2019 is the first stage of the Tomilino project. See *"–Ongoing Development Projects - Projects under Construction – Project Tomilino"*.

(4) The Lyubertsy project comprises six stages: Lyubertsy 2015, Lyubertsy 2016, Lyubertsy 2017, Lyubertsy 2018, Lyubertsy 2019 and Lyubertsy 2020. Also see *"–Ongoing Development Projects - Projects under Construction – Project Lyubertsy"*.

(5) The Murino project comprises three stages: Murino 2017, Murino 2018 and Murino 2020.

(6) The Vnukovo project comprises two stages: Vnukovo 2016 and Vnukovo 2017.

The following table sets forth the history of the Group's completed projects or completed stages of projects by commissioning volumes.

Commissioning, sq.m.	2015	2016	2017	2018	2019	8m 2020	Total
Vnukovo...............................	-	72,600	110,907	-	-	-	**183,507**
Lyubertsy.............................	142,523	207,271	116,632	155,011	97,898	-	**719,335**

Tomilino	-	-	-	-	108,767	-	**108,767**
Khimki	-	-	-	-	48,119	-	**48,119**
Prigorod Lesnoe	-	-	209,071	-	156,537	41,895	**407,503**
Sputnik	-	-	-	-	132,943	-	**132,943**
Oktyabrsky	-	7,284	-	-	-	-	**7,284**
Murino	-	-	67,404	73,118	58,600	-	**199,121**
Total	**142,523**	**287,155**	**504,013**	**228,129**	**602,864**	**41,895**	**1,806,580**

Ongoing Development Projects

As at 30 September 2020, the Group's portfolio of ongoing real estate development projects comprised 25 projects, with a total appraised market value of RUB 176,850 million, according to the Valuation Report, 65% of which represented projects in the Moscow Region with a total appraised market value of RUB 115,570 million and 35% in the Moscow Metropolitan Area with a total appraised market value of RUB 61,280 million. These properties have been internally approved for a total of 15,415 thousand square metres of net sellable area that was unsold as at 30 June 2020 (including on the land plots in the form of freehold ownership, leasehold rights and rights pursuant to other preliminary non-binding arrangements), which, in turn, includes 10,204 thousand square metres in the Moscow Region (representing 66% of the total unsold net sellable area) and 5,211 thousand square metres in the Moscow Metropolitan Area (representing 34% of the total unsold net sellable area). The average unsold net sellable area is over 600 thousand square metres. Four projects with the unsold net sellable area of over 1,000 thousand square metres.

The following table sets forth information about the Group's 25 ongoing development projects (including on the land plots held in the form of freehold ownership, leasehold rights and rights pursuant to other preliminary non-binding arrangements) that were valued by C&W as at 30 June 2020.

Ongoing Development Projects[1]	**Location**	**Unsold net sellable area (in square metres)**	**Market value, excluding VAT (the Group's share in RUB millions)**	**Total income from sales, excluding VAT (in RUB millions)**	**Outstanding construction budget, excluding VAT (RUB millions)**	**Share in the total unsold net sellable area**
Projects under Construction						
Prigorod Lesnoe	Moscow Region	1,970,438	20,717	228,981	116,973	12.8%
Putilkovo	Moscow Region	669,680	19,245	113,995	55,171	4.3%
Ostafyevo	New Moscow	507,858	15,539	72,468	27,144	3.3%
Sputnik	Moscow Region	423,552	24,784	88,601	29,560	2.7%
Tomilino	Moscow Region	428,042	13,124	49,902	24,859	2.8%
Lyubertsy	Moscow Region	208,705	3,396	24,776	14,766	1.4%
Novodanilovskya,8	Moscow	31,738	2,324	9,532	4,267	0.2%
Alkhimovo	New Moscow	187,497	5,259	27,167	13,147	1.2%
Nekrasovka	Moscow	64,506	2,239	10,190	5,024	0.4%
Projects in the Design and Pre-design Phases						
Molzhaninovo	Moscow	934,056	8,607	123,519	67,468	6.1%
Korobovo	Moscow Region	760,000	4,245	78,801	45,853	4.9%
Novoe Vnukovo	New Moscow	620,867	6,236	81,008	43,637	4.0%
Ryazanovskoe	New Moscow	1,619,000	5,849	218,003	120,557	10.5%
Mytishchi	Moscow Region	340,734	6,015	38,090	21,206	2.2%
Yurlovo	Moscow Region	544,856	2,148	58,132	42,378	3.5%
Yam	Moscow Region	363,370	2,337	43,646	26,349	2.4%
Zarechye	Moscow Region	71,140	2,272	12,338	7,162	0.5%
Rumyantsevo	New Moscow	160,000	2,449	20,828	11,437	1.0%
Erino	New Moscow	543,000	2,988	65,555	37,346	3.5%
Bogdanikha	Moscow Region	600,000	4,006	61,708	34,489	3.9%
Balashikha	Moscow Region	430,223	2,731	48,498	25,615	2.8%

Setun Park	Moscow	176,380	5,488	57,260	32,850	1.1%
Poyma	Moscow Region	1,977,000	9,256	246,988	134,074	12.8%
Saburovo	Moscow Region	482,300	1,295	49,279	37,492	3.1%
Esenino Park	New Moscow	1,300,000	4,302	261,963	96,657	8.4%

Notes:

(1) See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Regulatory Conditions*" for the Group's rights to the land plots.

Projects in the Construction Phase

Project Prigorod Lesnoe

Description of the Project

Prigorod Lesnoe is a mass-market development project located in the Moscow Region, four kilometres to the south-east of the Moscow Ring Road ("**MKAD**") in the vicinity of forests and several rivers and has convenient railway and road access, including its proximity to Domodedovskaya metro station. Prigorod Lesnoe is the Group's largest project by total net sellable area. The completed development is expected to comprise approximately 2,473,483 square metres of total net sellable area including 144 residential buildings with a total net sellable area of 2,441,723 square metres, commercial built-in premises with a total net sellable area of 31,760 square metres and other non-residential space (such as 131 children's playgrounds, 16 kindergartens and 11 schools), located on a 374-hectare land plot.

The project contemplates 17 stages of development. As at 30 September 2020, the project was under construction. The first stage, which comprised the construction of 10 multi-storey residential buildings with a total net sellable area of approximately 204,639 square metres, commenced in 2015 and was completed in the fourth quarter of 2018. The second stage of the project, which commenced in 2016, involves the construction of 14 multi-storey residential buildings (with a total net sellable area of approximately 298,043 square metres), one kindergarten and one school to be completed by the fourth quarter of 2019. The third stage of the project commenced in the third quarter of 2018 and involves the construction of seven multi-storey residential buildings with a total net sellable area of approximately 137,586 square metres, one kindergarten and one school, to be completed by the fourth quarter of 2020. The fourth to seventeenth stages of the project commenced in the second quarter of 2020 and involve the construction of 113 multi-storey residential buildings with a total net sellable area of approximately 1,871,870 square metres, 14 kindergartens, nine schools, hospital, ambulance station, medical clinics, fire and police station, and a number of parking spaces. The Group expects that the project will be completed by 2036. As at 30 June 2020, the Group estimated that the project was approximately 18% complete (which the Group calculates as a share of the project's cost of goods sold budget used as at (30 June 2020).

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Prigorod Lesnoe project at RUB 20,717 million. The average selling price of residential space was RUB 116,208 per square metre. The total income from sales (excluding VAT) was RUB 228,981 million. As at 30 June 2020, the unsold net sellable area was 1,970,438 square metres, accounting for 12.8% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 116,973 million. For more information on the valuation, valuation methodology, cost calculations and assumptions, please refer to the Valuation Report appended to this Offering Memorandum as Annex A.

Legal Rights

The Group's interest in the project is held through the Group's subsidiary, LLC SD Prigorod Lesnoe. A freehold interest in the land plots for the residential complexes was purchased by the project entity in 2013. By 2018, the Group held a 66% of the share capital of the project entity. The remaining 34% share in the project entity is owned by ROTA Group. The project land is categorised as urban land, and the type of permitted use of the major part of the land is for an integrated residential development, as well as for social infrastructure, utilities and landscaping.

The Group owns approximately 2,442,725 square metres, representing a 99.5% of the sellable residential space with the remainder being held by the Administration of Leninskiy Municipal District of the Moscow Region.

In March 2016, the Group entered into an investment agreement with the Administration of Leninskiy Municipal District of the Moscow Region, pursuant to which the Group is to allocate to the Administration of Leninskiy Municipal District of the Moscow Region 12,275 square metres of the project's residential premises, 4,500 square metres of the project's non-residential premises, as well as all premises housing kindergartens, schools, medical clinics, a hospital and an ambulance station, roads and all infrastructure. Under the terms of the investment agreement, the Group is allocated all residential and non-residential premises (excluding those comprising the Administration's share) and all other premises envisaged by the project.

Project Putilkovo

Description of the Project

Putilkovo is a mass-market development project located in the Moscow Region, one kilometre to the north-west of MKAD, in the vicinity of residential areas and has well-developed infrastructure, and convenient railway and road access. The completed development is expected to consist of approximately 1,083,440 square metres, the Group's share is expected to consist of approximately 784,958 square metres of total net sellable area including residential buildings with a total net sellable area of 750,660 square metres, commercial built-in premises with a total net sellable area of 34,298 square metres and other non-residential space (such as kindergartens and schools), located on a 227-hectare land plot.

The project contemplates ten stages of development. As at 30 September 2020, the project was in the construction phase. The first stage of the project, which commenced in the third quarter of 2018, involves the construction of 26 multi-storey residential buildings with a total net sellable area of approximately 354,520 square metres, three kindergartens and one school and is expected to be completed by the third quarter of 2023. It is expected to commission six multi-storey residential buildings by December 2020 and eight multi-storey residential buildings by October 2021. The second to tenth stages of the project are expected to be completed by the fourth quarter of 2032. As at 30 September 2020, the Group estimated that the project was approximately 13% complete. Due to the transition to escrow accounts schemes, it is expected that the phases and stages of construction within the framework of the second and the subsequent stages of the project will be reviewed, but the deadline for the completion of the project is not expected to change.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Putilkovo project at RUB 19,245 million. The average selling price of residential space was RUB 170,224 per square metre (compared to RUB 125,000 per square metre as at 31 December 2019). The total income from sales (excluding VAT) was RUB 113,995 million. As at 30 June 2020, the unsold net sellable area was 669,680 square metres, accounting for 4.3% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 55,171 million.

Legal Rights

The Group's interest in the project is held through the Group's subsidiary, LLC SD Samolet-Putilkovo. The Group's share in the share capital of the project entity is 100%. The land plots are purchased by LLC Samolet-Putilkovo in a single tranche for each stage of the project. Other land plots for the project are leased by the Group from LLC Putilkovo (successor of JSC Financial Corporation Uralsib) pursuant to a lease agreement dated 19 May 2017 that expires on 31 May 2029. The Group is expected to purchase land plots in several tranches pursuant to a preliminary sale and purchase agreement, however terms of the purchase have not been yet finally agreed. The land for the project is zoned as urban land, and the type of permitted use of the land is for construction of a residential development, and infrastructure and leisure facilities.

The Group's share in sellable residential and commercial space is 74.5% for the first two stages of the project and 72% for the remaining stages of the project. The remaining 28% of the sellable residential and commercial space is owned by Bank UralSib.

In June 2018, the Group, the Construction Ministry for the Moscow Region and the Administration of Krasnogorsk City Municipal District of the Moscow Region entered into the ISDT agreement, pursuant to which the Group is to allocate to the Administration of Krasnogorsk City Municipal District of the Moscow Region 10,000 square metres of the project's residential premises, as well as all premises housing kindergartens, schools, medical clinics, a police and an ambulance station, roads and part of the engineering infrastructure and networks. Under the terms of the ISDT agreement, the Group is entitled to all residential and non-residential premises excluding those comprising the share of the Administration of Krasnogorsk City Municipal District of the Moscow Region and all other premises envisaged by the project.

Project Ostafyevo

Description of the Project

Ostafyevo is the Group's first residential comfort class development project located in New Moscow, eight kilometres to the south-west of MKAD, in the vicinity of the Ostafyevo residential areas and is surrounded by pine forests, rivers and ponds. The completed development is expected to comprise approximately 672,606 square metres of total net sellable area including residential buildings with a total net sellable area of 619,283 square metres and commercial built-in premises with a total net sellable area of 53,423 square metres and other non-residential space (such as storages, 1,300 parking plots, five kindergartens and three schools), located on a 137-hectare land plot.

The project contemplates six stages of development. As at 30 September 2020, the project was in the construction phase. The first stage of the project, which commenced in the first quarter of 2018, involves the construction of six multi-storey residential buildings with a total net sellable area of approximately 102,151 square metres and approximately 4,502 square metres of net sellable commercial non-residential space, one school and one parking facility and will be completed in the fourth quarter of 2020. The second and stage of the project, which commenced in the third quarter of 2019, involve the construction of 4 multi-storey residential buildings with a total net sellable area of approximately 116,000 square metres, commercial non-residential buildings located on the lower floors of residential buildings with a total net sellable area of approximately 3,800 square metres, one school, one kindergarten and one above-ground parking facility and is expected to be completed by the fourth quarter of 2021. The third stage, which commenced in the fourth quarter of 2020, involves the construction of six multi-storey residential buildings with a total net sellable area of approximately 75,000 square metres, one kindergarten and one school and is expected to be completed by the fourth quarter of 2022. The fourth to sixth stages of the project, which are expected to commence in the fourth quarter of 2021, involve the construction of a number of multi-storey residential buildings with a total net sellable area of approximately 371,000 square metres, commercial non-residential buildings located in the lower floors of residential buildings, social facilities, parking facilities, fitness and health centres. The Group expects that the project will be completed by the third quarter of 2025. As at 30 September 2020, the Group estimated that the project was approximately 33% complete.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Ostafyevo project at RUB 15,539 million. The average selling price of residential space was RUB 141,926 per square metre. The total income from sales (excluding VAT) was RUB 72,468 million. As at 30 June 2020, the unsold net sellable area was 507,858 square metres, accounting for 3.3% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 27,144 million.

Legal Rights

The Group's interest in the project is held through the Group's subsidiary, LLC SD SR-Group. The Group holds 57.76% of the share capital of the project entity. The remaining 42.24% share in the project entity is owned by the Group's partner. A freehold interest in the land plots with a total area of 130.5 hectares was purchased by the Group from RDI Group in 2016. In addition, land plots with a total area of 6.6 hectares are leased by the Group from the Moscow City Property Department pursuant to a lease agreement entered into in 2016 and 2019 that expires on 16 June 2047. All the land plots are zoned as urban land. The type of permitted use for land plots under development in the first (six residential buildings), second, third and fourth stages is for multi-storey residential buildings. The current type of permitted use for land plots which will be developed in the later stages of the project is for agricultural production.

The Group owns 672,606 square metres, representing 100% of the sellable residential and commercial space.

Project Sputnik

Description of the Project

Sputnik is a business class development project located in the Moscow Region, 0.5 kilometres to the north-west of MKAD, in the vicinity of a woodland and a waterfront and has well-developed infrastructure and convenient railway and road access, including its proximity to Strogino metro station. The completed development is expected to comprise approximately 620,359 square metres of total net sellable area including apartment buildings with a total net sellable area of 502,219 square metres, commercial built-in premises with a total net sellable area of 114,317 square metres and other non-residential space (such as storages and 4,697 parking facilities), commercial buildings and an underground parking facility located on a 21-hectare land plot.

The concept for development of the Sputnik quarter was created by the world famous de Architekten Cie. firm (the Netherlands). The first stage buildings were designed by well-known Russian architectural firms, AB Ostozhenka and TPO Rezerv, which are recognised for both their comfort class and premium class projects. The first stage buildings are three towers based on one stylobate, along the perimeter of which are shops and cafes, and which also has a two-storey underground carpark.

The project contemplates four stages of development. As at 30 September 2020, the Group had obtained construction permits for the first, second and third stages of the project. The first stage of the project, which commenced in 2016, consists of six multi-storey residential buildings, one kindergarten and underground parking facilities (under each building) and was completed in the second and fourth quarter of 2019. The second stage of the project, which commenced in the third quarter of 2018, involves the construction of six multi-storey residential buildings, one kindergarten and underground parking facilities and is expected to be completed by the fourth quarter of 2021. The third stage of the project commenced in the third quarter of 2020. In 2021, the Group is expected to start the construction of four office and apartment buildings, which are expected to be completed by the second quarter of 2025. The fourth stage of the project is expected to commence in the fourth quarter of 2023. The Group expects that the project will be completed by the fourth quarter of 2027. As at 30 September 2020, the Group estimated that the project was approximately 41% complete.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Sputnik project at RUB 24,784 million. The average selling price of residential space was RUB 151,135 per square metre (compared to RUB 120,000 per square metre as at 31 December 2019). The total income from sales (excluding VAT) was RUB 88,601 million. As at 30 June 2020, the unsold net sellable area was 423,552 square metres, accounting for 2.7% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 29,560 million.

Legal Rights

The Group's interest in the project is held through the Group's subsidiary, LLC SD Bukhta Land. The Group's share in the share capital of the project entity is 100%. A freehold interest in the land plots relating to the project was purchased by the Group from several individuals in 2014. The land for the project is zoned as urban land, and the permitted use of the land under town planning regulations is for the enterprise.

The Group owns 620,359 square metres, representing 100% of the sellable residential and commercial space.

In November 2016, the Group entered into an investment agreement with the Administration of Odintsovo Municipal District of the Moscow Region, pursuant to which the Group is to allocate to the Administration of Odintsovo Municipal District of the Moscow Region all infrastructure areas, all kindergartens and the ambulance station. Under the terms of the investment agreement, the Group is allocated all residential and non-residential premises (excluding those comprising the Administration's share), as well as all other premises envisaged by the project.

Project Tomilino

Description of the Project

Tomilino is a mass-market development project located in the Moscow Region ten kilometres to the south-east of MKAD, in the vicinity of a woodland and a river, and has convenient railway and road access. The completed development is expected to consist of approximately 645,041 square metres of total net sellable area including 28 residential buildings with a total net sellable area of 625,242 square metres, commercial built-in premises with a total net sellable area of 19,799 square metres and other non-residential space (such as four kindergartens, 3 schools and 7,053 parking facilities), located on a 76-hectare land plot.

The project contemplates six stages of development. As at 30 September 2020, the Group obtained construction permits for the first three stages. The first stage of the project, which commenced in 2017, consists of five multi-storey residential buildings with a total net sellable area of approximately 105,500 square metres and one kindergarten and was completed in the first quarter of 2019. The second stage of the project, which commenced in the first quarter of 2018, involves the construction of four multi-storey residential buildings with a total net sellable area of approximately 107,000 square metres and one school and is expected to be completed by the fourth quarter of 2020. The third stage of the project, which commenced in the fourth quarter of 2019, involves the construction of five multi-storey residential buildings with a total net sellable area of approximately 122,900 square metres and is expected to be completed by the fourth quarter of 2021. The fourth stage of the project, which is expected to commence in the third quarter of 2021, involves the construction of four multi-storey residential buildings with a total net sellable area of approximately 110,559 square metres, one kindergarten and one school and is expected to be completed by the second quarter of 2023. The Group expects that the project will be completed by the fourth quarter of 2025. As at 30 September 2020, the Group estimated that the project was approximately 41% complete. As at 30 June 2020, C&W assessed the market value of the Group's interest in the Tomilino project at RUB 13,124 million. The average selling price of residential space was RUB 107,849 per square metre. The total income from sales (excluding VAT) was RUB 49,902 million. As 30 June 2020, the unsold net sellable area was 428,042 square metres, accounting for 2.8% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 24,859 million.

Legal Rights

The Group's interest in the project is held through the Group's subsidiary, LLC SD Samolet-Tomilino. The Group's share in the share capital of the project entity is 100%. A freehold interest in the land plots relating to all the stages of the project was purchased by the Group from several individuals in 2016. The land for the project is zoned as urban land, and the permitted use of the major part of the land under town planning regulations is for the location of residential premises.

The Group's share in sellable residential space is 100% and 100% of the sellable commercial space.

In February 2018, the Group entered into an investment agreement with the Administration of Lyubertsy Municipal District of the Moscow Region, pursuant to which the Group is to allocate to the Administration of Lyubertsy Municipal District of the Moscow Region 5,000 square metres of the project's residential premises, as well as all premises housing kindergartens, schools, medical clinics, an ambulance station, roads and all infrastructure. Under the terms of the investment agreement, the Group is allocated all residential and non-residential premises (excluding those comprising the Administration's share), as well as all other premises envisaged by the project.

Project Lyubertsy

Description of the Project

Lyubertsy is a mass-market development project located in the Moscow Region, eight kilometres to the south-east of MKAD and the first of the Group's projects. Lyubertsy is one of the Moscow Region's largest residential areas and has convenient railway and road access. The development is expected to comprise approximately 811,344 square metres of total net sellable area including residential buildings with a total net sellable area of 797,619 square metres and commercial built-in premises with a total net sellable area of 13,726 square metres, located on a 133-hectare land plot.

The project contemplates six stages of development. As at 30 September 2020, the project was in the construction phase. The first stage, which comprised the construction of eight residential buildings with a total net sellable area of approximately 142,523 square metres, commenced in 2014 and was completed in the third quarter of 2015. The second stage, which comprised the construction of 13 residential buildings with a total net sellable area of approximately 207,271 square metres and a kindergarten, commenced in 2015 and was completed in the third quarter of 2016. The third stage, which comprised the construction of 16 residential buildings with a total net sellable area of approximately 116,632 square metres and a school, commenced in 2016 and was completed in the third quarter of 2017. The fourth stage, which commenced in 2017, involves the construction of 14 residential buildings with a total net sellable area of approximately 120,000 square metres and a kindergarten, was completed in the fourth quarter of 2019. The fifth stage, which commenced in the third quarter of 2018, involves the construction of nine residential buildings with a total net sellable area of approximately 175,879 square metres and a school. Eight residential buildings are expected to be completed in the fourth quarter of 2020 and the rest is expected to be completed in the second quarter of 2021. The sixth stage, which commenced in the third quarter of 2020, involves the construction of five residential buildings and five apartment buildings with a total net sellable area of approximately 235,000 square metres, a school, a kindergarten, a medical clinic and an ambulance station. The Group expects the project to be completed by the fourth quarter of 2024. As at 30 September 2020, the Group estimated that the project was approximately 71% complete.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Lyubertsy project at RUB 3,396 million. The average selling price of residential space was RUB 118,713 per square metre (compared to RUB 100,000 per square metre as at 31 December 2019). The total income from sales (excluding VAT) was RUB 24,776 million. As at 30 June 2020, the unsold net sellable area was 208,705 square metres, accounting for 1.4% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 14,766 million.

Legal Rights

The Group's interest in the project is held through the Group's subsidiary, LLC SD Samolet Development. The Group's share in the share capital of the project entity is 100%. A freehold interest in the land plots relating to the first five stages of the project was purchased by the Group from Closed-End Real Estate Unit Investment Fund Kosino (which is managed by LLC Everest Asset Management, which is the Group's partner in a number of projects) in several tranches between 2014 and 2018. The land plots to be developed during the remaining three stages of the project are leased by the Group from Closed-End Real Estate Unit Investment Fund Kosino pursuant to a lease agreement entered into in 2013 that expires on 1 March 2022. The Group is expected to purchase the leased land plots with price of the relevant lots to be agreed in the future. The land for the project is zoned as urban land, and the permitted use of the land is for construction of residential buildings, and cultural and social facilities.

The Group owns approximately 763,665 square metres, representing 73% of the sellable residential area and commercial area, with the remainder being held by Absolut Group with 26% of the sellable residential and commercial area (which is transferred to Absolut Group for each stage), the Administration of Lyubertsy City Municipal District of the Moscow Region with 15,405 square metres of sellable residential area and the Administration of Lyubertsy Urban Settlement of Lyubertsy Municipal District of the Moscow Region with 1,825 square metres of sellable commercial area.

In December 2013, the Group entered into an investment agreement with the Administration of Lyubertsy City Municipal District of the Moscow Region and the Administration of Lyubertsy Urban Settlement of Lyubertsy Municipal District of the Moscow Region, pursuant to which the Group is to allocate to the Administration of Lyubertsy Municipal District of the Moscow Region 1,825 square metres of the project's non-residential premises, as well as all premises housing kindergartens, schools, medical clinics, the ambulance station and the hospital. Under the terms of the investment agreement, the Administration of Lyubertsy Urban Settlement of Lyubertsy Municipal District of the Moscow Region will be entitled to 15,405 square metres of the total residential premises, all municipal and in-district roads, as well as engineering systems and facilities. Pursuant to the investment agreement, the Construction Ministry for the Moscow Region is entitled to 100% of regional special purpose roadways. The Group is entitled to all residential premises and non-residential premises (excluding those comprising the Administration's share), as well as all other premises envisaged by the project.

In addition, in February 2015, the Group entered into an investment agreement with the Construction Ministry for the Moscow Region and State Unitary Enterprise of the Moscow Region Mosoblgaz for the development of a gas facility in the territory of the project.

Project Novodanilovskya,8

Description of the Project

Novodanilovskya,8 is a business class development project located in the south-east of Moscow in the vicinity of business centres, shops, restaurants and has well-developed infrastructure, and convenient railway and road access. The completed development is expected to comprise approximately 36,035 square metres of total net sellable area including residential buildings with a total net sellable area of 34,453 square metres, commercial built-in premises with a total net sellable area of 354 square metres and other non-residential space (such as storages and 255 parking facilities), located on a 2-hectare land plot.

The project contemplates one stage of development. As at 30 September 2020, the project was in the construction phase. The first stage, which comprised the construction of three multi-storey apartment buildings with a total net sellable area of approximately 36,035 square metres and one underground parking facility, commenced in 2020 and is expected to be completed by the third quarter of 2022. As at 30 September 2020, the Group estimated that the project was approximately 31% complete.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Novodanilovskya,8 project at RUB 2,324 million. The average selling price of residential space was RUB 294,858 per square metre. The total income from sales (excluding VAT) was RUB 9,532 million. As at 30 June 2020, the unsold net sellable area was 31,738 square metres, accounting for 0.2% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 4,267 million.

Legal Rights

The Group's interest in the project is held through the Group's subsidiary, LLC SD DM Apartments. The Group acquired the relevant project entity in instalments. LLC Samolet Dve Stolitsy holds 100% equity share in the project entity. The Group's share in LLC Samolet Dve Stolitsy is 70.2%, therefore, the Group's effective share in the share capital of the project entity is 70.2%. The Group controls the development and management functions in connection with this project. The land plot for the project was leased by the Group from the Moscow City Property Department pursuant to a lease agreement entered into on 30 December 2016 that expires on 18 March 2058. The project land is categorised as urban land, and the type of permitted use of the land under town planning regulations is for construction of capital construction objects such as hotels and other buildings used for temporary residence.

The Group owns 36,035 square metres, representing 100% of the sellable residential area. The Group's partner has an acquisition discount for 367 parking spaces.

Project Alkhimovo

Description of the Project

Alkhimovo is a mass-market development project located in New Moscow, 7.5 kilometres to the south-west of MKAD, in the vicinity of agricultural land plots, private cottages and new residential buildings, and has convenient railway and road access. The completed development is expected to comprise approximately 245,000 square metres of total net sellable area including residential buildings with a total net sellable area of 237,235 square metres, commercial built-in premises with a total net sellable area of 7846 square metres and other non-residential space (such as 255 parking facilities), located on a 45-hectare land plot.

The project contemplates five stages of development. As at 30 September 2020, the project was in the construction phase. The first stage of the project, which comprised the construction of two residential buildings with a total net sellable area of approximately 44,700 square metres, commenced in the fourth quarter of 2019 and expected to be completed by third quarter 2021. The second stage of the project, which comprised the construction of five residential buildings with a total net sellable area of approximately 76,000 square metres, commenced in the second quarter of 2020 and expected to be completed by Fourth quarter of 2022. The third stage of the project, which comprised the construction of three residential buildings with a total net sellable area of approximately 45,000 square metres, is expected to be commenced in the second quarter of 2021 and expected to be completed by Second quarter of 2023. The fourth stage of the project, which comprised the construction of two residential buildings with a total net sellable area of approximately 40,000 square metres, is expected to be commenced in the second quarter of 2022 and expected to be completed by 2024. The fifth stage of the project, which comprised the construction of two residential buildings with a total net sellable area of approximately 40,000 square metres, is expected to be commenced in the second quarter of 2023 and expected to be completed by 2025. The Group expects that the project will be completed by the fourth quarter of 2025. As at 30 September 2020, the Group estimated that the project was approximately 8% complete.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Alkhimovo project at RUB 5,259 million. The average selling price of residential space was RUB 144,486 per square metre (compared to RUB 117,000 per square metre as at 31 December 2019). The total income from sales (excluding VAT) was RUB 27,167 million. As at 30 June 2020, the unsold net sellable area was 187,497 square metres, accounting for 1.2% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 13,147 million.

Legal Rights

The Group's interest in the project is held through the Group's subsidiary, LLC SD Samolet-Alkhimovo. LLC Samolet Dve Stolitsy holds 100% equity share in the project entity. The Group's share in LLC Samolet Dve Stolitsy is 70.2%, therefore, the Group's effective share in the share capital of the project entity is 70.2%. The Group controls the development and management functions in connection with this project. For the purposes of construction, the Group entered into a land plots lease agreement and has been negotiating the terms, timing and structure of sale and purchase agreements for each stage. As at the date of this Offering Memorandum, no binding arrangements for the acquisition of land plots were made. The type of permitted use of the land will be changed to construction of multi-storey residential buildings.

The Group owns 40,202 square metres, representing 90% of the sellable residential area for the first stage of the development project and 142,450 square metres, representing 85.07% of the sellable residential area for the remaining stages of the project.

Project Nekrasovka

Description of the Project

Nekrasovka is a mass-market development project located in the Moscow Region, five kilometres to the east of MKAD, in the vicinity of a forest and a river, and has convenient railway and road access. The development is expected to comprise approximately 148,000 square metres of total net sellable area including residential buildings with a total net sellable area of 139,500 square metres and commercial built-in premises with a total net sellable area of 8,500 square metres and other non-residential space (such as storages), located on an 11-hectare land plot.

The project contemplates three stages of development. As at 30 September 2020, the project was in the construction phase. The first stage of the project, which comprised the construction of 3 residential buildings with a total net sellable area of approximately 49,559 square metres, commenced in the fourth quarter of 2018 and expected to be completed by Fourth quarter of 2020. The second stage of the project, which comprised the construction of 2 residential buildings with a total net sellable area of approximately 38,137 square metres, commenced in the first quarter of 2020 and expected to be completed by The second quarter of 2022. The third stage of the project, which comprised the construction of 4 residential buildings with a total net sellable area of approximately 60,350 square metres, is expected to be commenced in the fourth quarter of 2020 and expected to be completed by The fourth quarter of 2022. The Group expects that the project will be completed by the fourth quarter of 2022. As at 30 September 2020, the Group estimated that the project was approximately 31% complete.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Nekrasovka project at RUB 2,239 million. The average selling price of residential space was RUB 157,970 per square metre. The total income from sales (excluding VAT) was RUB 10,190 million. As at 30 June 2020, the unsold net sellable area was 64,506 square metres, accounting for 0.4% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 5,024 million.

Legal Rights

The Group's interest in the project is held through the Group's subsidiary, LLC SD Nekrasovka-Invest. LLC Samolet Dve Stolitsy holds 100% equity share in the project entity. The Group's share in LLC Samolet Dve Stolitsy is 70.2%, therefore, the Group's effective share in the share capital of the project entity is 70.2%. The Group controls the development and management functions in connection with this project. The type of permitted use of the land is construction of multi-storey residential buildings, and social and engineering infrastructure.

The Group is expected to own 96,223 square metres, representing approximately 65% of the sellable residential area, with the remainder being held by the Absolut Group.

Projects in the Design and Pre-design Phases

Project Molzhaninovo

Description of the Project

Molzhaninovo is a mass-market development project located in the north-west of the Moscow Region, 12 kilometres of MKAD, in the vicinity of agricultural land plots, private cottages and new residential buildings and has convenient railway and road access. The completed development is expected to comprise approximately 934,056 square metres of total net sellable area including residential space, located on a 136-hectare land plot.

The project contemplates 14 stages of development. As at 30 September 2020, the Group received the master plan and land tenure and building rules. The Group expects to start the construction in 2021 and to complete the project by 2036.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Molzhaninovo project at RUB 8,607 million. The average selling price of residential space is expected to be RUB 132,239 per square metre. The total income from sales (excluding VAT) was expected to be RUB 123,519 million. As at 30 June 2020, the unsold net sellable area was expected to be 934,056 square metres, accounting for 6.1% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 67,468 million.

Legal Rights

The Group's interest in the project is expected to be held through the Group's subsidiary, LLC SD Samolet-Molzhaninovo. LLC Samolet Dve Stolitsy holds 100% equity share in the project entity. The Group's share in LLC Samolet Dve Stolitsy is 70.2%, therefore, the Group's effective share in the share capital of the project entity is 70.2%. The Group will control the development and management functions in connection with this project. For the purposes of construction, the Group is expected to enter into a land plots lease agreement and to negotiate the terms, timing and structure of sale and purchase agreements for each stage. As at the date of this Offering Memorandum, no binding arrangements for the acquisition of land plots were made. The project land is categorised as urban land, and the type of permitted use of the land under town planning regulations is for agricultural production, part of which includes waterbodies (shoreline) and boulevards. The type of permitted use of the land will be changed to "construction of multi-storey residential buildings".

The Group owns 934,056 square metres, representing 91% of the sellable residential area for the first two stages of the development project and 85% of the sellable residential area for the remaining stages of the project.

Project Korobovo

<u>Description of the Project</u>

Korobovo is a mass-market development project located in the Moscow Region, eight kilometres to the south-east of MKAD, in the vicinity of agricultural land plots, private cottages and new residential buildings and has convenient railway and road access. The completed development is expected to comprise approximately 760,000 square metres of total net sellable area including residential, commercial and other non-residential space, located on a 133-hectare land plot.

The project contemplates 12 stages of development. As at 30 September 2020, the project was in the design phase. The site plan was approved in the third quarter of 2020. The Group expects to start the construction in 2021 and to complete the project by 2033. As at 30 September 2020, the Group estimated that the project was approximately 0% complete.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Korobovo project at RUB 4,245 million. The average selling price of residential space was expected to be RUB 103,685 per square metre. The total income from sales (excluding VAT) was expected to be RUB 78,801 million. As at 30 June 2020, the unsold net sellable area was expected to be 760,000 square metres, accounting for 4.9% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 45,853 million.

<u>Legal Rights</u>

The Group's interest in the project is held through the Group's subsidiary, LLC Korobovo. The Group's share in the share capital of the project entity is 66%. A freehold interest in the project land plots was purchased by the Group from Closed-end Real Estate Unit Investment Fund Novyi Zemelnyi (which is managed by CJSC Managing Company United Investment Funds) in 2013. The land for the project is zoned as urban land, and the permitted use of the major part of the land under town planning regulations is for accommodating a multifunctional administrative, commercial and production-warehouse complex. The type of permitted use of the land will be changed to "construction of multi-storey residential buildings".

Project Novoe Vnukovo

<u>Description of the Project</u>

Novoe Vnukovo is a mass-market development project located in the Moscow Region, 19 kilometres to the south-west of MKAD, in the vicinity of major highways and has convenient road access. The completed development is expected to comprise approximately 620,867 square metres of total net sellable area including residential buildings with a total net sellable area of 552,302 square metres, commercial built-in premises with a total net sellable area of 68,564 square metres, located on a 79-hectare land plot.

The project contemplates 10 stages of development. As at 30 September 2020, the Group received the master plan, land tenure and building rules and site design and positive expert opinion. The Group expects to start the construction in the fourth quarter of 2020 and to complete the project by 2031. As at 30 September 2020, the Group estimated that the project was approximately 0% complete.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Novoe Vnukovo project at RUB 6,236 million. The average selling price of residential space was expected to be RUB 130,475 per square metre. The total income from sales (excluding VAT) was expected to be RUB 81,008 million. As at 30 June 2020, the unsold net sellable area was expected to be 620,867 square metres, accounting for 4.0% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 43,637 million.

<u>Legal Rights</u>

The Group's interest in the project is held through the Group's subsidiary, LLC SD Sanino-1. LLC Samolet Dve Stolitsy holds 50% equity share in the project entity with the remaining 50% held by the owner of the land plot. The Group's share in LLC Samolet Dve Stolitsy is 70.2%, therefore, the Group's effective share in the share capital of the project entity is 35.1%. The Group jointly with other partner controls the development and management functions in connection with this project. The land for the project is zoned as urban land, and the permitted use of the land under town planning regulations for most of the land plots is for construction of multi-storey apartment buildings and other administrative and commercial buildings and for agricultural use for remaining land plot in relation to a land plot of 338,004 square metres, and for agricultural use in relation to a land plot of 165,543 square metres.

Project Ryazanovskoe

Description of the Project

Ryazanovskoe is a mass-market development project located in New Moscow, 20 kilometres to the south-west of MKAD, in the vicinity of a woodland and a river. The completed development is expected to comprise approximately 1,619,000 square metres of total net sellable area including residential, commercial and other non-residential space, located on a 200-hectare land plot.

The project contemplates 16 stages of development. As at 30 September 2020, urban planning design was being prepared. This design will determine the size of residential and non-residential area, social premises, transport infrastructure and utilities constructed as a part of the project. The first stage of the project is expected to be launched between 2022 and 2022. The Group expects to complete the project by 2039.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Ryazanovskoe project at RUB 5,849 million. The average selling price of residential space was expected to be RUB 134,653 per square metre. The total income from sales (excluding VAT) was expected to be RUB 218,003 million. As at 30 June 2020, the unsold net sellable area was expected to be 1,619,000 square metres, accounting for 10.5% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 120,557 million.

Legal Rights

The Group's interest in the project is held through the Group's subsidiary, LLC SD Ryazanovskoe-1. LLC Samolet Dve Stolitsy holds 50% equity share in the project entity with the remaining 50% held by the owner of the land plot. The Group's share in LLC Samolet Dve Stolitsy is 70.2%, therefore, the Group's effective share in the share capital of the project entity is 35.1%. The Group jointly with other partner controls the development and management functions in connection with this project. The land for the project is zoned as urban land, and the permitted use of the land under town planning regulations is for agricultural use.

Project Mytishchi

Description of the Project

Mytishchi is a mass-market development project located in the Moscow Region, 4.5 kilometres to the north of MKAD, and has well-developed infrastructure, and convenient railway and road access. The completed development is expected to comprise approximately 400,000 square metres of total net sellable area including residential buildings with a total net sellable area of 400,000 square metres, including commercial built-in premises with a total net sellable area of 430,536 square metres and other non-residential space, located on a 43-hectare land plot.

The project contemplates seven stages of development. As at 30 September 2020, the Group received the master plan, land tenure and building rules and site design. The first stage of the project is expected to commence in the fourth quarter of 2020. The Group expects that the project will be completed by the fourth quarter of 2030. As at 30 September 2020, the Group estimated that the project was approximately 0% complete.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Mytishchi project at RUB 6,015 million. The average selling price of residential space was expected to be RUB 111,789 per square metre. The total income from sales (excluding VAT) was expected to be RUB 38,090 million. As at 30 June 2020, the unsold net sellable area was expected to be 340,734 square metres, accounting for 2.2% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 21,206 million.

Legal Rights

The Group's interest in the project is expected to be held through the Group's subsidiary, LLC SD Samolet-Mytishchi. The Group's share in the share capital of the project entity is expected to be 100%. The Group entered into a land plots lease agreement and is expected to acquire a freehold interest in the land plots relating to the project from its partner in the future. As at the date of this Offering Memorandum, no binding arrangements for the acquisition of land plots were made. The land category under the project is urban land, the type of permitted use for the land is for construction of a residential neighbourhood.

The Group owns 340,734 square metres, representing approximately 85% of the sellable residential area, with the remainder being held by the Group's partner.

Project Zarechye

Description of the Project

Zarechye is a business class development project located in the Moscow Region, one kilometre to the south-west of MKAD, and has convenient railway and road access. The completed development is expected to comprise approximately 105,000 square metres of total net sellable area including residential buildings with a total net sellable area of 90,000 square metres, commercial built-in premises with a total net sellable area of 15,000 square metres and other non-residential space (such as storages and 1,215 parking facilities), located on a 16-hectare land plot.

The project contemplates three stages of development. As at 30 September 2020, the Group received the master plan, land tenure and building rules and site design, project documentation was prepared and is expected to be approved in the near future. The Group expects to start the construction in the fourth quarter of 2020 and to complete the project by the fourth quarter of 2024. As at 30 September 2020, the Group estimated that the project was approximately 0% complete.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Zarechye project at RUB 2,272 million. The average selling price of residential space was expected to be RUB 164,037 per square metre. The total income from sales (excluding VAT) was expected to be RUB 12,338 million. As at 30 June 2020, the unsold net sellable area was expected to be 71,140 square metres, accounting for 0.5% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 7,162 million.

Legal Rights

The Group's interest in the project is expected to be held through the Group's subsidiary, LLC SD Samolet-Zarechye. The Group's share in the share capital of the project entity is expected to be 100%. The land plots are leased by the Group pursuant to a lease agreement entered into on 20 April 2018 that expires on 31 December 2022 and are expected to be purchased in the future. As at the date of this Offering Memorandum, no binding arrangements for the acquisition of land plots were made. The land for the project is zoned as urban land, and the permitted use of the land under town planning regulations is for construction of multi-storey apartment buildings.

The Group owns 71,140 square metres, representing approximately 72% of the sellable residential area, with the remainder being held by the Group's partner.

Project Yurlovo

Description of the Project

Yurlovo is a mass-market development project located in New Moscow, 20 kilometres to the south-west of MKAD and has convenient railway and road access. The completed development is expected to comprise approximately 544,856 square metres of total net sellable area including residential, commercial and other non-residential space, located on a 108-hectare land plot.

The project contemplates eight stages of development. As at 30 September 2020, the project was in the design phase. The Group expects to start the construction in 2021 and to complete the project by 2028.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Yurlovo project at RUB 2,148 million. The average selling price of residential space was expected to be RUB 106,692 per square metre. The total income from sales (excluding VAT) was expected to be RUB 58,132 million. As at 30 June 2020, the unsold net sellable area was expected to be 544,856 square metres, accounting for 3.5% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 42,378 million.

Legal Rights

The Group's interest in the project is held through the Group's subsidiary, LLC SD Samolet-Yurlovo. The Group's share in the share capital of the project entity is 50%, the remaining 50% is owned by the Group's partner. The Group purchased the land plots for the first stage of the project and leased the land plots for the remaining stages, which are expected to be purchased in the future pursuant to a preliminary sale and purchase agreement, however terms of the purchase have not been yet finally agreed. The land for the project is zoned as urban land, and the permitted use of the land under town planning regulations is for construction of low-rise buildings and for agricultural use.

Project Yam

Description of the Project

Yam is a mass-market development project located in the Moscow Region, 12 kilometres to the south of MKAD and has convenient railway and road access. The completed development is expected to comprise approximately 363,370 square metres of total net sellable area including residential buildings with a total net sellable area of 340,834 square metres, commercial built-in premises with a total net sellable area of 22,536 square metres and other non-residential space, located on a in 47-hectare land plot.

The project contemplates six stages of development. As at 30 September 2020, the Group received the master plan and land tenure and building rules. The Group expects to start the construction in 2021 and to complete the project by 2027.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Yam project at RUB 2,337 million. The average selling price of residential space was expected to be RUB 100,866 per square metre. The total income from sales (excluding VAT) was expected to be RUB 43,646 million. As at 30 June 2020, the unsold net sellable area was expected to be 363,370 square metres, accounting for 2.4% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 26,349 million.

<u>Legal Rights</u>

The Group's interest in the project is expected to be held through a project entity. The Group's share in the share capital of the project entity is expected to be 66%, the remaining 34% is expected to be owned by the Group's partners. As at the date of this Offering Memorandum, no binding arrangements for the acquisition of land plots were made.

Project Rumyantsevo

<u>Description of the Project</u>

Rumyantsevo is a mass-market development project located in the south-west of Moscow, in the vicinity of a new residential buildings and has a convenient road access. The completed development is expected to comprise approximately 160,000 square metres of total net sellable area including residential, commercial and other non-residential space, located on a 11-hectare land plot.

The project contemplates three stages of development. As at 30 September 2020, the Group received the master plan, land tenure and building rules and site design. The Group expects to start the construction in 2020 and to complete the project by the fourth quarter of 2024. As at 30 September 2020, the Group estimated that the project was approximately 5% complete.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Rumyantsevo project at RUB 2,449 million. The average selling price of residential space was expected to be RUB 130,175 per square metre. The total income from sales (excluding VAT) was expected to be RUB 20,828 million. As at 30 June 2020, the unsold net sellable area was expected to be 160,000 square metres, accounting for 1.0% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 11,437 million.

<u>Legal Rights</u>

The Group's interest in the project is held through the Group's subsidiary, LLC SD Samolet-Dudkino. LLC Samolet Dve Stolitsy holds 56% equity share in the project entity with the remaining 44% held by the owner of the land plot. The Group's share in LLC Samolet Dve Stolitsy is 70.2%, therefore, the Group's effective share in the share capital of the project entity is 39.3%. The Group entered into a land plots lease agreement and is expected to enter into purchase agreements in the future. As at the date of this Offering Memorandum, no binding arrangements for the acquisition of land plots were made. The project land is categorised as urban land, and the type of permitted use of the land under town planning regulations is for construction of capital construction objects such as hotels and other buildings used for temporary residence.

Project Erino

<u>Description of the Project</u>

Erino is a mass-market development project located in New Moscow, 18 kilometres to the south-west of MKAD and has a convenient railway and road access. The completed development is expected to comprise approximately 543,000 square metres of total net sellable area including residential, commercial and other non-residential space, located on a in 80-hectare land plot.

The project contemplates 12 stages of development. As at 30 September 2020, the project was in the design phase. The Group expects to start the construction in 2022 and to complete the project by 2031.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Erino project at RUB 2,988 million. The average selling price of residential space was expected to be RUB 120,728 per square metre. The total income from sales (excluding VAT) was expected to be RUB 65,555 million. As at 30 June 2020, the unsold net sellable area was expected to be 543,000 square metres, accounting for 3.5% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 37,346 million.

<u>Legal Rights</u>

The Group's interest in the project is held through the Group's subsidiary, LLC SD Samolet-Erino. LLC Samolet Dve Stolitsy holds 50% equity share in the project entity with the remaining 50% held by the owner of the land plot. The Group's share in LLC Samolet Dve Stolitsy is 70.2%, therefore, the Group's effective share in the share capital of the project entity is 35.1%. A freehold interest in the land plots relating to all the stages of the project was purchased by the Group from the Group's partner in September 2020. The type of permitted use of the land is construction of multi-storey residential buildings, and social and engineering infrastructure.

Project Bogdanikha

<u>Description of the Project</u>

Bogdanikha is a mass-market development project located in the Moscow Region, 16 kilometres to the south-east of MKAD, and has convenient railway and road access. The completed development is expected to comprise approximately 600,000 square metres of total net sellable area including residential, commercial and other non-residential space, located on a in 151-hectare land plot.

The project contemplates 9 stages of development. As at 30 September 2020, the project was in the design phase. The Group expects to start the construction between 2022 and 2023 and to complete the project by 2032.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Bogdanikha project at RUB 4,006 million. The average selling price of residential space was expected to be RUB 102,847 per square metre. The total income from sales (excluding VAT) was expected to be RUB 61,708 million. As at 30 June 2020, the unsold net sellable area was expected to be 600,000 square metres, accounting for 3.9% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 34,489 million.

<u>Legal Rights</u>

The Group's interest in the project is expected to be held through a project entity. The Group's share in the share capital of the project entity is expected to be 66%, the remaining 34% is expected to be owned by the Group's partner. As at the date of this Offering Memorandum, no binding arrangements for the acquisition of land plots were made.

Project Balashikha

<u>Description of the Project</u>

Balashikha is a mass-market development project located in the Moscow Region, 10 kilometres to the east of MKAD, and has convenient railway and road access. The completed development is expected to comprise approximately 430,223 square metres of total net sellable area including residential buildings with a total net sellable area of 404,118 square metres, commercial built-in premises with a total net sellable area of 26,105 square metres and other non-residential space (such as 4,463 parking facilities), located on a in 37-hectare land plot.

The project contemplates 9 stages of development. As at 30 September 2020, the project was in the design phase. The Group expects to start the construction in 2022 and to complete the project by 2032.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Balashikha project at RUB 2,731 million. The average selling price of residential space was expected to be RUB 110,134 per square metre. The total income from sales (excluding VAT) was expected to be RUB 48,498 million. As at 30 June 2020, the unsold net sellable area was expected to be 430,223 square metres, accounting for 2.8% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 25,615 million.

<u>Legal Rights</u>

The Group's interest in the project is expected to be held through a project entity. The Group's share in the share capital of the project entity is expected to be 50%, the remaining 50% is expected to be owned by the Group's partner. As at the date of this Offering Memorandum, no binding arrangements for the acquisition of land plots were made.

Project Setun Park

Description of the Project

Setun Park is a business class development project located in the south-west of Moscow in the vicinity of business centres, shops, restaurants and has well-developed infrastructure, and has convenient railway and road access. The completed development is expected to comprise approximately 227,500 square metres of total net sellable area including residential buildings and other non-residential space (such as school, kindergarten, storages and 462 parking facilities), located on a in 8-hectare land plot.

The project contemplates three stages of development. As at 30 September 2020, the project was in the design phase. The Group expects to start the construction in 2022 and to complete the project by 2026.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Setun Park project at RUB 5,488 million. The average selling price of residential space was expected to be RUB 321,439 per square metre. The total income from sales (excluding VAT) was expected to be RUB 57,260 million. As at 30 June 2020, the unsold net sellable area was expected to be 176,380 square metres, accounting for 1.1% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 32,850 million.

Legal Rights

The Group's interest in the project is expected to be held through a project entity. The Group's share in the share capital of the project entity is expected to be 70.2%, the remaining 29.8% is expected to be owned by LLC Samolet Dve Stolitsy. As at the date of this Offering Memorandum, no binding arrangements for the acquisition of land plots were made. The Group's partner is expected to have 22.5% in square metres of the sellable residential area.

Project Poyma

Description of the Project

Poyma is a mass-market development project located in the Moscow Region, 10 kilometres to the north-east of MKAD and has convenient railway and road access. The completed development is expected to comprise approximately 1,977,000 square metres of total net sellable area including residential, commercial and other non-residential space, located on a in 300-hectare land plot.

The project contemplates 20 stages of development. As at 30 September 2020, the project was in the design phase. The Group expects to start the construction between 2022 and 2023 and to complete the project by 2043.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Poyma project at RUB 9,256 million. The average selling price of residential space was expected to be RUB 124,931 per square metre. The total income from sales (excluding VAT) was expected to be RUB 246,988 million. As at 30 June 2020, the unsold net sellable area was expected to be 1,977,000 square metres, accounting for 12.8% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 134,074 million.

Legal Rights

The Group's interest in the project is expected to be held through a project entity. The Group's share in the share capital of the project entity is expected to be 66%, the remaining 34% is expected to be owned by the Group's partner. As at the date of this Offering Memorandum, no binding arrangements for the acquisition of land plots were made.

Project Saburovo

Description of the Project

Saburovo is a mass-market development project located in the Moscow Region, 13 kilometres to the south-west of MKAD and has convenient railway and road access. The completed development is expected to comprise approximately 482,300 square metres of total net sellable area including residential, commercial and other non-residential space, located on a in 108-hectare land plot.

The project contemplates seven stages of development. As at 30 September 2020, the project was in the design phase. The Group expects to start the construction in 2022 and to complete the project by 2029.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Saburovo project at RUB 1,295 million. The average selling price of residential space was expected to be RUB 102,175 per square metre. The total income from sales (excluding VAT) was expected to be RUB 49,279 million. As at 30 June 2020, the unsold net sellable area was expected to be 482,300 square metres, accounting for 3.1% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 37,492 million.

<u>Legal Rights</u>

The Group's interest in the project is expected to be held through a project entity. The Group's share in the share capital of the project entity is expected to be 50%, the remaining 50% is expected to be owned by the Group's partner. As at the date of this Offering Memorandum, no binding arrangements for the acquisition of land plots were made.

Project Esenino Park

<u>Description of the Project</u>

Esenino Park is a mass-market development project located in the New Moscow, 20 kilometers to the south-west of MKAD, and has a convenient road access. The completed development is expected to comprise approximately 1,300,000 square metres of total net sellable area including residential, commercial and other non-residential space, located on a 165-hectare land plot.

The project contemplates 18 stages of development. As at 30 September 2019, the project was in the design phase. The Group expects to start the construction in 2021 and to complete the project by 2041.

As at 30 June 2020, C&W assessed the market value of the Group's interest in the Esenino Park project at RUB 4,302 million. The average selling price of residential space was expected to be RUB 126,535 per square metre. The total income from sales (excluding VAT) was expected to be RUB 261,963 million. As at 30 June 2020, the unsold net sellable area was expected to be 1,300,000 square metres, accounting for 8.4% of the Group's total unsold net sellable area. The Group's projected outstanding construction budget (excluding VAT) was RUB 96,657 million.

<u>Legal Rights</u>

The Group's interest in the project is expected to be held through a project entity. LLC Samolet Dve Stolitsy is expected to hold 51% equity share in the project entity with the remaining 49% held by the owner of the land plot. The Group's share in LLC Samolet Dve Stolitsy is 70.2%, therefore, the Group's effective share in the share capital of the project entity is 35.8%. As at the date of this Offering Memorandum, no binding arrangements for the acquisition of land plots were made.

VALUATION OF THE GROUP'S PROPERTIES

The Group retained C&W to value certain of its real estate properties. The valuations and a discussion of the valuation methodology and other assumptions and methodologies are contained in the Valuation Report included in Annex A. The real estate properties in the Valuation Report were valued as at 30 June 2020.

Each real estate development has been valued in accordance with the appropriate sections of the current Valuation Standards contained in the RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors, or the Red Book. In the Red Book, the fair value is defined as: "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." RICS valuation standards, as well as International Valuation Standards ("**IVS**"), recommend using the market value as the fair value, thus applying the same methodology of the value calculation. Therefore, for the purposes of the analysis in order to determine the fair value the methodology of the market value calculation was used. The valuation and report were prepared in accordance with the IVS 300 – Valuations for Financial Reporting.

According to the Valuation Report, the total appraised fair value, as at 30 June 2020, of the real estate portfolio was RUB 176,850 million (including in the form of freehold ownership, leasehold rights and rights pursuant to other preliminary non-binding arrangements). The fair value of real estate and business portfolio of the Group is RUB 200,982 million (including land bank, general contracts, resource assets (housing maintenance), technology in real estate, land plot for commercial development and brand).

Valuation Methodology

The real estate properties were valued using the residual approach.

The residual approach is a principal approach used in valuing properties. A commonly used methodology for assessing the market value within the residual approach is the discounted cash flow, 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 at the date of valuation.

The real estate properties for commercial development and the Group's portfolio were valued using the income approach. A commonly used methodology for assessing the fair value within the income approach is the discounted cash flow (described above).

The Group's brand was valued using the brande finance royalty relief method. The approach involves estimating the future revenue attributable to a brand and calculating a royalty rate that would be charged for the use of the brand.

Each approach has its own limitations, especially in Russia where the market remains immature, and the Group urge you to read the Valuation Report for a full discussion of these limitations. Below the Group sets forth a general description of the basic premises of each of these approaches.

Certain Assumptions and Methodologies

The valuations are based on various assumptions that are discussed in full in the Valuation Report and include, among others, the following:

- Where appropriate, the Company has confirmed that the assumptions are correct so far as they are aware.
- C&W believe that their assumptions are reasonable, taking into account their knowledge of the property, and the contents of reports made available to them.
- In case any of their assumptions prove to be incorrect, the valuation contained in the Valuation Report should be reviewed and modified as necessary.

C&W relied on the information supplied by the Group as being correct and complete, without independent verification. See *also "Risk Factors— Risks relating to the Group's business—Real estate appraisals with respect to the properties and projects included in this Offering Memorandum may not reflect their actual market values because determining such values is an inherently subjective process."*

COMPETITION

The Group is one of the leading real estate developers in Russia. However, the Group has many competitors. The Group's major competitors with regard to the construction of residential buildings in the Moscow Metropolitan Region are PIK, LSR Group, Seti Group, Ingard, FSK Lider, Glavstroy, Etalon and Granel.

HEALTH, SAFETY AND THE ENVIRONMENT

The Group considers the health and safety of its employees and employees of its subcontractors to be its most significant responsibility in connection with the Group's operations. The Group strives to create a healthy and safe working environment at each of its sites by assessing the potential risks faced by its employees and employees of its subcontractors and implementing appropriate safety measures. The Group also educates its staff and employees of its subcontractors as to these risks through occupational safety workshops and ensures that they have a sufficient knowledge of workplace safety procedures before they are permitted to work on a site. The Group established a committee responsible for occupational safety training and a committee responsible for electrical safety training.

The Group strictly follows Russian industry safety standards. For instance, all equipment used in the Group's projects is certified by the Russian authorities for compliance with work safety requirements under Russian law. The Group also conducts its own inspections upon installation of any equipment in order to ensure proper installation and safety. The Group believes that the Group complies in all material respects with all safety laws and regulations applicable to its business. Although the Group believes its operations to have sufficient safety measures in place, the nature of the Group's business is such that accidents may occur.

The Group is not currently subject to any material environmental claims, lawsuits, penalties or other actions. See *"Risk Factors—Risks Relating to the Group's Business—The Group may be exposed to certain environmental liabilities and compliance costs"*.

EMPLOYEES

The following table sets forth the number of the Group's employees in each of its business divisions as at 31 December 2019 and 30 September 2020.

	Number of employees	
	As at 31 December 2019	**As at 30 September 2020**
Technical employer	223	163
Project management and implementation departments	52	97
Supporting services departments	452	432
Commercial departments	293	276
Design departments	226	221
General contractor department	610	276

The Group makes mandatory social security contributions for its employees to the government pension programme in Russia, but does not maintain any voluntary pension fund and has no agreements with its employees to provide pension or retirement benefits.

The Group's employees do not belong to any official trade union, or labour or workers' syndicate and there are no collective bargaining agreements between the Group and its employees. The Group has not experienced any work stoppages in the past and considers relations with its employees to be good.

INTELLECTUAL PROPERTY

Brand names

The Group owns the Samolet Development trademark in Russian and other trademarks that are registered with Russian Federal Service for Intellectual Property (the "**Rospatent**"). The Company extends a non-exclusive right to use this trademark to its subsidiaries under relevant licensing agreements. For this purpose, the Company entered into licensing agreements with its subsidiaries LLC Bukhta Land, LLC Milvertin and LLC Prigorod Lesnoe. The licensing agreements were registered with Rospatent and remain in force throughout the period of the exclusive right to a trademark in the Russian Federation.

INFORMATION TECHNOLOGY

Internal IT infrastructure

The Group's internal IT infrastructure comprises sales, development management, project management, finance and HR modules. The Group integrated 23 advanced systems of resources management Enterprise Resource Planning ("**ERP**"), covering 3D building models, construction, procurement, sales, HR, M&A, finance and service company.

Sales module

The sales module comprises a system of active sales management Microsoft Dynamics CRM that ensures effective sales management of each client, implementation of a system for evaluating and motivating internal staff and cross-selling, a discount management system, which ensures control and monitoring of discounts, and a pricing policy programme that enables the building a dynamic automated pricing model. The sales module also includes telemarketing that ensures effective sales management of each client and a greater efficiency of customer interactions at all stages of project development, and a design transformation, which ensures automation of the preparation of printing plates.

Development management module

The development management module consists of a building information modeling (BIM) (using products Autodesk AutoCAD, Revit, Navisworks) system that enables the Group to more efficiently plan, design, construct, and manage buildings and infrastructure, and implementation of Autodesk BIM 360 Docs, a construction document management system that helps it to publish, manage, review and approve project plans, models and documents in all phases of a project. In addition, the development management module comprises calendar-network planning that enables it to set out a project schedule, purchase schedule and tenders schedule, and a financial documents preparation system for the project that envisages calculation of cost estimates, pre-tender cost estimates, work scope and target plan. The development management module comprises a mobile application (an in-house product), StroyControl, which enables to record claims in relation to the quality of construction objects and eliminate defects and an online employee's profile (Microsoft SharePoint Server), which contains tasks, applications, regulations and standards and news.

Project management module

The project management module consists of construction management (an in-house product S.Control) that ensures control of construction terms, control of financial performance of projects, sales management (Microsoft Dynamics CRM and an in-house product S.Home) that enables the conduct of a plan-fact analysis of all estimates, analysis and reporting on the key transfer process, purchase management (in-house S.Partner) that enables to monitor the tender processes, entry into contracts, coordinate the volume of performed works and process payments, and the claim management that ensures reporting on all claims to the Group, monitoring the timing of feedback, and analysis of reasons of claims.

Finance module

The finance module principally comprises a partially automated system of financial reporting, including IFRS and budgeting. See *"Risk Factors—Risks Relating to the Group's Business—The Group's accounting system and financial reporting controls may not be as sophisticated and robust as those of companies with a longer history of compliance with generally accepted reporting practices"*.

HR module

The HR module consists of an automated system of staff recruitment, education of employees, performance assessment and development of personnel reserve (HXM-system: SAP SuccessFactors).

External IT infrastructure

The Group's external IT infrastructure comprises sales, customers relationship management and partners relationship management modules (the Group's website samolet.ru, Microsoft Dynamics CRM and S.Partner).

Sales module

The sales module comprises an automated alternative sales channels that ensures new sales channels and automation of mutual accounting (implementation of an online broker's profile on the Group's website).

Customer relationship management module

The customer relationship management module comprises an implementation of an online customer's profile on the Group's website that ensures greater efficiency of customer interactions at all stages of a transaction and enables to reserve an apartment online on the Group's website, make an online application for mortgages (including instant mortgages from the Group's authorised banking partners on attractive terms) and an online application for registration of share participation agreements or ownership rights. The customer relationship management module also comprises a social network (vmeste.ru) that ensures efficient interaction between residents and a management company and online payment of housing services.

Partners relationship management module

The partners relationship management module comprises an implementation of online contractor's profile and mobile application for contractor (S.Partner) that ensure effective interaction between contractors and the Group at all stages (for example, participation in tenders, contracts approvals, signing of contracts using electronic digital signature, project documentation). The module also envisages an implementation of online supplier's profile and a mobile application for supplier (S.Construction) that ensure effective interaction between suppliers and the Group (for example, access to project documentation and agreements), and an electronic document management system that ensures electronic exchange of data and documents.

As at the date of this Offering Memorandum, the Group has not experienced any material information technology system failures or disruption.

INSURANCE

The Group maintains insurance policies with some of the leading Russian insurance companies including SPAO RESO Garantia and LLC Absolut Strakhovaniye. The Group has SPAO RESO Garantia third-party liability insurance policies covering construction-related damages and civil liability insurance policies covering architectural design-related and engineering services-related damages. In addition, the Group has LLC Absolut Strakhovaniye civil liability insurance policies covering failure to perform, or undue performance of, obligations to transfer residential premises under cost-sharing contracts.

While the Group has insurance against what the Group considers the principal risks associated with its business, the Group is not covered against all potential risks and losses that could affect its operations. For example, the Group currently has no coverage for business interruption or the loss of key management personnel, nor does the Group have insurance against claims for construction defects. No assurance can be given that the Group's insurance will be adequate to cover all of its losses or liabilities, nor can assurance be given that insurance will continue to be available to the Group on commercially reasonable terms. See *"Risk Factors—Risks Relating to the Group's Business— The Group's insurance may be inadequate".*

LEGAL MATTERS

The Group has been, and continues to be, the subject of legal proceedings and tax disputes from time to time. Other than as set forth in this subsection, there are no governmental, legal or arbitration proceedings against the Group (including any such proceedings which are pending or threatened of which the Group is aware), during the 12 months preceding the date of this Offering Memorandum that may have, or have had in the recent past, a significant effect on the Group's financial position or profitability.

In 2016, LLC International Airport Domodedovo filed a claim with the Moscow Region State Commercial (*Arbitrazh*) Court against the Interregional Territorial Department of Rosaviatsiya to declare the decision of Rosaviatsiya obtained by LLC Prigorod Lesnoe, approving the LLC Prigorod Lesnoe residential complex development on the territory close to the airport, unlawful. See "*Risk Factors—Risks Relating to the Group's Business— The Group may face legal proceedings in relation to construction of its projects and risk associated with adverse publicity, which could have an adverse effect on its competitive position, business, results of operations and financial condition".*

Pursuant to the court ruling, the Leninskiy Municipal District of the Moscow Region is to determine whether the land plots for which construction was approved are in the noise exposure zone according to the approved site plan and land use and development rules. Furthermore, the Moscow Region Government, and the Moscow Region State Institution of Architecture and Urban Development should provide information on whether the land plots are located in the Moscow Region land use transport services plan approved by the regional government on 25 March 2016. The Group confirmed that it had obtained all necessary approvals and permits before the construction of the project, therefore, it believes that the claim should be adjusted in its favour.

As at 30 September 2020, the judicial examination period was extended and the trial continued.

INDUSTRY

Set out below is a discussion of the macroeconomic environment in Russia and the industry conditions in each of the markets in which the Group operates. All data referenced below has been sourced from publicly available information.

RUSSIAN MACROECONOMIC AND DEMOGRAPHIC OVERVIEW

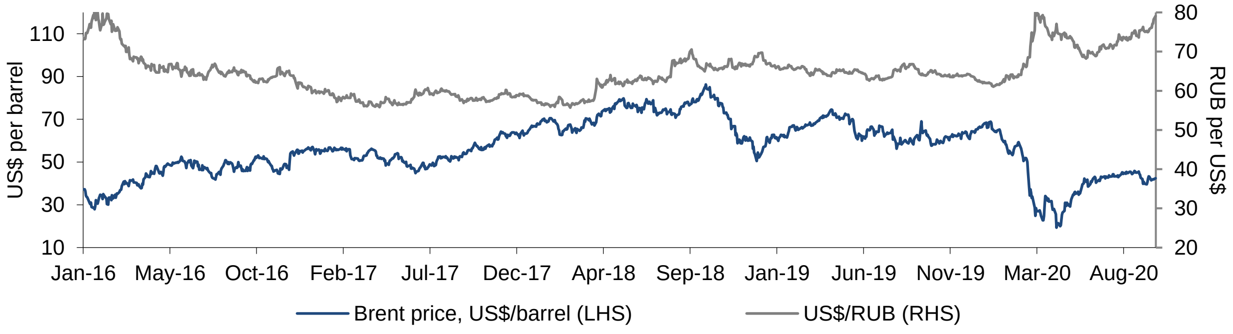
As all of the Group's operations are located in Russia, any changes in Russian macroeconomics will likely have a direct effect on its financial performance.

Russia is the eleventh largest economy in the world in absolute terms and the fifth largest in Europe, according to the International Monetary Fund (the "**IMF**"), with a total GDP of approximately U.S.$ 1.7 trillion in 2019 (U.S.$ 1.7 trillion according to Rosstat).

The Russian rouble foreign exchange rate undergone significant changes during the last 10 years. The Russian rouble to U.S.dollar exchange rate fluctuated significantly between 2013 and 2015 from RUB 29.93 per U.S.$ 1.00 in 2013 to RUB 72.88 per U.S.$ 1.00 in 2015. Over the course of 2016 the Russian rouble to U.S.dollar exchange rate strengthened and saw less volatility in the light of a recovery in the oil market reaching RUB 60.66 as at 31 December 2016 and RUB 57.60 per U.S.$ 1.00 as at 31 December 2017. However, macroeconomic uncertainties of 2018 in the global economy along with political tensions influenced the Russian rouble to U.S.dollar exchange rate, which weakened to RUB 69.5 per U.S.$ 1.00 at December 2018. During the 2019, the overall macroeconomic situation improved in Russia, which positively influenced on the Russian rouble to U.S.dollar exchange rate –RUB 61.9 per U.S.$ 1.00 at December 2019. In 2020 the Russian economy was severely hit by the global COVID-19 pandemic and OPEC+ deal which reflected into the significant oil price decrease in April 2020. The Rouble exchange rate strengthened post drop in oil prices but less than other emerging markets currencies. The slower growth in the Rouble exchange rate compared to other emerging markets currencies was explained by its weakening in July, possibly associated with the conversion of dividends and the sale of OFZs by foreign investors amid elevated geopolitical risks. As a result, the Russian rouble to U.S.dollar exchange rate stands at RUB 78 per U.S.$ 1.00 as at 5 September 2020 as per the CBR.

In April 2020, the price for Urals dropped to U.S.$ 16 per barrel to its 1999 low, having declined by more than 80% since the beginning of the year amid a significant contraction in demand as a result of restrictive measures introduced to contain the pandemic as well as an increase in oil supply following the termination of the OPEC+ agreement in April 2020. The oil price grew to U.S.$ 30 per barrel in May 2020 and to U.S.$ 42 per barrel in June as in May and June 2020, demand for oil began to recover, further contributing to the rise in oil prices in recent months.

Oil price and Rouble exchange rate dynamics



Source: CBR, Bloomberg

National data compiled by Rosstat indicated that total consumption by Russian households reached RUB 52.1 trillion in 2019 compared with RU 22.4 trillion in 2008. The average value of household consumption as percent of GDP for Russia during the period from 1988 to 2019 was 50.52% with a minimum of 37.46% in 1992 and a maximum of 57.47% in 1998. The latest value from 2019 is 50.38%. For comparison, the world average in 2019 based on 133 countries is 62.93%.

Economic growth (Real GDP growth) increased in 2018 and 2019 to 2.3% and 1.3% year-on-year respectively, according to the IMF. Furthermore, the IMF noted that the Russian economy is expected to continue expanding over the upcoming years as inflation begins to stabilise at approximately 4% from 2019 onwards.

The table below sets out the key Russian macroeconomic indicators that impact the Group's operations:

	Year ended 31 December					
Key macroeconomic factors	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Real GDP growth, year-on-year[1]	1.3	2.3	1.5	(0.2)	(2.5)	0.7
Annual GDP per capita, RUB'000[1]	750	713	625	584	568	543
Real disposable income growth, year-on-year[1]	0.8	0.1	(1.7)	(5.8)	(3.2)	(0.7)
CPI, Dec/Dec[1]	3.0	4.3	2.5	5.4	12.9	11.4
Key rate, end of period, %[2]	6.3	7.0	7.8	10.0	11.0	17.0
Average unemployment rate, %[1]	4.6	4.8	5.2	5.5	5.6	5.2
Average monthly salary per capita, RUB[1]	47,867.0	43,445	39,144	36,709	34,030	32,495
Fixed investments growth, year-on-year[1]	1.7	5.4	4.2	(0.9)	(10.1)	(1.5)
Average price of URALS oil, USD/barrel[3]	63.6	70.0	53.0	41.9	51.2	97.6
RUB/$ exchange rate, end of period[2]	61.9	69.5	57.6	60.7	72.9	56.3
Construction volume real growth, year-on-year[1]	10.6	(3.4)	(2.0)	(2.6)	0.6	17.7
Mortgage loans issued, RUB bn[5]	2,848.0	3,013	2,022	1,473	1,162	1,764

Source: (1) Rosstat, (2) CBR (3) RF Ministry for Economic Development and Trade, (4) Economist Intelligence Unit, (5) AIZHK.

In the six months ended 30 June 2020, most economies in the world were affected by factors associated with the spread of coronavirus infection. Data released since the publication of MPR 2/20 indicate a stronger than previously expected drop in the world economy in the second quarter. However, the pace of its recovery in the medium term is likely to be moderate, given the persistent spread of coronavirus and the associated continuation of restrictive measures in a number of countries. Therefore, the output gap of Russia's key trading partners will remain negative across the forecast horizon, meaning weak external demand for the Russian economy.

In the six months ended 30 June 2020, according to Rosstat, the Russian GDP decreased by 3.6% on an annualised basis. In 2020 in 3rd-4th quarters, the GDP will grow at a faster pace than previously expected, both as a result of a more accommodative fiscal policy and due to the slower recovery of imports (especially services imports). Ministry of Economic Development official forecast assumes a 3.9% decrease in the GDP in 2020. The Central Bank expects a decline in the Russian GDP in 2020 in the range of 4.5-5.5%.

Russia's debt is rated at investment grade by all three key international rating agencies. In February 2019, Moody's upgraded Russian Government unsecured senior debt ratings to Baa3 from Ba1. In July 2020, S&P affirmed Russia's credit rating at 'BBB-' with a stable outlook at a regular review. In February 2020, Fitch affirmed Russia's investment grade rating at 'BBB'.

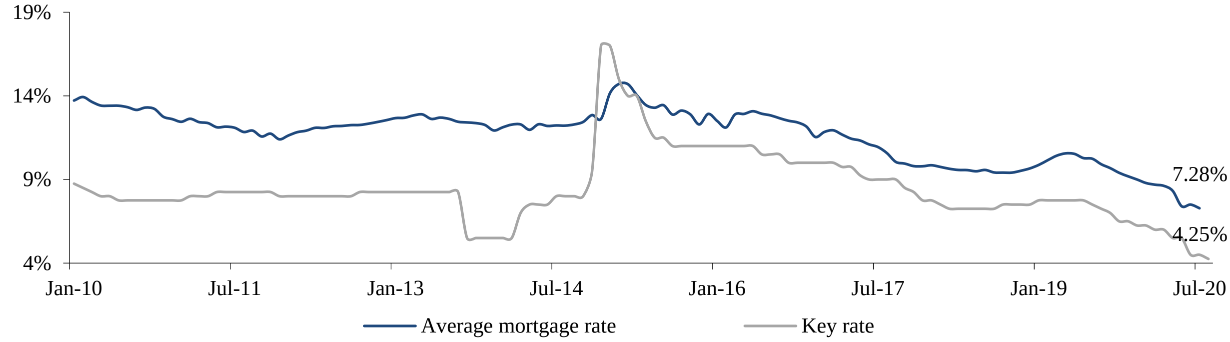
According to Rosstat, Russia's population amounted to 146.7 million people as at 1 January 2020, which is a slight decrease compared to 2019 (146.8 million). Most of them lived in the Central Federal District, where Moscow, the capital, is located, while the Far Eastern Federal District was the least populated. However, Russia faces a demographic crisis as mortality exceeded birth rates by 21% in 2019 (14% in 2018). Migration growth did not fully compensate for the population loss in 2019 and was only 66% of this loss (in 2018 – 56%). By 2035, the Russian median age was forecasted according Statista Research Department to reach 44 years.

Russia's unemployment rate rose to 6.3% in August of 2020 (according to Rosstat). It was the highest jobless rate since March of 2013, as most Russian cities imposed lockdowns measures to curb the spread of the coronavirus. The number of unemployed persons rose by 93 thousand from a month earlier to 4.606 million and those officially registered as unemployed surged by 644 thousand to 2.787 million. A year earlier the unemployment rate was lower at 4.4%. For comparison, the United Kingdom unemployment rate is 4.1% during March-July 2020 (according to Office for National Statistics) and the USA unemployment rate - 10.2% as at July 2020 (according to U.S. Department of Labour).

On 18 September 2020, the CBR Board of Directors decided to keep the key rate at 4.25% per annum. According to the CBR's forecast, given the current monetary policy stance, annual inflation will reach 3.7-4.2% in 2020, 3.5-4.0% in 2021 and will stabilise close to 4% later on.

Declining key interest rates over the last three years were the primary driver behind the growth in mortgage lending in Russia. In August 2020, the key rate was decreased to 4.25% (4.50% as at July 2020). The blended rate for newly issued mortgages also decreased to 7.28% (as at July 2020) in the course of 2020. Based on the latest available information, the spread between the mortgage rate and key rate (rates as at July 2020) has stabilised at 278 basis points.

Average mortgage[1] and key rate dynamics



Source: CBR

Notes:

(1) Weighted average interest rate on mortgage loans given to Russian residents during the month for the acquisition of residential real estate on the primary market.

Falling interest rates and the associated growing accessibility of mortgages have underpinned sales made by residential developers. Between 40% and 70% of residential housing sales for major companies in the industry such as PIK Group, LSR Group and Etalon are mortgage backed according to data released by these companies. As mortgages become available to more people, demand for mortgages, and therefore residential housing, grows. According to the CBR, mortgage origination exceeded RUB 2.8 trillion in 2019 with CAGR for 2015-2019 approximately 25% and RUB 1.4 trillion in the six months ended 30 June 2020 with year-on-year growth of 14%. Furthermore, the government announces different mortgage subsidy programmes (subject to a cap on the mortgage amount) for different social groups: young families, large families, military men, residents of the Far East and others. For more detailed information on mortgage lending in Russia and in key regions see "—Russian Real Estate Market Overview".

RUSSIAN REAL ESTATE MARKET OVERVIEW

Russian Residential Real Estate Market

Residential real estate construction is one of the most dynamic sectors of the Russian economy. Before the crisis of 2008 the residential real estate construction industry grew at a CAGR of 11%. In 2010, 58.4 million square metres were completed. After two years of recession, growth resumed with at a CAGR of 6.5% for the period to 2016. In 2018, nearly 75.3 million square metres of residential real estate (32.4 million square metres completed by population and 42.9 million square metres of multioccupancy housing commissioning(**)) were completed in Russia, down 4.9% year-on-year. The decrease was primarily attributed to lower investment activity in 2015, when companies suspended new launches due to economic instability.

The following table sets out data regarding residential real estate completions in Russia for the 2010 to 2018 period.

	2018	2017	2016	2015	2014	2013	2012	2011	2010
Completions(*), million m^2	75.3	79.2	80.2	85.3	84.2	70.5	65.7	62.3	58.4
of which completed by population, million m^2	32.4	33.0	31.8	35.2	36.2	30.7	28.4	26.8	25.4
of which multioccupancy housing commissioning(**), million m^2	42.9	46.2	48.4	50.1	48.0	39.8	37.3	35.5	33.0
Completions, units '000	1,076	1,139	1,167	1,195	1,124	929	838	786	717

Source: Rosstat

(*) "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.

(**) Also incl. residential premises in non-residential buildings

The growth of residential real estate construction in Russia is principally driven by demand arising from the overall shortage of housing in Russia and the low quality of existing housing stock. According to Rosstat, housing stock averages 19 square metres per capita in Moscow and 24 square metres per capita in Saint Petersburg, which is substantially lower than in most countries in Western Europe (e.g., 40 square metres per capita in Rome, 39 square metres per capita in Zurich, 34 square metres per capita in Helsinki).

Mortgage Lending

The mortgage market in Russia has been through a turbulent period over the last few years. After several years of rapid growth, the market hit an all-time record in 2014 with 1.01 million loans worth RUB 1.75 trillion issued. The average mortgage rate ranged between 12% and 13% until December 2014 when, in an attempt to curb an inflation risk and the rapid deterioration of the national currency, the CBR increased the key rate from 10.5% to 17%. The mortgage market was immediately affected as the two largest lenders, Sberbank and VTB, increased their borrowing rate to up to 16%. Smaller banks offered mortgage loans at a rate of between 17% and 20%. As a result, the market for mortgages was essentially paralysed until the government introduced a mortgage subsidy programme in March 2015. Under this scheme the government provided subsidies from the federal budget to credit institutions to cut the rate for mortgage borrowing to 12%. The maximum loan amount was set at RUB 8 million for apartments purchased in Moscow, the Moscow Region and Saint Petersburg, and at RUB 3 million for other regions. The interest rate was fixed and remained unchanged for the entire duration of the loan. The programme was initially introduced for a period of one year but was prolonged for another year until the beginning of 2017. The withdrawal of the state-subsidised mortgage scheme did not affect the market as the average rates at most banks had already fallen to around 11 or 12% by that time, reflecting the decreases in the key rate. 2017 was a success for the Russian mortgage market, with another record of 1.47 million new loans worth RUB 3.01 trillion issued (according to CBR figures), representing 35% growth in the number of loans issued and 49% growth in value. This growth was driven above all by the decline in the mortgage rates offered, with the average rate standing at 9.66% as at December 2017, according to the CBR.

Market Segments

The residential real estate market can be divided into five main price categories: elite, business-class, comfort class and mass-market.

Elite

Elite residential properties are characterised by the following features: a prime location, superior views, high-quality construction, the use of advanced construction technologies, distinctive architectural design, a developer with a track record in elite property, a small number of apartments in the building, spacious apartments allowing for alterations to be made and the combining of adjacent apartments, parking spaces for each property (with an average of 1.5-2 parking spaces per apartment) and other amenities as well as security and maintenance services provided by a professional property management company.

Business class

Business residential properties are characterised by the following features: location close to the city centre, high-quality architectural design, individually designed building, spacious kitchens and bathrooms, parking spaces for each apartment unit and maintenance services provided by a professional property management company.

Comfort class. Comfort-class residential properties are characterised by the following features: ready-for-living apartments with parking spaces and a developed outside infrastructure. In the Moscow Metropolitan Area these apartments are located in proximity to Third Ring Road.

Mass-market

Economy class. Economy-class residential properties are characterised by the following features: non-ready-for-living apartments with a low price, in proximity and outside the Moscow Ring Road and certain construction methods, including the use of prefabricated concrete panels.

MOSCOW RESIDENTIAL MARKET OVERVIEW

Moscow is the most densely populated area in Russia. According to Rosstat, by 1 January 2019 the population of Moscow amounted to 12.6 million. Spurred by economic growth and growing immigration, the population of Moscow has grown at a CAGR of 1% between 2010 and 2018. Such growth supports strong demand for residential real estate in this area.

Moscow is one of the country's largest real estate markets, with 3.5 million square metres of housing commissioned in 2018, according to Rosstat.

As at 31 December 2018, Moscow accounted for nearly half of the total multioccupancy housing commissioning in the Moscow Metropolitan Area (i.e., the city of Moscow and the Moscow Region combined) with 3.3 million m2 (up 3.8% year-on-year).

The following table describes residential real estate completions in the city of Moscow for the period 2010 to 2019.

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Completions(*), million m^2	5.1	3.5	3.4	3.4	3.9	3.3	3.1	3.0	1.8	1.8
of which completed by population, million m^2	0.5	0.2	0.2	0.3	0.6	0.5	0.3	0.0	0.0	0.0
of which multioccupancy housing commissioning(**), million m^2	4.6	3.3	3.2	3.1	3.3	2.8	2.8	3.0	1.8	1.8

Source: Rosstat.

(*) Also incl. residential premises in non-residential buildings

According to the Unified Register of Homebuilders, as at May 2020 the volume of housing under construction in Moscow was 17.3 million square metres.

The average area of a residential unit under construction in Moscow is 57.6 square metres. For the Russian Federation, this indicator is 49.9 square metres.

As at May 2020, weighted average price offers on the market of housing under construction in Moscow amounted to RUB 182,375 per square meter.

Demand for housing in Moscow is high with just 19.1 m2 of housing stock per capita in 2017, according to Rosstat. The Moscow authorities also have to cope with the poor quality of much of the available housing stock in the city. As a result, in 2017, a programme to renovate obsolete low-rise housing stock built between 1957 and 1968 was announced, which will include the reconstruction of more than five thousand buildings over the next 15 years.

According to the CBR data for 3 months of 2020, the number of mortgage loans issued to residents of Moscow, amounted to 22,921, which is 21.2% more than in 2019 (18,918), and 28.4% more than the level achieved in 2018 (17,845).

According to the CBR, for 3 months of 2020 the number of mortgage loan issued to residents of Moscow amounted to RUB 120,226 million, which is 40.0% more than the level reached in 2019 (RUB 85,862 million), and by 64.8% more than the same value in 2018 (RUB 72,936 million).

Mortgage lending is one of the key drivers of demand in the market for housing under construction in Moscow. In general, for all types of residential mortgage loans, issued in March 2020 in Moscow, weighted average rate amounted to 8.66%. Compared to the same indicator in March 2020, in 2019, the rate decreased by 1.74 p.p. (from 10.40% to 8.66%).

The following table sets out the levels of mortgage lending in Moscow for the 2013 to 1 quarter 2020 period.

	1Q 2020	2019	2018	2017	2016	2015	2014	2013
Loans issued, number of loans	22,921	80,758	88,141	62,505	49,150	31,525	46,176	41,051
Loans issued, RUB million	120, 226	389,842	385,200	253,688	182,573	114,334	173,651	145,719

Source: CBR.

MOSCOW REGION RESIDENTIAL MARKET OVERVIEW

According to Rosstat, by 1 January 2018 the population of the Moscow Region amounted to 7.5 million. Spurred by economic growth and growing immigration, the population of the Moscow Region grew at a CAGR of 1% between 2010 and 2018. Such growth supports strong demand for residential real estate in this region.

The Moscow Region is the country's largest real estate market, with 8.6 million square metres commissioned in 2019, according to Rosstat.

The following table describes residential real estate completions in the Moscow Region for the period 2010 to 2019.

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Completions, million m^2	8.6	8.8	9.1	8.9	9.6	9.9	7.4	6.6	8.2	7.9
of which completed by population, million m^2	4.0	3.7	3.5	2.8	3.2	1.7	1.8	2.4	2.8	3.0
of which multioccupancy housing commissioning(*), million m^2	4.6	5.1	5.6	6.1	6.4	8.2	5.6	4.2	5.4	4.9

Source: Rosstat.

(*) Also incl. residential premises in non-residential buildings

According to the Unified Register of Homebuilders, as at June 2020 the volume of housing under construction in the Moscow Region was 12.5 million square metres.

Mortgage lending is one of the key drivers of demand in the market for housing under construction in the Moscow Region. In general, for all types of residential mortgage loans, issued in April 2020 in the Moscow region, the weighted average rate was 8.43%. Compared to the same in April 2019, there was a decrease in the rate by 2.00 p.p. (from 10.43% to 8.43%).

According to the CBR, for the four months of 2020 the number mortgage loans issued to residents of Moscow region, amounted to 22,727, which is 0.8% more than the level 2019 (22,546), and 2.0% less than the level achieved in 2018 (23,199).

The following table sets out the levels of mortgage lending in the Moscow Region for the 2013 to 2019 period.

	2019	2018	2017	2016	2015	2014	2013
Loans issued, number of loans	64,867	82,048	56,646	43,153	37,521	55,462	38,861
Loans issued, RUB million	241,161	252,656	159,519	114,028	96,750	150,800	99,788

Source: CBR

LENINGRAD REGION RESIDENTIAL REAL ESTATE MARKET

St. Petersburg is the second-largest city in Russia and the third-largest in Europe with a population of 5.4 million, growing both naturally and through migration. It is also one of the wealthiest regions in Russia with an average monthly salary of over RUB 50,187 and a registered unemployment rate of just 2.86%, as at August 2020, according to Rosstat.

The Leningrad Region is also one of the largest real estate markets in Russia with a total area of 2.9 million square metres completed in 2019, according to Rosstat.

The following table describes residential real estate completions in the Leningrad Region for the 2010 to 2019 period.

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Completions, million m^2	2.9	2.6	2.6	2.2	2.3	1.8	1.4	1.1	1.1	1.0
of which completed by population, million m^2	1.4	0.9	0.7	0.6	0.8	0.9	0.5	0.6	0.5	0.4
of which multioccupancy housing commissioning(*), million m^2	1.5	1.8	1.9	1.6	1.5	0.9	0.9	0.5	0.6	0.6

Source: Rosstat.

(*) Also incl. residential premises in non-residential buildings

According to Rosstat, housing completions in the Leningrad Region in 2019 amounted to 1.5 million square metres (excluding construction carried out by individual property owners).

Compared with Moscow and the Moscow Region, mortgage lending is also the key sales driver in the Leningrad Region. According to the CBR data for the three months of 2020, the number of mortgage loans issued to residents Leningrad Region, amounted to 4,873, which is 13.7% more than the level 2019, and 12.0% more than the level achieved in 2018 (4,352). For all types of residential mortgage loans, issued in March 2020 in the Leningrad Region, the weighted average rate was 8.68%. Compared to the same in March 2019, the rate decreased by 1.84%. (from 10.52% to 8.68%).

The following table describes the levels of mortgage lending in the Leningrad Region for the 2013 to 2019 period.

	2019	2018	2017	2016	2015	2014	2013
Loans issued, number of loans	18,527	21,204	15,164	11,928	9,486	11,656	8,732
Loans issued, RUB million	45,311	48,136	31,159	21,965	16,869	22,539	16,643

Source: CBR.

As at May 2020, weighted average price offers on the market of housing under construction in the Leningrad Region amounted to RUB 72,641 per square meter

According to the Unified Register of Homebuilders, as at May 2020, the volume of housing under construction in the Leningrad Region was 3.4 million square metres.

MANAGEMENT AND CORPORATE GOVERNANCE

GOVERNANCE BODIES

The Company's governance bodies are the General Shareholders' Meeting, the Board of Directors, the Management Board, and the Company's general director ("**General Director**" or "**CEO**"). The Company also has a number of committees of the Board of Directors with specialised functions.

General Shareholders' Meeting

Powers of the General Shareholders' Meeting

The powers of a General Shareholders' Meeting are set out in Federal Law No. 208-FZ "On Joint Stock Companies" dated 26 December 1995, as amended (the "**Joint Stock Companies Law**"), in the Charter and in the Company's Bylaws on the General Shareholders' Meeting. A General Shareholders' Meeting may not resolve issues that are not designated as matters within its authority under the Joint Stock Companies Law and the Charter. Among other things, the shareholders have the power to resolve the following matters:

- amendments to the Charter (with certain exceptions provided for by Russian law) and approval of restated Charter;
- the re-organisation or liquidation of the Company and the appointment of a liquidation commission, and approval of interim and final liquidation balances;
- election of members of the Board of Directors and early termination of the tenure of the Board of Directors;
- transfer of the powers of the General Director to a management company or an individual entrepreneur;
- determining the number, nominal value and class/type of the authorised shares and rights attached to such shares;
- increasing the share capital by increasing the nominal value of shares or issuing additional shares through open subscription for ordinary shares constituting more than 25% of the outstanding ordinary shares as well as through closed subscription;
- decreasing the share capital by decreasing the nominal value of shares or reducing the number of shares, including by way of share repurchases or cancellations;
- appointment of an independent auditor;
- approval of certain interested party transactions and major transactions in circumstances provided for by the Joint Stock Companies Law;
- distribution of profits, including approval of dividends (provided that the amount of any dividend may not exceed the amount recommended by the Board of Directors);
- redemption of issued shares in circumstances provided for by the Joint Stock Companies Law;
- participation in financial and industrial groups, associations and other types of commercial organisations;
- determining General Shareholders' Meeting procedure;
- approval of certain internal documents and regulations; and
- certain other matters provided for by the Charter and Russian law.

Voting and Quorum

Voting at a General Shareholders' Meeting is generally based on the principle of one vote per ordinary share, with the exception of the election of the Board of Directors, which is carried through cumulative voting. Resolutions are generally passed by a majority vote of the ordinary shares present at a General Shareholders' Meeting. However, Russian law and the Charter requires a three-quarter majority vote of the ordinary shares present at a General Shareholders' Meeting to approve, *inter alia,* the following:

- the Charter amendments;

- re-organisation or liquidation of the Company and appointment of a liquidation commission, and approval of interim and final liquidation balances;
- determination of the number, nominal value and type of authorised shares and rights attached to such shares;
- any issuance of shares by closed subscription;
- issuance by open subscription of ordinary shares or securities convertible into ordinary shares, in each case, constituting more than 25% of the number of ordinary shares outstanding at the time;
- major transactions involving assets in excess of 50% of the balance sheet value of the assets of the Company;
- decrease of share capital by means of change of the nominal value of shares; and
- application for delisting of shares or securities convertible into shares.

The quorum requirement for the General Shareholders' Meeting is met if shareholders' (or their representatives) accounting for more than 50% of the issued ordinary shares are present at the respective General Shareholders' Meeting. If the 50% quorum requirement is not met, another General Shareholders' Meeting with the same agenda may (and, in case of an annual General Shareholders' Meeting, must) be re-scheduled and the quorum requirement will be satisfied if shareholders' (or their representatives) accounting for at least 30% of the issued ordinary shares are present at that meeting.

According to the Joint Stock Companies Law, the board of directors must convene the annual general shareholders' meeting between 1 March and 30 June of each year (in 2020, the term was extended to 30 September due to the COVID-19 pandemic), and its agenda must include the following items:

- election of the members of the board of directors;
- approval of distribution of profits, including approval of annual dividends (if any);
- approval of the annual report, annual accounting (financial) statements (if in the competence of the general shareholders' meeting);approval of an independent auditor; and
- election of the members of the internal audit commission (if established by the charter).

A shareholder or a group of shareholders owning at least 2% of the issued ordinary shares in the aggregate may introduce proposals for the agenda of the annual general shareholders' meeting and may nominate candidates for the board of directors and, if established by the charter, the internal audit commission.

Under the Joint Stock Companies Law, certain shareholders' resolutions relating to a company's re-organisation, an increase or decrease of share capital or a splitting or consolidation of shares may provide that they only remain valid for a specific period of time (the "**Validity Period**"). However, in the event such shareholders' resolutions are not acted upon within the Validity Period and/or the effective Validity Period for such resolutions has expired, such resolutions become null and void; and subject to provisions of the Joint Stock Companies Law, are no longer enforceable.

A general shareholders' meeting may be held in the form of a meeting or by absentee ballot. In a meeting, the adoption of resolutions is carried out through the attendance of shareholders or their authorised representatives for the purpose of discussing and voting on issues listed on the agenda. A general shareholders' meeting can also be held by absentee ballot, where the company collects ballots completed and mailed to it by its shareholders; in such cases no physical meeting is held.

The following issues cannot be resolved by a general shareholders' meeting by absentee ballot:

- election of the members of the board of directors;
- election of the internal audit commission; and
- appointment of the independent auditor.

In 2020, the annual general shareholders' meeting could be held in the form of absentee ballot by the decision of the Board of Directors.

Notice and Participation

Under the Charter, all shareholders entitled to participate in a General Shareholders' Meeting must be notified of the meeting, whether the meeting is to be held in a form of a meeting or by absentee ballot, not less than 21 days prior to the date of the meeting, and such notification shall specify the agenda for the meeting. Such notice period is extended to 30 days if the agenda of the meeting contains an item on reorganisation. However, if the meeting in question is an extraordinary General Shareholders' Meeting to elect the Board of Directors or to effect an early termination of the tenure of the Board of Directors, shareholders must be notified at least 50 days prior to the date of such a meeting. Only those items that were set out in the agenda sent to shareholders may be voted upon at a General Shareholders' Meeting. A General Shareholders' Meeting agenda may not be changed.

Extraordinary general shareholders' meetings may be called by the board of directors on its own initiative, or at the request of the internal audit commission, the independent auditor or a shareholder or group of shareholders owning in the aggregate at least 10% of the issued ordinary shares as of the date of the request.

The list of persons entitled to participate in a General Shareholders' Meeting is to be compiled on the basis of data in the Company's shareholders' register on the date determined by the Board of Directors, which date shall neither be earlier than 10 days following the date of adoption of the resolution to hold a General Shareholders' Meeting nor more than 25 days before the date of the meeting (or, in the case of an extraordinary General Shareholders' Meeting to elect the Board of Directors, not more than 55 days before the date of such General Shareholders' Meeting).

Shareholders may exercise their right to participate in a General Shareholders' Meeting by:

- personal attendance;
- attendance of a duly authorised representative (by proxy);
- absentee ballot; or
- delegating the right to fill out the absentee ballot to a duly authorised representative.

Subject to the decision of the Board of Directors, shareholders may be entitled to vote at the General Shareholders' Meeting by filling bulletin through an internet web-site or by sending a filled bulletin via e-mail.

Board of Directors

Composition of the Board of Directors

The Board of Directors is responsible for general management matters, with the exception of those matters that are designated by law and the Charter as being the exclusive responsibility of the General Shareholders' Meeting.

The Joint Stock Companies Law requires at least a five-member board of directors for all joint stock companies, at least a seven-member board of directors for a joint stock company with more than 1,000 holders of ordinary shares, and at least a nine-member board of directors for a joint stock company with more than 10,000 holders of ordinary shares. As at the date of this Offering Memorandum, the Board of Directors consisted of five members. Only natural persons (as opposed to legal entities) are entitled to sit on the Board of Directors. Members of the Board of Directors are not required to be the Company's shareholders. One member of the Board of Directors is independent director in accordance with the criteria set out in the Joint Stock Companies Law, regulations of the Moscow Exchange Listing Rules and the Company's regulations on the Board of Directors.

The entire Board of Directors must be elected at each annual General Shareholders' Meeting and the Board of Directors is elected through cumulative voting. Under cumulative voting, each shareholder may cast an aggregate number of votes equal to the number of shares held by such shareholder multiplied by the number of persons on the Board of Directors, and each shareholder may give all such votes to one candidate or distribute them among two or more candidates. The current Board of Directors was elected at the General Shareholders' Meeting on 8 July 2020.

A majority vote of a General Shareholders' Meeting may at any time remove the directors as a group before the expiration of their term, without cause. The General Director may not be elected as the chairman of the Board of Directors ("**Chairman of the Board of Directors**"). The Chairman of the Board of Directors organises its work, calls and presides over meetings of the Board of Directors and performs other functions provided for by Russian law, the Charter and the internal documents.

Powers of the Board of Directors

The Joint Stock Companies Law generally prohibits a board of directors from acting on issues that fall within the exclusive authority of a general shareholders' meeting. The Board of Directors has the power to perform the general management of the Company and to resolve, among other things, the following issues:

- determination of its business priorities and developmental strategy;
- approval of its budget and significant amendments thereto;
- convening annual and extraordinary General Shareholders' Meetings, except in certain circumstances specified in the Joint Stock Companies Law;
- approval of the agenda of a General Shareholders' Meeting;
- election of the General Director and early termination of the tenure of the General Director;
- determination of the number of the members of the Management Board, election and early termination of the tenure of the members of the Management Board;
- establishment of committees of the Board of Directors and election of members of the committees, subject to the provisions of the Charter;
- issuance of additional shares through open subscription for ordinary shares or securities convertible into ordinary shares constituting up to 25% of the outstanding ordinary shares;
- placement of bonds and other securities, in cases specified in the Joint Stock Companies Law;
- determination of the price of property and securities to be placed or repurchased, as provided for by the Joint Stock Companies Law;
- repurchase of shares, bonds and other securities in certain cases provided for by the Joint Stock Companies Law;
- determination of compensation payable to the General Director and approval of an employment agreement with the General Director;
- determination of the fees payable for the services of an independent auditor;
- recommendations to the General Shareholders' Meeting on the amount of any dividend payable on shares and the payment procedure thereof and on the record date which establishes the shareholders that are entitled to receive dividends;
- use of the Company's reserve fund and other funds;
- approval of the Company's internal documents, except those documents which are subject to approval by the shareholders or the General Director;
- establishment and liquidation of branches and representative offices;
- approval of major and interested party transactions in the cases provided for by the Joint Stock Companies Law;
- approval of the Company's participation (or termination of such participation) in other organisations except when it falls within the competence of the General Shareholders' Meeting;
- application for listing of shares and/or other issued securities convertible into shares;
- any other matter which, according to the Joint Stock Companies Law and the Charter, is within the competence of the Board of Directors.

Meetings: Voting and Quorum

The Charter provides that a meeting of the Board of Directors generally has a quorum if at least one half of the elected members of the Board of Directors are present at the meeting or have filed their voting ballots in case of absentee voting. Generally, a majority vote of the directors present at the meeting is required to adopt a resolution.

Certain resolutions require either the unanimous vote of all members of the Board of Directors (for example, major transactions with a value of 25% or more but equal to or less than 50% of the Company's assets as reported under the RAS must be approved unanimously by the Board of Directors or by a simple majority of the shareholders; major transactions with a value of more than 50% of the Company's assets as reported under the RAS must be approved by three quarters of the shareholders: for further details, see "*Description of Share Capital and Certain Requirements of Russian Law—Certain Requirements of Russian Legislation—Major Transactions*") or a majority vote of the disinterested and independent directors (for example, related-party transactions with a value of less than 10% of the Company's assets must be approved by a majority of disinterested directors of the Board of Directors or, alternatively, if the number of disinterested directors renders the meeting inquorate, must be referred to disinterested shareholders for approval, and any related-party transactions with a value of 10% or more of the Company's assets must be referred to the Company's shareholders: for further details, see "*Description of Share Capital and Certain Requirements of Russian Law—Certain Requirements of Russian Legislation—Interested Party Transactions*").

Members of the Board of Directors

The table below sets forth the current composition of the Board of Directors elected at the General Shareholders' Meeting on 8 July 2020. The business address of each such person in his or her capacity as a director of the Company is 8 Ivan Franko, Moscow 121108, Russian Federation.

Name	Year of Birth	Position
Dmitriy Golubkov	1976	Chairman, Director
Stanislav Shekshnya	1964	Independent Director
Anton Elistratov	1981	Director, CEO
Igor Evtushevsky	1965	Director
Mikhail Kenin	1968	Director

Brief biographies of the Company's directors are set out below.

- *Mr. Dmitriy Golubkov* has been the Chairman of the Board of Directors since 2020. He has great experience in managing large industrial enterprises and developing large infrastructure projects. Since June 2020, he has been the chairman of the board of directors of SPb Renovation, which implements projects for the development of built-up areas in Saint Petersburg and manages projects with a total area of 0.5 million square meters. Mr. Golubkov was CEO of the largest gas distribution company in Russia. In JSC Acron, one of the largest producers of mineral fertilisers in the world market, he held positions from a specialist to vice president. Mr. Golubkov graduated from Moscow Aviation Institute with a degree in Testing of aircraft and National University of Oil and Gas "Gubkin University" with a degree in Oil and Gas Enterprise Management. He also has an EMBA from IMD Business School in Switzerland.
- *Mr. Stanislav Shekshnya* has been a member of the Board of Directors since 2018. Since 2015, he has been a senior partner at the consulting company Vektor Liderstva, the chairman on the board of directors of LLC Russian Fishery Company and a member of the board of directors of PJSC Novolipetsk Steel. From 2015 to 2016, Mr. Shekshnya was a member of the remuneration committee of the board of directors at JSC Stroytransneftegaz. From 2010 to 2018, he was as an independent director of NIS (Naftna Industria Srbie). From 2007 to 2015, Mr. Shekshnya was a senior partner at the consulting company Ward Howell International. Mr. Shekshnya worked as the personnel director at Otis Elevator from 1992 to 1998. From 1999 to 2000, he was the CEO and the president of the Millicom International Cellular for Russia and the CIS. From 1998 to 1999, Mr. Shekshnya was the chief operating officer at VimpelCom. From 2000 to 2002, he was the CEO of Alfa Telecom. From 2004 to 2007, Mr. Shekshnya was the chairman of the board of directors at SUEK and, from 2011, at VimpelCom-R. Mr. Shekshnya graduated from the Moscow State University with a degree in Political Economy in 1988 and from the Northeastern University's School of Business in Boston with a degree in Business Administration in 1992. He also holds a PhD degree in Economics from the Moscow State University.
- *Mr. Anton Elistratov* has been a member of the Board of Directors since 2018. From 2014 to 2017, Mr. Elistratov was a member of the board of directors of LLC Russian Fishery Company and MIC Region. From 2014 to 2017, he led CFC Management, an independent investment and consulting company. Since 2015, Mr. Elistratov has been a member of the board of directors of LLC SPb Renovation. Mr. Elistratov is a member of the Russian Association of Independent Directors. From 2011 to 2015, he was the head of legal and the general director at LLC Linvest. From 2005 to 2011, Mr. Elistratov was an associate and then a partner in Macleod Dixon LLP. Mr. Elistratov graduated

with honours from the Moscow State Institute of International Relations (MGIMO) with a degree in Law in 2003. He also completed a number of executive programmes at leading business schools, including the Wharton Business School of the University of Pennsylvania and the University of Chicago Booth School of Business.

- *Mr. Igor Evtushevsky* has been a member of the Board of Directors since 2015. He joined the Company in 2012 as the Company's CEO. Since 2014, Mr. Evtushevsky has been a member of the board of directors and the CEO at LLC SPb Renovation. From 2009 to 2012, Mr. Evtushevsky was the Deputy CEO for Development of Glavstroy-Management. From 2007 to 2009, he was the CEO of Glavstroy SPb. From 2003 to 2007, Mr. Evtushevsky was the CEO of Vedis Development. From 2001 to 2003, he headed the Samolet Bowling Cultural and Entertainment Facility. From 1993 to 1996, Mr. Evtushevsky was the president of the Samolet Association, a real estate company that built residential and commercial properties. Mr. Evtushevsky graduated from the Saratov State University with a degree in Mathematics in 1989.

- *Mr. Mikhail Kenin* has been a member of the Board of Directors since 2012. Mr. Kenin has been carrying out successful business projects in various fields for more than 20 years. He began working in real estate development in 2007. During that time, the companies in which Mr. Kenin was a shareholder, have built more than 2 million square metres of residential and commercial real estate and have implemented a number of large-scale development projects. Since 2014, he has been a member of the board of directors of LLC Mega city, LLC SPb Renovation and JSC OMD Capital. Since 2016, he has been a member of the board of directors of LLC SR Group. From 2012 to 2015, Mr. Kenin was a member of the board of directors of JSC USK MOST, and from 2013 to 2015, a member of the board of directors of LLC IFCC ARKS. In 2012, Mr. Kenin founded the Group together with Igor Evtushevsky. From 2011 to 2016, he was a member of the board of directors of JSC Stroytransgaz and of PJSC Russian Aquaculture. From 2007 to 2016, he was a member of the board of directors of LLC Glavstroy SPb. Mr. Kenin graduated from the Moscow State Aviation Technological University with a degree in Aviation Technology in 1985.

Management Board

The Management Board is the Company's collegial executive body, which is elected by the Board of Directors on the proposal of the CEO. The Management Board meets on regular basis and makes its decisions by simple majority, provided that a quorum of at least a half of the elected members of the Management Board is present. The Chairman of the Management Board has a casting vote. The Management Board is responsible for the Company's day-to-day management and administration.

As at the date of this Offering Memorandum, the Management Board consisted of seven members. The name, position and certain other information for each member of the Management Board are set out below. Unless otherwise indicated, members of the Management Board do not perform any external functions. The Board of Directors appoints the members of the Management Board for a term of three years and may re-appoint them an unlimited number of times.

Name	Year of Birth	Year of appointment	Position
Anton Elistratov	1981	2019	CEO, Chairman
Vitaly Rudenko	1972	2019	First Deputy Chairman
Dmitry Volkov	1985	2019	Deputy Chairman
Alexey Kozlov	1974	2019	Deputy Chairman
Vladimir Komar	1975	2019	Deputy Chairman
Andrey Pakhomenkov	1977	2019	Deputy Chairman, CFO
Andrey Ivanenko	1987	2019	Deputy Chairman

- *Mr. Anton Elistratov* has been the Company's CEO since 2019. For Mr. Elistratov's biography see "—*Members of the Board of Directors*".

- *Mr. Vitaly Rudenko* has been the Company's member of the Management Board since 2019. From 2017 to 2018, he was the investment director at LLC Amereus Rus. Since 2017, Mr. Rudenko has been the CEO of LLC New Trading Technologies. From 2016 to 2017, Mr. Rudenko worked as a consultant at BCG. From 2014 to 2015, he worked as the executive director at Sputnik Company (JSC Rostelecom subsidiary). Since 2010, he has been the CEO of LLC Globus Estate. From 2006 to 2009, he was the executive director of Rambler Media Limited. Vitaly Rudenko graduated with honours from the

Moscow Aviation Institute with a degree in Organisation and Production Management in 1994. He graduated from the London School of Economics with a degree in Banking in 1996, received an ACCA qualification (Association of Chartered Certified Accountants) in 1999 and has an MBA from INSEAD Business School.

- *Mr. Dmitry Volkov* has been the Company's member of the Management Board since 2019. From 2016 to 2017, he was the commercial director at LLC A1O1. From 2013 to 2016, Mr. Volkov worked as the commercial director in JSC Bulochno-konditerskiy kombinat Kolomenskiy. He graduated from the Moscow State University with a degree in Physics of Nanostructures in 2008. In 2020, he became the winner of the Leaders of Russia competition.
- *Mr. Alexey Kozlov* has been the Company's member of the Management Board since 2019. From 2014 to 2019, he worked as a deputy director and a vice president in JSC GK PIK. From 2002 to 2014, Mr. Kozlov worked as the deputy CEO and CEO in Peresvet-Group and Augur Estate. From 2000 to 2002, he worked as the head of JSC Financial Group Noviy Mir. In addition, Mr. Kozlov owns 25% of participatory interest in one of the Group's subsidiaries, LLC Veltbau. He graduated from State University of Management with a degree in Electricity Management in 1974.
- *Mr. Vladimir Komar* has been the Company's member of the Management Board since 2019. From 2018 to 2019, he worked as the deputy CEO in DOM.RF subsidiaries. From 2017 to 2018, he was the project development director in LLC CFC Management. From 2011 to 2017, he was the CFO and then the CEO at LLC RDI Group. Mr. Komar graduated from Moscow Aviation Institute with a degree in Economics and Enterprise Management in 1998.
- *Mr. Andrey Pakhomenkov* has been the Company's member of the Management Board since 2019. From 2008 to 2019, he worked as the financial director in JSC United Chemical Company Uralchem. From 2007 to 2008, he was the head of treasury and credit control department of OJSC Wimm-Bill-Dann Drinks. Mr. Pakhomenkov graduated from Moscow State Academy of Water Transport with a degree in Economics and Enterprise Management.
- *Mr. Andrey Ivanenko* has been the Company's member of the Management Board since 2019. From 2014 to 2020, he worked in McKinsey & Co with a specialisation in operational transformation and improving sales and marketing efficiency. He was the head of marketing campaign planning in British American Tobacco Plc. Mr. Ivanenko graduated from Kyiv Polytechnic Institute with honours. He has MBA with honours from INSEAD Business School.

General Director

The Company's General Director is the Company's chief executive officer and is responsible for its day-to-day activities. The General Director exercises executive authority over all the Company's activities, except for issues specifically reserved for the exclusive authority of the General Shareholders' Meeting, the Management Board, and Board of Directors. Under the Charter, the Board of Directors appoints the General Director for a term of five years and may re-appoint him or her an unlimited number of times. The term of the current General Director, Mr. Anton Elistratov, expires in 2024.

Under the Charter and the Company's Bylaws on the General Director, the powers of the General Director include, among other things, the following:

- operational management of the Company's activities;
- entering into transactions on behalf of the Company, disposal of the Company's property except when it falls within the competence of the General Shareholders' Meeting or the Board of Directors or the Management Board;
- acting on behalf of the Company without the need to obtain specific authorisation, representing the Company in its relations with public authorities, organisations, legal entities and third parties in general, opening bank accounts, and executing powers of attorney;
- coordination of the Company's departments, and approval of administrative and organisation structure and staff schedules;
- execution of labour contracts with the Company's employees;
- approval of all the Company's internal documents except when it falls within the competence of the General Shareholders' Meeting or the Board of Directors; and

- issuing resolutions, orders, regulations and other documents within his or her competence.

Committees of the Board of Directors

The Company has also established the following committees of the Board of Directors:

Audit and Finance Committee

The Company's audit and finance committee ("**Audit and Finance Committee**"), consisting of three members, oversees the Company's financial reporting activity. Two members of the committee are independent. The committee reviews, on an independent basis, the financial information as well as the systems of internal controls that concern financial and accounting compliance. The committee also supervises the auditing, accounting and financial reporting processes more generally. Members of the Audit and Finance Committee are elected by the Board of Directors from among the members of the Board of Directors. The Chairman of the Audit and Finance Committee is Dmitry Golubkov. The current members of the Audit and Finance Committee are Anton Elistratov, Stanislav Shekshnya and Dmitry Golubkov.

Strategy and Investment Committee

The Company's strategy and investment committee ("**Strategy and Investment Committee**"), consisting of five members, oversees the Company's investment activity. The committee reviews and participates in the preparation of business and investment plans relating to all major capital expenditures. Members of the Strategy and Investment Committee are elected by the Board of Directors from among the members of the Board of Directors. The current members of the Strategy and Investment Committee are Igor Evtushevsky, Anton Elistratov, Stanislav Shekshnya, Mikhail Kenin and Dmitry Golubkov.

HR and Compensations Committee

The Company's HR and compensations committee ("**Remuneration Committee**"), consisting of three members, oversees remuneration and human resources activity. The committee advises the Board of Directors on determining the base salary and other compensation for the General Director and the officers reporting directly to the General Director, and on establishing performance targets for senior management and variable pay schemes for other employees. The committee also reviews the Company's personnel policy and human resources processes including those relating to recruitment and benchmarking. Members of the Remuneration Committee are elected by the Board of Directors from among the members of the Board of Directors. The current members of the Remuneration Committee are Stanislav Shekshnya, Mikhail Kenin and Dmitry Golubkov.

INTEREST OF DIRECTORS AND OFFICERS

Compensation

In the six months ended 30 June 2020, the aggregate amount of remuneration paid (including contingent or deferred compensation), and benefits in kind granted, to the members of the Board of Directors for services in all capacities provided to the Company was RUB 38 million.

Shareholdings of Directors and Officers

As at the date of this Offering Memorandum, the member of the Board of Directors, Mr. Mikhail Kenin and the member of the Board of Directors and the CEO Mr. Igor Evtushevsky held 31.7% and 9.5% of the Ordinary Shares in the Company, respectively.

CONFLICT OF INTEREST

No actual or potential conflicts of interest exist between the duties that any member of the Board of Directors or other key managers owes to the Company and such member's private interests or their duties.

LITIGATION STATEMENT ABOUT THE MEMBERS OF THE BOARD OF DIRECTORS

None of the members of the Board of Directors, 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 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

GENERAL

In the ordinary course of business the Group enters into transactions with related parties. Parties are considered related if they are under common control, or one party has the ability to control the other party, exercise significant influence over decisions on matters of economic and financial activity, or can exercise joint control. Set forth below is a summary of current material transactions between or among the Group and related parties.

THE PARENT COMPANY AND THE ULTIMATE CONTROLLING PARTY

As at 30 June 2020, there is no ultimate controlling party. As at 30 June 2020 and 31 December 2019, the Group's beneficiaries are several individuals, none of whom has more than 50% control. For the shareholder structure as at the date of this Offering Memorandum see "*Principal Shareholders*".

REMUNERATION OF SENIOR MANAGEMENT PERSONNEL

For the six months ended 30 June 2020 and 2019, the remuneration paid to key management personnel amounted to RUB 106 million and RUB 323 million, respectively. For the year ended 31 December 2019, 2018 and 2017, the remuneration paid to key management personnel amounted to RUB 405 million, RUB 242 million and RUB 237 million, respectively.

For the six months ended 30 June 2020 and 2019, the remuneration paid to the Board of Directors amounted to RUB 38 million and RUB 42 million, respectively. For the year ended 31 December 2019 and 2018, the remuneration paid to the Board of Directors amounted to RUB 91 million and RUB 35 million, respectively.

The remuneration of directors and key executives is determined by the Board of Directors based on individual performance and market trends.

OTHER RELATED-PARTY TRANSACTIONS

The table below sets forth the transaction value with related parties for the six months ended 30 June 2020 and 2019, and the balance of payments with related parties as at 30 June 2020 and as at 31 December 2019.

	Transaction value for the six months ended 30 June		**Balance of payments as at**	
	2020	**2019**	**30 June 2020**	**31 December 2019**
	(RUB in thousands)			
Loans to other related parties measured at amortised costs	536,561	1,341,104	2,836,478	2,417,584
Loans to other related parties measured at fair value	28,504	5,050	765,784	650,266
Other revenue	1,897	14,730	357,188	276,987
Expenses and purchases	(418,152)	(360,472)	(186,320)	(225,019)
Total	**148,810**	**1,000,412**	**3,833,942**	**3,119,818**

In the first half of 2020, the Group issued unsecured loans to its related parties in the amount of RUB 659,045 thousand, with 1–4 years of maturity and a weighted-average nominal below-the-market interest rate of 4.85% as at 30 June 2020 (compared to 4.75% as at 31 December 2019). The fair value was determined on initial recognition in the amount of RUB 565,064 thousand, with its effect allocated directly to equity, less the related deferred tax from the transaction as a transaction with parties acting on behalf of shareholders. Expected credit losses from these loans amounted to RUB 89,984 thousand.

For the six months ended 30 June 2020, finance income on loans to related parties, including interest accrued and valuation at fair value, amounted to RUB 237,164 thousand (compared to RUB 184,095 thousand six months ended 30 June 2019).

In the first half of 2020, the Group acquired a 100% ownership in a number of companies engaged in the maintenance of multi-unit residential complexes from a related party.

At 30 June 2020, the par value of bonds held by related parties equaled RUB 328,290 thousand (compared to RUB 519,576 thousand as at 31 December 2019).

In the first half of 2020, one of the Group's related parties holding non-controlling interests in one of the subsidiaries acquired an additional 3.84% share in this subsidiary, with the consideration paid through a contribution in the amount of RUB 350 million to increase the additional paid-in capital. Transaction results are included directly in equity.

As at 30 June 2020, the Group acted as a guarantor to a bank for related parties' borrowings amounting to a total of RUB 3.2 billion. According to the Group's management, the probability of cash outflow to settle obligations under the above agreements is not high.

PRINCIPAL SHAREHOLDERS

The Company's shareholders are not required to give the Company notice of transfers of its ordinary shares and the Company is only able to verify the exact status of its shareholdings by making a specific request of its independent registrar in connection with a matter requiring a shareholder vote. See "*Description of Share Capital and Certain Requirements of Russian Law—Description of Share Capital—Registration and Transfer of Shares*".

PRINCIPAL SHAREHOLDERS

The following table sets out the shareholders of the Company as at 21 October 2020.

	As at 21 October 2020		After completion of the Offering and the Open Subscription	
Shareholder	**Number of Shares**	**Shareholding**	**Expected number of Shares**	**Expected shareholding**
DORSTAGEN LIMITED(1)	20 400 136	34%	20 400 136	33.1%
Mikhail Kenin	19 020 127	31.7%	19 020 127	30.9%
Igor Evtushevsky	5 700 038	9.5%	5 700 038	9.3%
Closed-End Investment Fund Combined "Proektniy"(2)	5 921 092	9.9%	7 500 050	12.2%
Legal Agency Moscovia, ltd.(3)	3 078 968	5.1%	0	0%
Corsico Asset Management(4)	2 880 019	4.8%	2 880 019	4.7%
Anton Elistratov	1 500 010	2.5%	1 500 010	2.4%
Dmitriy Golubkov	1 500 010	2.5%	1 500 010	2.4%
Free float	0	0	3 078 968	5%
	60,000,400	**100%**	**61,579,358**	**100%**

For the purposes of conducting the Offering, on 12 October 2020, the Selling Shareholder has acquired in aggregate 5.1% Ordinary Shares to be sold in the Offering from ZPIF, Mikhail Kenin and Igor Evtushevsky under the respective sale and purchase agreements, pursuant to which the Selling Shareholder shall pay, using the Offering proceeds, the Offer Price for the acquired Ordinary Shares within 5 business days after the New Shares placement commencement date (which will be determined by the board of directors of the Company on or about the Pricing Date) in case if the Offering is successfully completed, and Mikhail Kenin and Igor Evtushevsky agreed to pay the Selling Shareholder a fee in an aggregate amount of RUB 450,000.00 for advisory and legal services in connection with the Offering SPAs.

Furthermore, the Selling Shareholder entered into arrangements with ZPIF pursuant to which ZPIF shall use relevant part of the Offering proceeds to be paid thereto by the Selling Shareholder under the Offering SPAs, to participate in the placement of the New Shares on the basis of its statutory pre-emptive rights as an existing shareholder, and the Selling Shareholder has agreed with the ZPIF that it will subscribe for up to 2.5% New Shares (the "**Subscribed Shares**") using the Offering proceeds. See "*Use of Proceeds*".

Under the SPA, if the Offering does not occur by 12 November 2020, the Selling Shareholder shall return 5.1% Ordinary Shares to ZPIF, Mikhail Kenin and Igor Evtushevsky.

On 14 March 2019, Igor Evtushevsky and Dorstagen Limited entered into a call option agreement pursuant to which Dorstagen Limited has a right to purchase 1 800 012 Ordinary Shares (approximately 3% of the current share capital of the Company) from Igor Evtushevsky until 1 May 2022.

Notes

(1) DORSTAGEN LIMITED is a Limited Liability Company, incorporated on 29 December 2017 with registration number HE 378080 in Cyprus. The address of the registered office is 17 Ifigeneias Street, 2007 Strovolos, Nicosia, Cyprus. Mr. Pavel Golubkov owns 100% of shares in DORSTAGEN LIMITED.

(2) Closed-End Investment Fund Combined "Proektniy" (Rules of fiduciary management were registered by the Central Bank of the Russian Federation on 22 August 2017 with number 3371) is a closed mutual investment fund under fiduciary management of CFC Direct Investments Limited Liability Company, incorporated on 10 March 2017 with registration number 1177746234489 in Russia.

The address of the registered office is 121353, Moscow, 4 Belovezhskaya Str, Bld. V. Mr. Pavel Golubkov owns 100% of units in Closed-End Investment Fund Combined "Proektniy".

(3) Legal Agency Moscovia, ltd. is a limited liability company, incorporated on 2 October 2012 with registration number 1125032006989 in Russia. The address of the registered office is 143084, Moscow region, Odintsovo town, Usovo village, basement office 12. Mr. Pavel Golubkov indirectly controls 100% of shares in, and is a general director of Legal Agency Moscovia, ltd..

(4) CORSICO ASSET MANAGEMENT PTE. LTD. is an exempt private company limited by shares, incorporated on 3 January 2014 with registration number 201400509H in Singapore. The address of the registered office is 12 Marina View #23-01 Asia Square Tower 2 Singapore (018961). Michelle Kenin, a daughter of Mikhail Kenin, owns 100% of shares in Corsico Asset Management.

DESCRIPTION OF SHARE CAPITAL AND CERTAIN REQUIREMENTS OF RUSSIAN LAW

Set forth below is a description of the Company's share capital, the material provisions of the Charter in effect at the date hereof and certain requirements of Russian law applicable to companies (such as the Company) with the share capital consisting solely of ordinary shares. This description, however, is not complete and is qualified in its entirety by reference to the Charter and any applicable Russian law.

CORPORATE PURPOSE

Pursuant to Article 3.1 of the Charter, the Company's primary purpose is to earn profit to the benefit of the Company itself and its shareholders.

DESCRIPTION OF SHARE CAPITAL

General Matters

The Company was incorporated on 22 December 2014 as a limited liability company. On 25 June 2018, the Company was reorganised into a joint stock company. On 19 October 2018, the Company was registered as a public joint stock company.

Pursuant to the Joint Stock Companies Law, the Company has the right to issue registered ordinary shares, preferred shares and other securities. Under Russian law, share capital refers to the aggregate nominal value of the issued and outstanding shares. The Company's share capital currently consists of 60,000,400 issued, fully paid and outstanding Ordinary Shares, each with a nominal value of RUB 25. In addition, the Company is authorised by the Charter to issue an additional 50,000,000 Ordinary Shares. When issued, such Ordinary Shares will be identical to, and fully fungible with, the Company's currently issued and outstanding Ordinary Shares. No preferred shares are currently authorised or outstanding. Preferred shares may only be issued if amendments have been made to the Charter pursuant to a resolution of the General Shareholders' Meeting.

On 8 July 2020, the General Shareholders' Meeting approved the issuance of 50,000,000 Ordinary Shares to be offered in the Offering. On 8 October 2020, the CBR registered the issuance of the 50,000,000 Ordinary Shares.

The Joint Stock Companies Law requires the Group to dispose of any of the Company's treasury shares that it acquires within one year of their acquisition or, failing that, reduce its share capital by the respective amount. Russian legislation does not allow voting rights or payment of dividends in relation to treasury shares. Currently the Company does not have any treasury shares (as referred to herein). Any shares that are owned by the Company's subsidiaries are not considered treasury shares under Russian law (i.e., they are considered outstanding shares), and such subsidiaries are able to exercise voting rights and receive dividends relating to such shares and dispose of such shares without the need for any further corporate actions by the Company's shareholders or the Board of Directors.

History of the Company's share capital

As a limited liability company, immediately prior to the reorganisation the Company's charter capital of RUB 1,500,010,000 was allocated among two shareholders holding 99.9999933333778% and 0.0000066666222% participation interests, respectively. With the reorganisation into a joint stock company, the participation interests in the Company's charter capital were converted into 60,000,400 ordinary shares, each with a nominal value of RUB 25. For description of the Company's shareholder structure see "*Principal Shareholders*".

On 8 July 2020, the General Shareholders' Meeting approved the issuance of 50,000,000 Ordinary Shares to be offered in the Offering.

Rights Attaching to Ordinary Shares

Holders of the Company's ordinary shares have the right to vote at all General Shareholders' Meetings. As required by the Joint Stock Companies Law and the Charter, all of the Company's ordinary shares have the same nominal value and grant to their holders identical rights. Each fully paid ordinary share, except for treasury shares, gives its holder the right to:

- freely transfer the ordinary shares without the consent of other shareholders;
- receive dividends;

- participate in General Shareholders' Meetings and vote on all matters within the competence of General Shareholders' Meetings;
- transfer rights to vote at a General Shareholders' Meeting to a representative pursuant to a power of attorney;
- if holding, alone or with other holders, 1% or more of the ordinary shares, to access the list of persons entitled to participate in the General Shareholders' Meeting and to sue in court, on the Company's behalf, members of the Board of Directors, the General Director and members of the Management Board for damages incurred by the Company as a result of their wrongful actions or failures to act;
- if holding, alone or with other holders, 2% or more of the ordinary shares, within 30 days after the end of the Company's fiscal year, make proposals for the annual General Shareholders' Meeting and nominate candidates to the Board of Directors and the Internal Audit Commission;
- if holding, alone or with other holders, 10% or more of the ordinary shares, demand that the Board of Directors call an extraordinary General Shareholders' Meeting or an unscheduled audit by the Internal Audit Commission;
- demand repurchase by the Company of all or some of the ordinary shares in the Company held by the shareholder if that shareholder voted against or did not participate in the voting on, the decision approving any of the following actions:
  - a corporate re-organisation,
  - a conclusion of a major transaction involving assets valued in excess of 50% of the balance sheet value of the Company's assets;
  - amendments to the Charter or the adoption of a new version of the Charter in a manner that restricts shareholders' rights; or
  - an application for delisting of shares and/or securities convertible into shares.
- upon the Company's liquidation, receive an amount of its residual assets (after fulfilment of its obligations to creditors) proportionate to their shareholding;
- have access to certain of the Company's documents, receive copies for a reasonable fee, and if holding alone or with other shareholders, 25% or more of the ordinary shares, have free access to minutes of the Company's Management Board and accounting documents; and
- exercise other shareholder rights, provided by the Charter, Russian legislation or duly approved decisions of General Shareholders' Meetings.

Any decision determining the maximum number, nominal value, category (i.e., type) of authorised shares and the rights attached to such shares must be approved by 75% of the shareholders holding ordinary shares participating in the General Shareholders' Meeting.

Pre-emptive Rights

The Company has the right to issue shares or securities convertible into shares by way of offering them to the public (an open subscription) or by way of offering them to the Company's shareholders and/or certain third parties determined in the decision on share issuance (a closed subscription). The Joint Stock Companies Law provides existing shareholders with a pre-emptive right to purchase shares or securities convertible into shares issued through an open subscription in an amount proportionate to their existing shareholdings. In addition, the Joint Stock Companies Law provides the Company's shareholders with a pre-emptive right to purchase new shares or securities convertible into shares issued through a closed subscription if the shareholders voted against or did not participate in the voting on the decision approving such subscription. Pre-emptive rights are not available in relation to a closed subscription to existing shareholders, provided that such shareholders may each acquire a whole number of shares (or securities convertible into shares) in proportion to their existing shareholdings. In both cases the Company must provide its shareholders with written notice of the proposed placement at least 45 days prior to the beginning of the placement period, during which time shareholders may exercise their pre-emptive rights. If the price of the new issue is determined after expiration of the pre-emptive right period, the Company must provide shareholders with written notice of the proposed placement at least 20 days prior to the beginning of the placement period, during which time shareholders may exercise their pre-emptive rights. If information contained in the written notice of the proposed placement is subject to disclosure requirements under Russian securities law, the period during which shareholders may exercise their pre-emptive rights must be at least 8 business days following the date of the information disclosure.

Dividends

The Joint Stock Companies Law and the Charter set out the procedure for determining the dividends that the Company distributes to its shareholders.

Under the Charter, the Company may declare dividends based on its first quarter, six-month, nine-month or annual results. The majority of the members of the Board of Directors present at a meeting must recommend to a General Shareholders' Meeting the amount of the proposed distribution and the record date for determining the list of entities entitled to receive dividends (the "***Dividend Payment Record Date***"). Upon the recommendations of the Board of Directors, the General Shareholders' Meeting must approve such amount and Dividend Payment Record Date by a majority vote. The distribution amount cannot be more than that recommended by the Board of Directors. A decision on quarterly, six-month and nine-month dividends must be taken within three months of the end of the respective quarter at a General Shareholders' Meeting; a decision on annual dividends must be taken at the annual General Shareholders' Meeting. The Company pays dividends to shareholders and the Central Depository entitled to receive dividends as at the Dividend Payment Record Date. Under the Securities Market Law, upon receipt of the dividends the Central Depository must transfer them to depo account holders who are entitled to receive dividends as at the Dividend Payment Record Date. Dividends are not paid on treasury shares.

Under the Joint Stock Companies Law, the Dividend Payment Record Date shall not be earlier than 10 days prior to and not later than 20 days following the date of the shareholders' decision on dividend payments. The dividends must be paid to the Central Depository within 10 working days and to shareholders within 25 working days following the Dividend Payment Record Date. Dividends are paid by way of wire transfer to bank accounts of the shareholders and the Central Depository. If there is no request from the shareholders-physical persons to transfer dividends to their bank accounts, the dividends must be paid in cash by postal orders.

On 7 October 2020, the Company's Board of Directors adopted a dividend policy. See "—Dividend Policy" for further details.

The Joint Stock Companies Law allows dividends to be declared only out of net profits calculated under RAS and as long as the following conditions have been met:

- the share capital of the company has been paid in full;
- the company has repurchased all shares from shareholders who have exercised their right to demand repurchase;
- the company is not insolvent on the date of adoption of the decision to pay dividends (and would not become insolvent as a result of the proposed dividend payment);
- the value of the company's net assets, calculated under RAS, on the date of adoption of the decision to pay dividends is not less (and would not become less as a result of the proposed dividend payment) than the sum of the company's share capital, the company's reserve fund and the difference between the liquidation value and the nominal value of the issued and outstanding preferred shares of the company; and
- other requirements of Russian legislation have been fulfilled.

In addition, a Russian company is prohibited from paying dividends (even if they have been declared) if:

- the company is insolvent on the date of payment or would become insolvent as a result of the proposed dividend payment;
- the value of the company's net assets, calculated under RAS, on the date of payment, is less (or would become less as a result of the proposed dividend payment) than the sum of the company's share capital, the company's reserve fund and the difference between the liquidation value and the nominal value of the issued and outstanding preferred shares of the company; and
- distribution of dividends is otherwise prohibited by the Russian legislation.

Distributions to Shareholders on Liquidation

Under Russian legislation, liquidation of a company results in its termination without the transfer of rights and obligations to other persons as legal successors. The Joint Stock Companies Law and the Charter allow a company to be liquidated:

- by a three-quarters majority vote of the General Shareholders' Meeting; or
- by a court order.

Following a decision to liquidate the company, the right to manage its affairs would pass to a liquidation commission which, in the case of voluntary liquidation, is appointed by a General Shareholders' Meeting and, in an involuntary liquidation, is appointed by the court. Creditors may file claims within a period to be determined by the liquidation commission, but such period must not be less than two months from the date of publication of notice of liquidation by the liquidation commission.

The Civil Code gives creditors the following order of priority during liquidation:

- first priority: to individuals owed compensation for injuries or death or moral damages;
- second priority: to employees and copyright claims;
- third priority: to federal and local governmental authorities claiming taxes and similar payments owed to budgets and non-budgetary funds; and
- fourth priority: to other creditors in accordance with Russian legislation.

Claims of creditors in obligations secured by a pledge of the company's property shall be satisfied from the sale proceeds of the pledged property prior to claims of any other creditors, save for the creditors of the first and second orders of priority, provided that claims of those creditors of the first and second orders of priority arose before the respective pledges have been entered into. Any residual claims of secured creditors that remain unsatisfied after the sale of the pledged property rank pari passu with claims of the fourth priority creditors.

The remaining assets of a company are distributed among shareholders in the following order of priority:

- payments to repurchase shares from shareholders having the right to demand repurchase;
- payments of declared but unpaid dividends on preferred shares and the liquidation value of the preferred shares, if any; and
- distribution of the remaining assets of a company between the holders of ordinary and preferred shares on a *pro rata* basis.

Liability of Shareholders

The Civil Code and the Joint Stock Companies Law generally provide that shareholders in a Russian joint stock company are not liable for the obligations of a joint stock company and only bear the risk of loss of their investments. However, this may not be the case, when one person or entity (the "**effective parent**") is capable of determining decisions made by another entity (the "**effective subsidiary**") by way of giving binding instructions to the effective subsidiary. If the effective subsidiary is a joint stock company, the effective parent bears joint and several liability for a transaction concluded by the effective subsidiary if:

- the effective parent caused the effective subsidiary to conclude the transaction; and
- the ability of the effective parent to give binding instructions is provided for in the charter of the effective subsidiary or in a contract between such entities.

If the effective subsidiary is a Russian limited liability company, the effective parent bears joint and several liability if the effective parent caused the effective subsidiary to conclude the transaction (regardless of how the effective parent's ability to determine decisions of the effective subsidiary arises).

Thus, a shareholder of an effective parent is not itself liable for the debts of the effective parent's effective subsidiary, unless that shareholder is itself an effective parent of the effective parent.

Accordingly, the shareholders will not be personally liable for the Company's debts or those of its effective subsidiaries unless such shareholders control its business and/or its effective subsidiaries, and the conditions set out above are met.

In addition, an effective parent may be held secondarily liable for the debts of an effective subsidiary if the latter becomes insolvent or bankrupt as a result of the action or inaction of the former. This is the case no matter how the effective parent's capability to determine decisions of the effective subsidiary arises, such as through ownership of voting securities or by contract. If the effective subsidiary is a joint stock company, then the effective parent will have secondary liability only if the effective parent caused the effective subsidiary to take any action or fail to take any action knowing that such action or failure to take action would result in insolvency of the effective subsidiary. If the effective subsidiary is a limited liability company, then the effective parent will be held secondarily liable if the effective subsidiary's insolvency is caused by the wilful misconduct or negligence of such effective parent, subject to the insufficiency of the effective subsidiary's assets to cover its obligations.

Shareholders of an effective subsidiary that is a joint stock company may also claim compensation for the effective subsidiary's losses from the effective parent if: (i) the effective parent caused the effective subsidiary to take any action or fail to take any action that resulted in a loss and (ii) the effective parent knew that such action or failure to take such action would result in the effective subsidiary's loss. Participants of an effective subsidiary that is a limited liability company may claim compensation for the effective subsidiary's losses from the effective parent if the effective parent through its wilful misconduct or negligence caused the effective subsidiary to take any action, or fail to take any action, that resulted in a loss.

Share Capital Increase

The Company may increase its share capital by:

- issuing new shares, or
- increasing the nominal value of the Company's previously issued shares.

A decision on any issuance of shares or securities convertible into shares by closed subscription, or an issuance by open subscription of ordinary shares or securities convertible into ordinary shares constituting more than 25% of the number of issued ordinary shares, requires a three quarters majority vote of the General Shareholders' Meeting. A decision on the issuance by open subscription of ordinary shares or securities convertible into ordinary shares constituting 25% or less of the number of issued ordinary shares, requires unanimous approval by the Board of Directors. A decision to increase the share capital by increasing the nominal value of issued shares requires a majority vote of the General Shareholders' Meeting. In addition, the issuance of shares above the number of authorised and non-issued shares provided in the Charter necessitates a Charter amendment, which requires a three quarters majority vote of the General Shareholders' Meeting.

The Joint Stock Companies Law requires that the placement price of the newly issued shares be determined by the Board of Directors based on their market value but not less than their nominal value. Placement price for existing shareholders exercising a pre-emptive right to purchase shares may be less than the price paid by third parties, but in any event no more than by 10% of the price paid by third parties. Fees of an intermediary participating in the placement of shares cannot exceed 10% of the share price. The Board of Directors may, but is not required to, involve an independent appraiser to set the placement price of the shares. There is a specific requirement for determining the placement price of securities, for which prices are regularly published, that the Board of Directors shall take into account such prices. The Board of Directors shall value any in-kind contributions for new shares, based on the appraisal report of an independent appraiser.

Russian securities laws and regulations set out detailed procedures for the issuance and registration of shares of a Russian joint stock company. These procedures require:

- adoption of a decision to increase capital by placing additional shares;
- adoption of a decision on share issuance (and in certain cases of a prospectus);
- prior registration of a share issuance (and in certain cases of a prospectus) with the CBR;
- placement of the shares;
- registration of the report or filing of the notice on the results of the share issuance; and
- public disclosure of information at the required stages of the issuance.

Share Capital Decrease and Share Repurchases

The Company has the right to, and under certain circumstances, is statutorily required to, decrease its share capital.

The Joint Stock Companies Law does not allow a company to reduce its share capital below the minimum share capital required by law, which is RUB 100,000 (approximately U.S.$ 1,700) for a public joint stock company. The Joint Stock Companies Law requires that any decision to reduce the share capital of the company, whether through the repurchase and cancellation of shares or a reduction in the nominal value of the shares, be made by a General Shareholders' Meeting. In addition, within three business days of a decision to reduce the company's share capital, the company should notify the competent authority on adoption of such decision, and then twice publish a notification on the decrease of the share capital in specially designated mass media with regularity of once in a month.

The Joint Stock Companies Law allows a company to decrease its share capital through a reduction in the nominal value of its shares only if the following conditions have been met:

- the company's share capital has been paid in full;
- the company has repurchased all shares from shareholders who have exercised their right to demand repurchase of their shares;
- the company is not insolvent on the date of adoption of the decision to decrease the share capital and would not become insolvent, as a result of the proposed decrease of share capital;
- the value of a company's net assets on the date of adoption of the decision to decrease the share capital is not less (and would not become less, as a result of the proposed decrease of share capital) than the sum of its share capital, the reserve fund and the difference between the liquidation value and nominal value of the company's issued and outstanding preferred shares;
- the company has paid all declared and unpaid dividends; and
- other requirements of Russian legislation have been fulfilled.

Russian legislation provides that a company's shareholders may demand repurchase of all or some of their shares so long as the shareholder demanding repurchase voted against or did not participate in the voting on the decision approving any of the following actions:

- a re-organisation of the company;
- a conclusion of a major transaction involving assets in excess of 50% of the balance sheet value of the assets of the company;
- amendments to the charter or approval of a new version of the charter in a manner that restricts the shareholder's rights; or
- an application for delisting of shares and/or securities convertible into shares.

The company may spend up to 10% of its net assets calculated under RAS for a share redemption demanded by the shareholders. If the value of shares in respect of which the shareholders have exercised their right to demand repurchase exceeds 10% of net assets of the company, the company will repurchase shares from each such shareholder on a pro rata basis.

The decision on applying for the delisting of shares and/or securities convertible into shares requires a three quarters majority vote of the General Shareholders' Meeting. Under the Joint Stock Companies Law, the decision of the General Shareholders' Meeting on applying for the delisting of shares and/or securities convertible into shares enters into force if the aggregate number of shares in respect of which the shareholders have exercised their right to demand repurchase does not increase the number of shares that can be repurchased by the company given that the company may spend only up to 10% of its net assets calculated under RAS. Otherwise, the decision of the General Shareholders' Meeting does not enter into force and the application for delisting is not approved.

Registration and Transfer of Shares

The Company's shares comprise its ordinary shares in registered form. Russian legislation requires that a joint stock company hold a register of its shareholders. A register of shareholders must be held by a specialised licensed registrar. The Joint Stock Companies Law and the Federal Law No. 39-FZ "On the Securities Market" dated 22 April 1996 (the "**Securities Market Law**") require that a register of shareholders of (i) a joint stock company with more than 50 shareholders or (ii) a joint stock company that has a statutory obligation to disclose information in connection with placement and (or) circulation of shares be held by a specialised registrar.

Ownership of the Company's shares is evidenced by entries made in the shareholders' register, in the books of the Central Depository or a Russian licensed depositary.

Pursuant to the Federal Law No. 414-FZ "On the Central Depositary" dated 7 December 2011 (the "**Central Depository Law**") which sets out a legal framework for establishment and operation of the Central Depository, the sole nominal holder who can be registered in the shareholders' register. NSD, having the status of the Central Depository, opened its nominal holder account in the Company's register of shareholders. The Central Depository Law provides that other nominal holders (depositaries) must open depo accounts with the Central Depository to carry out operations with securities.

Any of the Company's shareholders may obtain an extract from the register of its shareholders maintained by the registrar or from their respective depositary, as the case may be, certifying the number of shares that such shareholder holds. The Company is also entitled to obtain an extract from its shareholders' register which sets out all of its shareholders registered directly therein. In addition, the Company is entitled to obtain a list of nominal holders that opened depo accounts with the Central Depository as well as a list of entities that have accounts opened with the nominal holders, given that such list is provided by the relevant nominal holder. In particular, the Securities Market Law provides that a foreign depositary of GDR programmes or its Russian custodian must provide an issuer with a list of GDR holders for the purposes of the General Shareholders' Meeting. However, the Company is currently unable to monitor transfers of its shares that are held on the books of depositaries registered with the Central Depository, because underlying shareholders have no obligation to reveal and such depositaries have no obligation to notify the Company about such transfers. As a result, the Company can currently only identify its actual shareholders in a limited number of cases when such possibility is provided for by Russian law, including when requesting its registrar and the Central Depository to compile a list of shareholders of record for the General Shareholders' Meeting.

However, the Company's shareholders and beneficial owners of its shares shall notify the Company and the CBR of an acquisition of 5% or more of its ordinary shares or of an acquisition of the right to vote on 5% or more of its ordinary shares by virtue of an agreement or otherwise, and of any subsequent change in the number of such ordinary shares above or below certain thresholds, and the Company is required to disclose such information in accordance with Russian securities regulations. See "*—Certain Requirements of Russian Legislation—Notification of Acquisition of Significant Interest*" and also "*—Disclosure of Information*".

Since June 2018, JSC IRC-R.O.S.T located at 5B bldg. 18, Stromynka Street, Moscow, 107076, Russian Federation, has maintained the Company's shareholder register.

The purchase, sale or other transfer of shares is accomplished through the registration of the transfer in the shareholders' register, or the registration of the transfer with a depositary if shares are held through a depositary. The registrar or depositary may not require any documents in addition to those required by Russian legislation in order to register a transfer of shares in the register. Refusal to register the shares in the name of the transferee or, upon request of the beneficial holder, in the name of a nominee holder, is not allowed, and such refusals may be challenged in court.

See also "*Risk Factors—Risks Relating to the Shares and the Trading Market*".

LISTING

In accordance with Regulation of the CBR No. 534-P dated 24 February 2016 and the Moscow Exchange listing rules, there are three listing levels for securities: premium Level 1 with quotation, Level 2 with quotation and Level 3 without quotation. Listing rules set forth, among others, certain trading, reporting and corporate governance requirements to each of Level 1 and Level 2 listings.

RESERVE FUND

Russian legislation requires each joint stock company to establish a reserve fund to be used only to cover the company's losses, redeem the company's bonds and repurchase the company's shares in cases when other funds are not available. The Joint Stock Companies Law and the Charter provide for a minimum reserve fund of 5% of the Company's share capital, funded through mandatory annual transfers of at least 5% of net profits of the company until the reserve fund has reached the above target 5% requirement. The Company also may establish special purpose funds pursuant to Russian legislative provisions and in accordance with the Company's internal documents governing such funds.

DISCLOSURE OF INFORMATION

In accordance with Russian securities regulations, as a public company, the Company is required to make the following public disclosures and filings on a periodical basis:

- publishing on the website quarterly issuer's reports containing information about the Company, its shareholders, the structure of its management bodies, the members of the Board of Directors and Management Board, its branches and representative offices, its shares, bank accounts and statutory auditors, important developments during the reporting quarter, and other information about its financial and business activity;
- filing with the CBR and publishing in newswire as well as on the Company's website any information concerning material facts and changes in its financial and business activity, including, among other things:
    - the Company's re-organisation;
    - certain changes in the amount of the Company's assets;
    - certain facts related to share issuances;
    - decisions of the General Shareholders' Meetings;
    - acquisition by a person of 5% or more of the Company's ordinary shares or an acquisition of the right to vote on 5% or more of the ordinary shares by virtue of an agreement or otherwise, and any subsequent change in the number of such ordinary shares above or below any of 5%, 10%, 15%, 20%, 25%, 30%, 50%, 75% or 95% threshold;
    - the information on the receipt of any of (i) a voluntary offer (including any competing offer), (ii) a mandatory offer (including any competing offer), (iii) notice of the right of shareholders to sell their shares to the person that has acquired more than 95% of the ordinary shares, and (iv) a demand that minority shareholders sell their shares to the person that has acquired more than 95% of the ordinary shares;
    - disclosing information at various stages of share issuances through publication of certain data as required by securities regulations;
    - disclosing the Company's annual report and annual financial statements;
    - disclosing on the Company's website on a quarterly basis a list of its affiliated persons; and
    - other information as required by applicable Russian securities legislation.

CERTAIN REQUIREMENTS OF RUSSIAN LEGISLATION

Interested Party Transactions

The Joint Stock Companies Law contains special requirements with respect to entrance into the interested party transactions. "Interested party transactions" include transactions involving a member of the Board of Directors or member of any executive body of the company (including members of the Management Board and the General Director) and controlling person of the company (as defined by the Joint Stock Companies Law) or any person who is able to direct the actions of the company, if that person and/or that person's spouse, parents, children, adoptive parents or children, brothers or sisters or persons or entities under their control, is/are:

- a party to, or beneficiary of, a transaction with the company, whether directly or as a representative or intermediary;
- are the controlling person of a legal entity that is a party to, or beneficiary of, a transaction with the company, whether directly or as a representative or intermediary; or
- a member of any management body of a company that is a party to, or beneficiary of, a transaction with the company, whether directly or as a representative or intermediary, or a member of any management body of a management organisation of such a company.

The Joint Stock Companies Law requires that the Company notifies (i) its board of directors, (ii) members of the management board; and (iii) shareholders (in case all the members of the board of directors are interested, the company does not have the board of directors or the company's charter provides for notification of the shareholders) on the planned execution of the interested party transaction at least 15 days prior to execution.

Upon receipt of such notification, the company's general director, members of the board of directors, members of the management board or shareholders owning at least 1% of the voting shares of the company, are entitled to call for consent for execution of the transaction by the board of directors or general shareholders' meeting.

Consent is to be provided by a majority of shareholders present at the meeting who are not interested in the transaction if:

- the value of such transaction or a number of interrelated transactions is 10% or more of the balance sheet value of the company's assets calculated under RAS;
- the transaction or a number of interrelated transactions involves the placement by subscription or secondary market sale of shares in the amount exceeding 2% of the company's issued ordinary shares and ordinary shares, in which issued convertible securities may be converted;
- the transaction or a number of interrelated transactions involves the placement by subscription of issued securities convertible into shares that may be converted into ordinary shares constituting more than 2% of the company's issued ordinary shares and ordinary shares, in which issued convertible securities may be converted;
- the number of directors who are not interested in the transaction is not sufficient to constitute a quorum; or
- all the members of the Board of Directors of the company are interested parties, or none of them is an independent director.

The notification on execution and consent in respect of an interested party transaction is not required if:

- transactions are conducted in the ordinary course of business of the company on the terms similar to terms of previous non-interested transactions on this type;
- the company has only one shareholder that simultaneously performs the functions of the company's sole executive body;
- all shareholders of the company are deemed interested in the transaction;
- transactions are conducted in connection with offering of the company's shares and other securities, convertible to shares;
- transactions are conducted in connection with public offering of bonds or repurchase of issued bonds;
- the company is repurchasing its issued shares;
- transactions are conducted in connection with reorganisation of the company;
- the company is required by law to enter into the transaction, and settlements under such transactions are made pursuant to prices set by the Russian government on or pursuant to tariffs and prices established by appropriate state authorities authorised by the Russian government;
- transactions are concluded on the terms of preliminary agreement, provided such preliminary agreement was duly approved;
- transactions are concluded on the open organised market or under an open tender, provided that terms of company's participations in such trades were prior approved by the board of directors; or
- transactions involve the acquisition or disposal of property having the value of less than 0.1% of the balance sheet value of the assets of a company calculated under RAS.

Upon a claim by a company, member of the board of directors or shareholder owning at least 1% of the voting shares of the company, a court may invalidate any interested party transaction, provided that: (i) the transaction is executed at the expense of the company's interests; and (ii) the counterparty has been proven to have known and should have known that the transaction constituted an interested party transaction to the company and the respective consent has not been received. However, pursuant to Joint Stock Companies Law, a court shall dismiss a claim aiming at invalidating an interested party transaction entered into in breach of the abovementioned requirement in certain instances.

Major Transactions

The Joint Stock Companies Law defines a major transaction as a transaction, or a series of interrelated transactions, conducted outside the ordinary course of business of the company and involving the acquisition or disposal (including temporary transfer), the possibility of disposal directly or indirectly of property having the value of 25% or more of the balance sheet value of the assets of a company calculated under RAS, with the exception of:

- transaction performed by the company which has only one shareholder that simultaneously performs the functions of the company's sole executive body;
- transactions in connection with the placement (public offering) and/or organisation of placement of shares through a subscription (sale of shares), or with the placement of securities convertible into shares;
- transactions in connection with reorganisation of the company;
- transactions which are mandatory for a company pursuant to Russian law requirements, and settlements under which transactions are made pursuant to prices set by the Russian government or pursuant to tariffs and prices established by appropriate state authorities authorised by the Russian government;
- transactions aimed at acquisition of securities under the mandatory offer terms; and
- transactions concluded on the terms of preliminary agreement, provided such preliminary agreement was duly approved.

Major transactions involving the acquisition or disposal (including temporary transfer), or the possibility of disposal, directly or indirectly, of assets ranging from 25% to 50% of the balance sheet value of the assets of a company requires unanimous consent of all the members of the Board of Directors. If the transaction fails to receive such consent, it can be provided by a simple majority vote of the shareholders present at the General Shareholders' Meeting. Major transactions involving assets in excess of 50% of the balance sheet value of the assets of a company require a three-quarter majority vote of shareholders present at the General Shareholders' Meeting.

Any major transaction entered into in breach of the above requirements may be invalidated by a court following an action brought by the company, its directors or its shareholders owning at least 1% of the company's voting shares.

Approval of the Russian Federal Antimonopoly Service

Pursuant to the Competition Law certain transactions require prior consent of the FAS if certain assets value and/or turnover thresholds are met. Such transactions include acquisition of voting shares in a joint-stock company (or participation interests in a Russian limited liability company) which would result in the stake held by a shareholder or participant (or a group of shareholders or participants defined under Russian law) exceeding certain thresholds, acquisition of assets or rights to assets the value of which exceeds a certain amount, acquisition of rights to determine the terms of conduct of business of an entity or to exercise the powers of its executive body, entry into agreements between competitors providing for their joint activities in the territory of Russia and other transactions. The requirement to obtain prior consent of the FAS is generally, subject to certain exceptions, not applicable to intragroup transactions. See "*Regulatory matters – Russian Antimonopoly Regulation*".

Shareholders' Agreements

The Joint Stock Companies Law provides for the possibility to enter into shareholders' agreements in respect of Russian joint stock companies. Thus, the Joint Stock Companies Law stipulates that shareholders may enter into an agreement under which they undertake to exercise their shareholder rights in a certain manner or to refrain from exercising their shareholder rights, including, *inter alia*:

- to vote in a certain manner at a General Shareholders' Meeting;
- to coordinate voting with other shareholders;
- to acquire or dispose of shares at a pre-determined price or upon occurrence of certain circumstances;
- to refrain from disposing of shares until occurrence of certain circumstances; and

- to perform jointly other actions relating to the company's management, business operations, re-organisation and liquidation.

Provisions of the Joint Stock Companies Law in respect of shareholders' agreements are very generic, rather vaguely drafted and remain largely untested. It is still to be seen how this new regulation is implemented and enforced in practice.

Foreign Ownership

The Federal Law No. 160-FZ "On Foreign Investments in the Russian Federation" dated 9 July 1999, as amended (the "**Foreign Investments Law**"), provides that any acquisition (whether direct or indirect) by a foreign state or international organisation (except for certain international financial organisations) or entities controlled by them of more than 25% of voting shares of a Russian company or otherwise the right to block decisions of the management bodies of a Russian company, requires submission to the Federal Antimonopoly Service of Russia of a pre-closing filing in accordance with the procedure set out in the Strategic Investments Law. In addition, the chairman of the Government Commission for Control of Foreign Investments in the Russian Federation may rule that any transaction to be entered into by any foreign investor (which is defined to include any foreign entities and foreign individuals (including Russian individuals with other citizenship) and entities directly and indirectly controlled by them) in relation to any Russian entity requires prior approval of the Government Commission for Control of Foreign Investments in the Russian Federation under the Strategic Investment Law.

In addition, foreign persons registered as individual entrepreneurs in the Russian Federation and foreign companies (regardless of whether they are registered with the Russian tax authorities) that acquire shares in a Russian joint stock company may need to notify the Russian tax authorities within one month following such acquisition.

Notification of Acquisition of Significant Interest

Pursuant to Russian securities legislation, each holder of ordinary shares of a joint stock company that has issued securities and registered a prospectus in respect of such securities in the Russian Federation must notify the company and the CBR of an acquisition of 5% or more of the company's ordinary shares or of an acquisition of the right to vote on 5% or more of the ordinary shares by virtue of an agreement or otherwise, and of any subsequent change in the number of such ordinary shares above or below any of 5%, 10%, 15%, 20%, 25%, 30%, 50%, 75% or 95% thresholds. Each notification should contain the name of the acquirer, the name of the company and the number of the ordinary shares acquired (or votes that can be cast). Such notifications must be generally given within ten days after the ordinary shares have been transferred to such shareholder's securities account or after the acquisition of the right to cast votes attached to such ordinary shares.

Change of Control and Anti-takeover Protection

The Joint Stock Companies Law provides for anti-takeover protection measures applicable under the Russian law.

A person intending to acquire more than 30% of a public joint stock company's ordinary shares, including shares already owned by such person and its affiliates, has the right to make a public offer to purchase the remaining shares from other shareholders (voluntary offer). A voluntary offer may be made at any price (although the price should be the same for all tendering shareholders).

Within 35 days after acquisition by any means of more than 30%, 50% or 75% of ordinary shares or 35 days from the date when the acquirer learned or should have learned that it, either independently or together with its affiliates, owns such number of shares, the acquirer is required to make a public offer to purchase the remaining shares from other shareholders (mandatory offer). A mandatory offer should be made at a price that is the higher of: (i) the highest acquisition value that the offeror or its affiliate paid or agreed to pay for the target securities in any transaction in the six months preceding the date of the mandatory offer launch, or (ii) in the case of a publicly traded public joint stock company, the weighted average price of the target securities on the Russian stock exchange during the six months preceding the date of the mandatory offer filing with the CBR and, if the company is not publicly traded or is traded for less than six months, the price determined as "market value" by a certified independent appraiser.

While the offeror is required to make an all-cash voluntary or mandatory offer, it may also offer securities or a mix of cash and securities as an alternative, in which case tendering shareholders have the right to choose between the cash consideration and the consideration in the form of securities (or mixed consideration).

If, as a result of either the voluntary or the mandatory offer, the acquirer purchases more than 95% of the ordinary shares, including shares owned by its affiliates, it is required to (i) notify all the other shareholders (within 35 days after acquisition of shares above such threshold) of their right to sell their shares and other securities convertible into such shares, and (ii) purchase their shares upon request of each minority shareholder at a price equal to the highest of: (i) the highest acquisition value that the offeror or its affiliate paid or agreed to pay for the target securities in any transaction in the six months preceding the date of the respective notification (including the price paid in the voluntary offer or mandatory offer that resulted in passing the 95% threshold), (ii) in the case of a publicly traded company, the weighted average price of the target securities on the Russian stock exchange during the six months preceding the date of filing of the respective notification with the CBR and, if the company is not publicly traded or is traded for less than six months, the price determined as "market value" by a certified independent appraiser, and (iii) the highest price that the 95% shareholder or its affiliates paid or agreed to pay for the target securities after the end of the voluntary offer or mandatory offer that resulted in passing the 95% threshold.

Instead of giving notice, the acquirer may deliver a buy-out demand, binding on the minority shareholders, that they sell their shares if the acquirer crossed the 95% threshold by acquiring at least 10% of the ordinary shares in a voluntary or mandatory offer at a price that may not be lower than: (i) the price paid in the voluntary offer or the mandatory offer that resulted in passing the 95% threshold, and (ii) determined as "market value" by a certified independent appraiser, and (iii) the highest price that the 95% shareholder or its affiliates paid or agreed to pay for securities after the end of the voluntary offer or the mandatory offer that resulted in passing the 95% threshold.

An offer of the kind described in either of the preceding four paragraphs must be accompanied by an irrevocable bank guarantee of payment (except for a buy-out demand) and certain other documents. If the company is publicly traded, prior notice of the offers must be filed with the CBR; otherwise, such offers must be filed with the CBR no later than the date of the offer. The CBR may require revisions to be made to the terms of the offer (including the price) in order to bring them into compliance with the rules.

At any time after the company receives a voluntary or a mandatory offer and until 25 days prior to the expiration of the relevant acceptance period, any person will have the right to make a competing offer (that satisfies the requirements for a voluntary or mandatory offer, respectively) to purchase shares in the quantity of and at a price which is greater than or equal to the quantity and the price offered in the initial voluntary or mandatory offer. Any shareholder may revoke its previous acceptance of the respective offer and accept the competing offer. A copy of the competing offer shall be sent to the person who made the initial voluntary or mandatory offer so that such person can amend its offer by increasing the purchase price and/or shortening the settlement period. As soon as the voluntary or mandatory offer has been received by a company and until expiration of a 20-day period after the expiration of the period for acceptance of the voluntary or mandatory offer, only the General Shareholders' Meeting will have the exclusive power to make decisions on a share capital increase through an additional share issuance, on approval of interested party and certain other transactions and on certain other significant matters. The Joint Stock Companies Law provides for instances when the mandatory offer may not be made, which include, *inter alia*, the following:

- acquisition of the company's shares was performed within the course of its establishment or re-organisation;
- partial redemption of its shares by the company;
- acquisition of shares by a company's shareholder as a result of exercising the respective pre-emptive rights;
- shares of the company were earlier acquired under a voluntary offer;
- shares of the company were earlier acquired under another mandatory offer;
- transfer of shares between a shareholder of the company and its affiliates;
- acquisition of shares by contribution thereof to the share capital of the company by the Russian Federation, its subject or municipality provided the Russian Federation, its subject or municipality is or becomes an owner of more than 50% of the company's share capital as a result of such transaction; and
- acquisition of shares by contribution thereof as a payment for the newly issued shares placed under the closed subscription of a public joint stock company included in the list of strategic enterprises and strategic joint stock companies approved by the President of the Russian Federation by Order No. 1009

On Approval of the List of Strategic Enterprises and Strategic Joint Stock Companies of 4 August 2004, as amended.

Currency control

Russian currency control restrictions with regard to such instruments as ordinary shares are set out in Federal Law No. 173-FZ "On Currency Regulation and Currency Control" dated 10 December 2003, as amended (the "**Currency Law**") and respective regulations of the CBR.

Pursuant to the Currency Law, currency operations with ordinary shares between residents and non-residents may be conducted without limitations in both Roubles and in foreign currencies.

Under the Currency Law, currency operations with securities between non-residents may be conducted either in Roubles or in foreign currencies, subject to compliance with Russian securities and competition laws and regulations.

Finally, non-residents may receive dividends declared by Russian companies both in foreign currencies (confirmed by the CBR in its information letter No. 31 dated 31 March 2005) and Roubles. Dividends declared and paid in Roubles may be freely converted through Russian authorised banks and remitted outside of the Russian Federation.

PLAN OF DISTRIBUTION

DESCRIPTION OF THE DISTRIBUTION

The Offering comprises (i) an offering of Shares in Russia; (ii) an offering of Shares outside the United States in reliance on Regulation S and (iii) an offering of Shares within the United States to certain QIBs and in reliance on Rule 144A.

The Company, the Selling Shareholder and the Managers are expected to enter into an underwriting agreement and an underwriting support agreement (collectively, the "**Underwriting Agreement**") on or about 29 October 2020. Each Manager is expected to agree, severally but not jointly, to procure purchasers for, or failing which, themselves to purchase, at the Offer Price, some or all of the Shares, in accordance with the terms, and subject to the conditions, of the Underwriting Agreement.

Upon receipt of the Shares from the Selling Shareholder by the Managers, they will be delivered to the relevant purchasers on the date and in the manner agreed with the Managers.

The Shares have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act.

UNDERWRITING AGREEMENT

In the Underwriting Agreement, the Company will give certain representations, warranties and undertakings to the Managers concerning, among other things, the accuracy of the information in this Offering Memorandum, and in relation to other matters relating to the Company and its business. The Company will also give an indemnity to the Managers, liability in respect of which is unlimited as to time and amount.

The obligations of the Managers under the terms of the Underwriting Agreement are conditional upon, among other things, the receipt by the Managers of officers' certificates and legal opinions. The Underwriting Agreement may be terminated by the Managers in a number of cases, including a suspension or limitation of trading on the Moscow Exchange or breach of the representations and warranties given by the Company.

LOCK-UP PROVISIONS

It is expected that pursuant to the Underwriting Agreement, each of the Company and the Selling Shareholder will agree not to, and the Company will agree to procure *inter alia* that none of its subsidiaries from time to time, nor any other person controlled by it, any trust associated with it or any other person acting on its behalf will, from the date of the Underwriting Agreement until 90 days after the Investors Delivery Date, without the prior written consent of the Managers:

(i) issue, offer, sell, lend, mortgage, assign, contract to sell, pledge, charge, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of (or publicly announce any such action), directly or indirectly, any Ordinary Shares or any securities convertible or exchangeable into or exercisable for, or substantially similar to, any Ordinary Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying Ordinary Shares, including equity swaps, forward sales and options or global depositary receipts representing the right to receive any such Ordinary Shares; or

(ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of Ordinary Shares; or

(iii) enter into any transaction with the same economic effect as, or agree to, or publicly announce any intention to enter into any transaction described above,

whether any such transaction described above is to be settled by delivery of Ordinary Shares, such other securities, in cash or otherwise. It is envisaged the foregoing undertaking will not apply:

(i) with respect to the Company - to certain categories of transactions of the Company to be agreed between the parties to the Underwriting Agreement, including (a) any transactions with Ordinary Shares pursuant to the Underwriting Agreement; (b) certain transactions with Ordinary Shares that are conducted privately, provided that the transferee agrees to be bound by substantially similar lock-up arrangements; and (c) any transfer of Ordinary Shares to existing shareholders of the Company that exercised their pre-emptive rights in connection with the issuance of the New Shares;

(ii) with respect to the Selling Shareholder - to certain categories of transactions of the Selling Shareholder to be agreed between the parties to the Underwriting Agreement in the Underwriting Agreement or otherwise, including any transactions to be conducted under the Underwriting Agreement (including any transfer of the Shares from the Selling Shareholder to the Managers) and the Offering SPAs.

It is envisaged that certain other shareholders of the Company will, under separate lock-up deeds, agree from the date of the Underwriting Agreement until 90 days after the Investors Delivery Date, not to, without consent of the Managers (subject to agreed exceptions), issue, offer, sell or otherwise transfer any of their Ordinary Shares or securities convertible or exchangeable into or exercisable therefore.

OTHER RELATIONSHIPS

The Managers are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Managers and their respective affiliates have in the past performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve the Company's securities and instruments. VTB Capital plc has engaged Xtellus Capital Partners Inc. ("Xtellus") to act as its agent pursuant to Rule 15a-6 under the U.S. Securities Exchange Act of 1934 in connection with securities transactions effected by VTB Capital plc with U.S. investors. Xtellus is a broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority with address at 452 Fifth Avenue, 3rd Floor, New York NY 10018.

REGULATORY MATTERS

The following discussion summarises certain provisions of Russian federal and regional law relating to real estate, including those relating to areas of the Group's business activities such as construction, and other areas of the applicable legislation which affects the Group's business. This summary is not exhaustive and is qualified by reference to applicable Russian federal and regional law.

REGULATION OF REAL ESTATE

Russian legislation defines real estate as land plots, subsoil plots, buildings and structures, unfinished constructions, and anything that is firmly affixed to land (i.e., objects that cannot be moved without disproportionate damage to their purpose of use), as well as other facilities which are not affixed to land but are recognised as real estate by Russian law.

Russian federal real estate law is primarily based on:

- the Civil Code of the Russian Federation (the "**Civil Code**");
- the Land Code of the Russian Federation (the "**Land Code**");
- the Housing Code of the Russian Federation (the "**Housing Code**");
- the Town-Planning Code of the Russian Federation (the "**Town-Planning Code**");
- Federal Law No. 122-FZ On State Registration of Rights to Real Estate and Transactions Therewith dated 21 July 1997, which was replaced with Federal Law No. 218-FZ On State Registration of Real Estate dated 13 July 2015 (the "**State Registration Law**");
- Federal Law No. 221-FZ On Cadastral Activity dated 24 July 2007 (the "**Cadastral Activity Law**");
- the Share Participation Law; and
- Federal Law No. 102-FZ On Mortgage (Pledge of Real Estate) dated 16 July 1998 (the "**Mortgage Law**").

Some provisions of the Water Code, the Forestry Code, Federal Law No. 7-FZ On Environmental Protection dated 10 January 2002, Federal Law No. 101-FZ On Turnover of Agricultural Land dated 24 July 2002, Federal Law No. 127-FZ On Insolvency (Bankruptcy) dated 26 October 2002 and other statutes also regulate real estate matters.

The legal and regulatory framework of the Russian real estate market has been subject to near-constant renewal and amendment in recent years. Generally, the applicable laws and regulations focus on (i) the establishment of a legal framework for the real estate industry and market, (ii) the rights to land plots and other real estate, (iii) real estate construction, and (iv) protection of individual investors (uchastniki dolevogo stroitelstva) participating in share participation construction projects (dolevoe stroitelstvo).

In addition to the legal framework provided by a federal law, Russian regional authorities, including departments of the Moscow City Government, the Moscow Region Government and the Leningrad Region Government, regulate matters relating to real estate. In the City of Moscow, the sale and lease of land and implementation of development projects is principally governed by the Moscow Law On Land Use in the City of Moscow (the "**Moscow Land Law**"), and the Town-Planning Code of the City of Moscow (the "**Moscow Town-Planning Code**"); in the Moscow Region, it is governed by the Moscow Region Law On Regulation of Land Relations in the Moscow Region; in the Leningrad Region, it is governed by the Leningrad Region Law On Regulation of Town-Planning Activities within the Territory of the Leningrad Region in relation to Land Use Planning. Although regional legislation should not contradict Russian federal law, in practice, certain aspects of Russian regional legislation may contradict federal law.

The applicable regulations and requirements depend on type of real estate. For non-residential real estate, such as apartment-type housing (*apartamenty*) or car parking, mainly general rules of the Civil Code apply. Non-residential *apartamenty* are treated as commercial real estate, which has much lower requirements for construction process. For residential real estate, such as apartment houses more specific rules apply, such as the Housing Code, establishing certain guarantees for the owners if residential real estate. This type of real estate requires developers to provide for appropriate infrastructure, such as kindergartens, schools, hospitals, etc. While construction of residential real estate developers shall comply with strict sanitary and soundproof standards, zoning rules. There is also a difference in tax regulations – for apartamenty tax rate is same as for commercial real estate, which is higher that tax rate for residential real estate.

OWNERSHIP OF REAL ESTATE

Russian law recognises the right to own, use and dispose of real estate, such as buildings and underlying land plots. Russian law makes an important legal distinction between land plots 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 nationals may own land on the same terms as Russians, save for certain limited exceptions. The most notable exception is a prohibition on foreign nationals owning land near Russia's borders and in certain other territories specified by federal law. Furthermore, Russian law prohibits foreign nationals, as well as Russian companies with more than 50% foreign charter capital, from acquiring ownership title to agricultural lands in Russia.

Only land plots with a state cadastre number, which is given upon registration of a land plot in the Register (as defined below) may be the subject to sale and purchase. The Register records the details of land plots such as their measurements and boundaries.

Under the Land Code, legal entities may have one of the following rights with regard to land plots: (i) freehold ownership; or (ii) leasehold right. Although freehold ownership of land has been increasing, it remains relatively rare in most parts of Russia. Most of the land earmarked for private development is held by investors who have acquired a lease from the relevant state or municipal authorities. The Moscow Region's authorities and Moscow City Government, for example, provide the majority of the land for development in Moscow Region and Moscow through entering into lease agreements with developers. Legal entities may also have a servitude. Public servitudes may be imposed and upheld by federal or local authorities.

In general, anyone may own a building without any discriminatory restrictions, including foreign companies. An owner of a building may sell or lease it without any requirement to obtain state consent unless the sale falls within the remit of the Federal Antimonopoly Service, in which case consent is required.

Under Russian law, the ownership of a structure, such as a building, is separate from the ownership of the underlying land plot on which the structure is located. However, the sale of a building automatically gives the purchaser the right to use the underlying land plot on the same conditions, and to the same extent, as the previous owner of the building. In such a case, the owner of a building has to formally establish the right to use the land plot by virtue of an ownership right or lease right, as applicable, by entering into contractual arrangements with the landowner. In addition, the owner of a building located on a third party's private land has a pre-emptive right to buy or lease such underlying land plot.

Russian and non-Russian persons and legal entities may acquire land plots held by federal, regional or municipal authorities for the development and construction of new buildings. The Land Code prohibits refusal by state and local authorities to grant rights to land plots for construction purposes except where the sale of a land plot is prohibited (for example, certain land plots have been specifically withdrawn from circulation and are therefore prohibited from being leased) or restricted (certain land plots may not be transferred into ownership but may be leased) by federal law, or the land plots are reserved for state or local needs. Any such refusal may be appealed in the Russian courts.

Private real estate property may be expropriated for "state or municipal needs". The owner of the expropriated property is entitled to an advance notice, payment of the full market value of the expropriated real estate (determined by (i) an agreement with the relevant state, regional or municipal authority or (ii) by a court decision) and compensation for any other losses suffered including loss of profit. Current court practice is to interpret "state or municipal needs" narrowly, restricting expropriation to where there is an obvious need, thereby limiting attempts by public authorities to apply the rule widely.

Categorisation of Lands

Under Russian law, there are seven categories of land depending on the designated purpose of such land:

- agricultural land;
- settlement land;

- industrial land, land used by the energy, transport, telecommunications, broadcasting, television, and IT infrastructure sectors, land used for the space industry, defence and security, and land used for other special purposes;
- specially protected land and objects (e.g., national parks);
- forest land;
- waterfront land; and
- reserved land.

Land within each particular category is subject to specific requirements established by federal, regional and local laws regarding the use of such land. Pursuant to the Land Code, each category of land must be used in accordance with its designated purpose. The designated purpose of land plots is established by "types of permitted use" that reflect the applicable zoning of the relevant area. Types of permitted use are set out in Decree of the Ministry of Economic Development No. 540 dated 1 September 2014. Land plots of one category could have different types of permitted use assigned to each land plot. For example, settlement land is subject to specific town-planning zoning, including residential, administrative and business, industrial, engineering and transport infrastructure, recreational, agricultural, special purpose, military, and other zones. In order to initiate construction on a land plot, a developer must ensure that the land plot underlying the intended construction has an appropriate permitted use.

In practice, a developer often needs to change the permitted use of the land plot to commence development. The main set of rules and procedures for changing the designated purpose of land are set out in the Land Code and Federal Law No. 172-FZ On Re-Categorisation of Land and Land Plots dated 21 December 2004 (the "**Re-Categorisation Law**"). In addition to federal law, local rules related to land use apply.

It should be noted, however, that Russian law attaches a particular importance to agricultural land plots and affords them special protection and therefore changing designation of agricultural land plots is more challenging than other categories of plots. As a general rule, only low quality agricultural land plots may be re-designated for non-agricultural use, while the withdrawal of high quality agricultural land plots from agricultural use is permitted only in exceptional cases provided for by the Re-Categorisation Law.

Additional restrictions to the permitted use can be imposed by zones with special conditions for the use of territories and certain other land plot characteristics, such as water protected zones or wooded areas. For example, construction in water protected zones is permissible provided that facilities are equipped with structures that ensure the protection of water bodies from pollution, clogging, silting and depletion of water. Access to the foreshore of public water bodies (rivers, lakes and other) cannot be restricted. Construction in the vicinity of wooded areas is permissible provided fire-prevention measures are put in place to ensuring the non-spread of fire from the wooded areas.

Registration of Real Estate

Since 1998, under Russian law, ownership rights to, and certain transactions with, real estate require state registration with the Rosreestr. Prior to 1 January 2017, the Rosreestr maintained the Unified Register of Rights to Real Estate and Transactions Therewith pursuant to Federal Law No. 122-FZ On State Registration of Rights to Real Estate and Transactions Therewith dated 21 July 1997 and the State Cadastre of Real Estate in accordance with the Cadastral Activity Law. Since 1 January 2017, pursuant to the State Registration Law, the Rosreestr maintains the Unified State Register of Real Estate ("**Register**") which contains, *inter alia*, the information on rights and encumbrances in respect of real estate, cadastre of real estate assets and borders of zones with special terms of land use.

The rights and transactions that are subject to state registration in the Register include, but are not limited to, the following: the right of ownership to newly constructed buildings and facilities; the right of ownership to land plots; transfer of title to real estate through a sale and purchase transaction; mortgages; and real estate lease agreements for terms of at least one year. Rights to real estate that are subject to registration are legally valid in full once the relevant state registration with the Register is made. In the absence of relevant state registration the rights to real estate under such transactions are not fully established. Moreover, state registration is the only confirmation of the registered title. State registration of rights to real property can only be challenged in court and only on limited number of grounds.

State registration in the Register is evidenced by an extract from the Register issued by the Rosreestr. Information from the Register is publicly available for a small fee and anyone may request general information on real estate (such as a description of the real estate, the owner's name and any registered encumbrances over the real estate) in the form of an extract from the Register issued by the Rosreestr. However, information related to a chain of past transactions on the transfer of rights, or information on real estate owned by a certain entity or an individual, may only be provided to the owner of such real estate.

Ownership or other rights that were obtained before 1998 are valid even if such rights are not registered. Moreover, such rights may be voluntarily registered, at the owner’s discretion, with the Rosreestr at any time or such rights may be registered with the Rosreestr simultaneously with a transaction carried out in relation to the underlying real estate.

State registration of new buildings is usually carried out once the construction is completed. Although it is possible to register a building under construction as an unfinished construction, in practice, this happens relatively rarely, because subsequent state registration of the completed building is still required.

As a general rule, title to a building is first conferred on the developer once the building is constructed. Furthermore, according to the Land Code, the owner of a building has the right to demand that the owner of the land on which the building is located sell or lease that land to the building owner for a fixed price represented by the land tax payable for that land multiplied by a coefficient set out in the relevant regulations.

However, in case of share participation projects, individual investors directly acquire the title to apartments upon completion of the development. According to the Housing Code, owners of apartments become joint owners of the land underlying an apartment building required for its use regardless of whether the land is in state, regional, municipal or private ownership.

State registration must normally be completed by the authorities within 3–12 business days. If, however, registration authorities doubt whether the grounds for such registration are present, the authorities may demand supplemental documentation or an amended application and suspend registration for a certain period not exceeding three months. Such registration may be rejected in certain cases provided by law; in particular, if the relevant application does not comply with the applicable requirements. The applicant is entitled to challenge the actions of the registration authorities in court.

Mortgages

Under Russian law, a mortgage is a form of security taken over real estate to ensure due performance of an obligation. Both freehold and leasehold rights to real property may be mortgaged. A mortgage must be registered in the Register and takes effect upon such registration. Prior to 1 July 2014, a mortgage agreement also had to be registered.

If the debtor defaults, there are generally two options: out-of-court settlement or court proceedings. The out-of-court settlement options include the right of the mortgagee to take possession of the mortgaged property and then either retain it or sell it in a private transaction or through a public auction. If the parties fail to agree on the out-of-court proceedings option, the mortgaged real estate is sold at a public auction following court proceedings. It should be noted that some types of real property are exempt from out-of-court enforcement proceedings (including agricultural land, buildings of historic importance, and residential premises owned by individuals).

If the mortgagor becomes insolvent, the mortgagee will be regarded as the preferred creditor and will be able to satisfy its claims with up to 70% of the proceeds from sale of the mortgaged property or, in case of security obligations under a facility agreement, with up to 80% of such proceeds (but, in any case, not exceeding the principal amount of the debtor’s obligations plus accrued interest). In addition, 20% of the proceeds from sale or, in the latter case, 15%, may be used to satisfy potential claims of a higher ranking creditors, such as, for example, personal injury claims and salary payment claims. The remainder of the proceeds would be applied to cover the court expenses, pay a bankruptcy administrator’s fee and other costs.

A mortgage of leasehold usually requires the landlord’s consent. Unless the mortgage terms provide otherwise, a mortgage of a land plot applies to the mortgagor’s buildings and any unfinished construction (registered as real estate) on the land as well. In addition, if a land plot or buildings are acquired or constructed using debt finance provided for the specific purpose of financing such acquisition or construction, then the land plot is deemed to be mortgaged in favour of the lender unless otherwise provided by law or by agreement between the parties.

The Russian government supports mortgage lending. In May 2020, during the COVID-19 pandemic, a programme of preferential mortgages at 6.5% per annum was approved. Under this programme, the banks provide mortgages at a reduced rate for the purchase of primary housing in the amount of up to RUB 3 million in the regions and in the amount of RUB 8 million in Moscow, Saint-Petersburg, as well as the Moscow and Leningrad Region. Borrowers have a right for deferral or decrease of down payments for a term up to six months in certain difficult circumstances (for example, if the borrower's income decreased by more than 30%). From

April to September 2020, additional measures of a deferral or decrease of mortgage payments for borrowers whose income decreased by more than 30% are in force.

Liabilities of Persons Holding Legal Rights to Land and Buildings

Owners of land plots and buildings are required to comply with federal, regional and local legislation, which includes, among others, environmental, public health, fire, residential and town-planning rules and regulations. The owner of a building will usually bear all liabilities that may arise in connection with the building. Owners and leaseholders are required to use the land plot in accordance with its permitted use (i.e., as provided by zoning requirements), to assume liability and financial costs relating to compliance with various land use standards, not to cause harm to the environment and not to allow the pollution of, littering on or degradation of the land plot. Regional or local legislation, or an investment or lease contract entered into with the regional or local authorities, may also subject the owner or developer, as the future owner of the buildings to be constructed under the investment or lease contract, to various financial obligations, such as the financing of local engineering services, transportation and social infrastructure, as well as reimbursing previous tenants of the land plot for certain expenses.

Leases

The Civil Code and the Land Code regulate land leasing in Russia. A lease of a real estate property, including land, for a term of one year or more must be registered in the Register. A real estate lease entered into for a period less than one year does not require such registration. Lease charges for private land are not restricted by legislation; however, if the land plot is owned by the state, region or municipality, the lease charges are unilaterally determined, generally on an annual basis, by the property owner. A transfer of a land plot's ownership does not result in a change in the terms of the lease. Moreover, an expired lease agreement is deemed extended for an indefinite period of time if the tenant continues to use the leased real estate and to pay the rent, and the landlord does not object. In this case, either party can terminate the real estate lease agreement at any time by giving three months' prior notice. The lease agreement may provide for any other term if its termination.

OVERVIEW OF THE DEVELOPMENT AND CONSTRUCTION PROCESS

Town-planning Framework

The Town-Planning Code stipulates that each urban settlement must adopt city planning regulations, including: (i) regional and municipal territory planning documents that establish the boundaries of various development zones in large territories; (ii) city general plans that set out the boundaries of various functional development zones within individual urban settlements; and (iii) rules for land use and development that establish territorial zoning and describe in detail permitted construction and development conduct in each territorial zone of each urban settlement. The town-planning documents establish territorial and functional zoning of the settlement territories and indicate existing town-planning limitations, such as "red lines" and protection zones. Construction planned for any new development must comply with the prescribed town-planning limitations and zoning.

Overview of the Construction Process in Russia

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. Under Russian federal law, the basic steps typically required for commencement of construction projects are:

- obtaining the rights to land;
- preparing design documentation and obtaining infrastructure/utilities documentation;
- obtaining a construction permit;
- performing construction works;
- obtaining a commissioning report on the compliance of the construction with the applicable rules and an operational permit;
- receiving a report on technical measurements and cadastral registration of the new building; and
- registering title to the new building.

Organisation of the construction process is generally uniform throughout Russia and, depending on the complexity of the project, usually involves interaction between the following parties:

- developer (a company that holds the title to the land plot and a construction permit);
- investor and co-investors;
- developer's technical representative (a company that manages the entire development process);
- general contractor (a professional construction company that performs the construction works);
- subcontractors (that are appointed by the general contractor or technical customer for specific types of construction work);
- technical supervisor (an independent company that supervises the quality of the construction works and participates in the final commissioning of the constructed real estate); and
- technical consultants.

Obtaining Land Rights

A land plot for construction may be obtained from the state, regional or municipal authorities through a public auction and only on a leasehold basis. In order to commence the public auction procedure, the relevant authority must resolve to hold a public auction. A public auction may be initiated by the state or municipal authorities on their own or following receipt of an application from an individual or legal entity interested in obtaining a land plot for construction. The Land Code sets out a detailed public auction procedure. Pursuant to the Land Code, an agreement for the lease of a publicly owned land plot for construction may be entered into for a period of three to ten years, subject to certain exceptions. The Land Code also sets out certain preferences in favour of the owners of the buildings located on the land plots in question.

Pursuant to the Land Code, land plots should be used in accordance with its permitted type of use. To comply with this regulatory requirement, when leasing state or municipal land plots relevant authorities usually choose to enter into investment agreements with a developer. The Group also enters into investment agreements on the projects with the land plots owned or leased from a private party (e.g., the Putilkovo and the Sputnik projects) as developers are required to build certain objects of social infrastructure, such as schools and hospitals, or participate in the development and upgrade of city utilities. Under the terms of an investment agreement, state or municipal authorities become owners of the completed building or structure.

Russian legislation distinguishes between construction by developers who hold land lease rights for the relevant development project and those who are yet to obtain such rights to the land. Typically, if a developer does not have land lease rights that allow construction, it must obtain such rights in order to proceed with construction. In practice, however, a developer usually receives land lease rights for three to ten years (i.e., for the period of construction) on the basis of an auction, typically in exchange for an upfront payment (in the form of increased rent for the first year) and ongoing consideration in the form of periodic lease payments. Subject to the successful commissioning of the land plot development, the investor receives land lease rights for a term of up to 49 years.

Under the Town-Planning Code, the location of new real estate must comply with the relevant town-planning documentation that defines the functional zoning and town-planning rules for the organisation and use of the territory. Any potential developer must apply to the relevant government authorities for a city development plan of the land plot. In accordance with Moscow and Moscow Region legislation, a city development plan of a land plot is a fundamental approval which defines the possible use of the land plot and the maximum parametres of the permitted construction. Any construction of a building on a land plot which has not been duly provided for such purpose, or the permitted use and/or land category of which do not allow for such construction, may give rise to a risk that the building may be classified as an unauthorised construction subject to demolition.

Since 1 January 2017, the Town-Planning Code has provided for special regulation of integrated and sustainable development of territories ("**ISDT**") activity. Developers may obtain land plots in the course of ISDT under the procedure set forth by the Town-Planning Code or initiate ISDT within the land plots which they hold on a freehold or a leasehold basis. To initiate the procedure developer should submit to the authorised local government entity draft site plan and draft surveying plan together with the draft ISDT agreement for the approval. Within 30 days local government entity may approve and adopt the site plan without public hearings and public discussion (as an exception from the general procedure) and enter with the developer into an agreement on ISDT for the term not exceeding 15 years. The terms of ISDT agreements are generally provided by the Town-Planning Code. Under the agreement, a developer and a local government entity are to implement

ISDT by means of construction and development of public, transport and social infrastructure required for maintenance of residential, industrial, public and business premises. The agreement may also provide that a certain part of the developed infrastructure (e.g. roads, schools, kindergartens, ambulance stations) constructed at the expense of the developer is to be allocated to the local government entity. However, such agreements may also set forth certain benefits for developers (e.g. tax benefits).

Construction Permits

Construction on an allocated land plot may only be carried out following receipt of a construction permit. Failure to obtain such a construction permit prior to the commencement of construction may be regarded as a violation of Russian law and may lead to administrative fines against the developer and demolition of the buildings as unauthorised constructions.

Obtaining a construction permit is a multistage process, which includes, among other things, obtaining an approval ("a positive expert conclusion") for the design documentation from an authorised expert agency, as well as obtaining approvals for the prospective construction from various government bodies, including architectural and urban development agencies, environmental management and protection agencies and government bodies that oversee public health issues.

A construction permit is issued for a construction term and may be extended. To the extent the scope and nature of the project change, the construction permit may be amended. The construction permit may be withdrawn before its expiration date; particularly, if there is a material departure from the project documentation, or violation of building or architectural rules and regulations.

Certain preparatory works not connected with the capital construction (such as preparation of the construction site, construction of fences, and cleaning and removal of trees) may be commenced on the site prior to receiving a construction permit. However, it is necessary, to obtain a special order for such works. Upon expiration of the order, or in the event that the nature of the works changes, the order can be prolonged or amended. The order can be withdrawn in the event of a material breach of the project documentation or building and architectural rules, failure to remedy breaches detected by the relevant authorities or failure to comply with the nature of the works specified in the order. In the absence of such an order, it is forbidden to start any work on the site.

Statement of conformity and operational permits

Upon completion of construction, the developer executes a handover certificate, which evidences that the contractor completed the construction process. The building is inspected by the construction regulator, as well as construction designers, public health authorities, state fire supervision services, state architectural and urban development agencies, state environmental management and protection agencies and other state authorities. If such inspection does not identify any violations (or such violations are remedied), the construction regulator issues a statement of conformity ("**ZOS**") to confirm that the building complies with all applicable rules and standards. If the building does not comply with any applicable rules or standards, there is a risk that it may be classified as an unauthorised construction (and the building could be subject to demolition). In addition, a cadastral engineer takes measurements of the building, which are reflected in a technical plan, based on which the building is subsequently recorded in the Register. On the basis of a construction permit, ZOS, technical plan, evidence of title to land, handover certificate and other documents, an operational permit is issued to the developer.

Rights to the Land Plots Underlying Buildings

Under Russian law, an owner of a building has an exclusive right to lease or sell the land plot underlying its building. In practice, owners of buildings in Moscow and the Moscow Region typically lease the land plots underlying their buildings since the relevant government authorities are reluctant to sell the underlying land.

A developer that acquires a building for re-development also acquires the right to use the land plot underlying such building on the same conditions to which the previous owner of the building was subject. If the developer intends to use the building in a manner inconsistent with the existing terms of the lease, it may be required to change the permitted use of the land. Any such changes of the permitted use of the land plot are made at the discretion of the competent authorities. Moreover, certain challenges in the re-development of a land plot may arise if the building is occupied by tenants. A developer may, as a result, need to arrange for the relocation of the tenants of the premises.

Construction Licensing

In accordance with Federal Law No. 372-FZ On Adoption of Amendments to the Town-Planning Code of the Russian Federation and Certain Legislative Acts of the Russian Federation dated 3 July 2016, with effect from 1

July 2017, self-regulatory organisation ("**SRO**") permits to undertake particular types of works are no longer required and previously issued permits ceased to be in effect. According to the adopted amendments, persons performing certain types of (i) engineering survey works, (ii) design preparation works and (iii) works related to construction, reconstruction, capital repair and demolition of capital facilities are required to be a member of an SRO in the corresponding field. Moreover, pursuant to the amendments, only a general contractor is required to be a member of an SRO while subcontractors may perform certain types of work without being members.

Financing of Construction

Construction financing may be funded by the landowner or developer as well as by third-party investors and banks. In addition, funds for construction may be raised through pre-sell apartments under share participation agreements. Pursuant to a share participation agreement, the investor acquires the right to receive, at a future date, a specified real estate unit (such as an apartment or a parking space in a garage) in the building under construction. Once the property is commissioned, the investor obtains ownership to the relevant unit. Raising funds through share participation agreements has been one of the principal means of financing residential construction in Russia. This type of financing is regulated by the Share Participation Law. The Share Participation Law aims to protect the rights and interests of corporate and, particularly, individual investors in share participation projects, in particular, by way of the following safeguards:

- share participation financing may only be raised by a developer who has received a construction permit, published a project declaration and registered its rights (either freehold or leasehold) to the land plot intended for the construction;
- share participation contracts are subject to state registration;
- investors' funds are secured against the developer's default under the investment contract by the mortgage of the land plot and the project under construction;
- if a developer fails to fulfil its contractual obligations with respect to a share participation development project, individual investors are entitled to receive statutory interest payments as compensation from the developer; and
- administrative penalties may be imposed on developers that raised funds through share participation scheme in violation of the Share Participation Law (such as, for example, failing to receive a construction permit prior to entering into share participation agreements, publish a project declaration or make full disclosure in such a declaration and comply with reporting requirements).

The original Share Participation Law was subject to a large number of amendments. A number of significant changes occurred in 2017, when a specialised compensation fund, the Fund for Protection of the Rights of Individual Investors of Co-Funding Projects, was created. One of the main purposes of establishing the fund was to protect interests (and investments) of individual investors in share participation construction, particularly, if a developer is bankrupted. Since October 2017 (when the compensation fund's state registration was completed), each developer has been obliged to make a contribution to the compensation fund equal to 1.2% of the purchase price of a unit as set out in the relevant share participation agreement. Such payments are to be made no later than three business days prior to the date the share participation agreement is submitted to the Rosreestr for state registration.

Following the issuance of the Instruction of the President of the Russian Federation No. Pr-2261 dated 5 November 2017, the government adopted the Plan of Measures for Gradual, within Three Years, Transition from Share Participation in Construction of Apartment Buildings and Other Real Estate Construction to Banking and Other Forms of Financing for the Purposes of Decreasing Risks of Individual Investors dated 21 December 2017 (the "**Road Map**"). Pursuant to the Road Map, the transition is to be completed in three stages: (i) preliminary stage (by 30 June 2018), (ii) interim stage (from 1 July 2018 to 30 June 2019), and (iii) final stage (from 1 July 2019 to 31 December 2020). The Road Map is aimed at protecting individual investors by introducing escrow accounts and special bank accounts for payments under share participation agreements and replacing the share participation scheme of construction financing with financing from banks.

In accordance with the measures proposed by the Road Map, the Share Participation Law was amended and certain additional regulatory requirements came into effect. Among others, developers engaged in construction of housing with the use of funds from share participation agreements must possess the requisite minimum development experience, such as having been engaged in the construction of residential apartment buildings for at least three years and having commissioned not less than 5,000 square metres of residential housing. Certain other requirements related to developers include the following:

- the developer's own funds must exceed 10% of the planned cost of construction as described in the relevant construction permit;
- the developer must have no obligations under facility agreements and loan agreements (except for directed loans for the purpose of raising funds through share participation construction and construction of apartments and other real estate under a construction permit);
- the developer must have no securities outstanding other than its shares;
- any obligations of the developer unrelated to raising funds of participants of share participation construction and construction of apartments and other real estate under a construction permit must not exceed 1% of the estimated cost of construction;
- any property of the developer must not be used for securing either a developer's or a third party's obligations (unrelated to raising funds of participants of share participation construction and construction of apartments and other real estate under a construction permit);
- the developer must not make undertakings to satisfy obligations made by third parties.

Furthermore, a unified housing construction information system was created for developers to disclose information (such as, for example, financial statements, construction permits and project declarations). The new requirements affecting developers' status (other than the duty to make contributions to the compensation fund) are applied to those developers who engage in construction on the basis of permits received after 1 July 2018.

In July 2018, further amendments tightening control over developers came into force. Banking transaction support became obligatory for all developers starting from 1 July 2018. Banks are required to monitor all monetary transactions on the developer's account and may refuse a transaction request, the granting of which would facilitate misuse of funds. As a new option, developers may raise funding using escrow accounts. In such case, most of the requirements regarding the developer's experience and its financial position would not apply, primarily because the investors' fund will be insured through the government insurance programme (in the amount of up to RUB 10 million). As a general rule, from 1 July 2019, using escrow accounts for share participation agreements is mandatory. In addition, developers are required to disclose information about ultimate beneficial owners. The amendments also introduced the subsidiary liability of such ultimate beneficial owners and developers for losses caused to individual investors in shared construction projects. Further amendments came into effect in December 2018 and in June 2019. As moderate liberalisation of the new regulations, developers were allowed not to use escrow accounts provided all the necessary contributions to the compensation fund are made. However, this measure requires the project to meet certain other qualifications. The first requirement is to have at least 10% of the total project (including residential, non-residential real estate and car parking) sold under share participation agreements. The second requirement determines percentage of the project's completion. Specifically, as a general rule, the project's construction must be at least 30% completed (although there are certain exceptions, such as, for example, in respect of construction of social objects or implementing a project under ISDT agreements, in which construction may be 15% completed, or 6% completed in case of the developer's completing construction of a project abandoned by another developer or implementing a major investment project on the land received from regional authorities). These requirements may be subject to further relaxation in certain limited circumstances. Moreover, the Share Participation Law also covers apartment-type housing (apartamenty) and other non-residential real estate (such as, for example, car parking). In July 2020, further amendments came into effect. Developers have become entitled to perform operations on the developers' current accounts related to the provision of special purpose loans to their subsidiary companies (that are also developers) to implement the construction projects and spend the funds received from purchasers on engineering surveys and the preparation of a design documentation for the construction and reconstruction of the infrastructure necessary to connect a newly constructed building to utilities supply networks and social infrastructure facilities.

Developers have been entitled to receive funds from escrow accounts of purchasers immediately after the newly constructed building is commissioned. Under previously effective rules, the developers had to wait until the first registration of the title of a purchaser to an object of shared construction (residential or non-residential premises) in such building.

LAND AND REAL ESTATE TAXATION

Property tax

Pursuant to the Tax Code, property tax is payable on the following real estate:

- real estate accounted by Russian organisations and foreign organisations operating in Russia (if the latter maintain a permanent establishment or own real estate in Russia) as fixed assets (including assets transferred for temporary possession, use, disposal or fiduciary management, contributed to joint activity or received under a concession agreement) according to the Russian accounting standards if a cadastral value is not determined for such real estate
- real estate owned by organisations (Russian and foreign companies) located within the territory of Russian Federation for which cadastral value is determined.

Land plots are excluded from property tax base. Russian organisations and foreign enterprises operating in Russia through a permanent establishment pay property tax on the average annual depreciated book value of fixed assets reflected in their accounting books or on the cadastral value of such centres, which is determined and approved by the regional authorities. Such cadastral value is publicly available in the real estate cadastre. Foreign organisations that do not operate in Russia via a permanent establishment, but do own real estate located in Russia, are subject to property tax on that real estate; in which case, property tax is levied on the cadastral value of real estate. The tax rate is established by Russian regional authorities, but it may not exceed 2.2% per annum. The Tax Code permits regional authorities to provide tax incentives to certain categories of taxpayer. In the case of a construction that is in progress, property tax is payable once construction of the relevant asset is completed and the asset is commissioned.

Land tax

Land tax is regulated by the Tax Code and acts of municipal authorities. This tax is payable by individuals and legal entities holding title to land plots in the Russian Federation. The tax rates are established by the acts of municipal authorities (in Moscow these are established by the laws of the City of Moscow), but may not be higher than 0.3% of the cadastre value of a land plot for agricultural land or land plots underneath residential housing and may not be higher than 1.5% of the cadastre value of a land plot for other land categories. The Tax Code permits municipal authorities to provide tax incentives to certain categories of taxpayer. For legal entities, the tax is payable on a quarterly basis, unless otherwise established by acts of municipal authorities.

Land lease charges

Persons and legal entities in Russia pay a land lease charges to federal, regional or local bodies pursuant to land lease agreements. The general rules for assessing land lease charges are established by the relevant federal, regional and local authorities in relation to federal, regional or local lands, respectively. Federal law authorises federal, regional and local authorities to establish individual land lease rates for certain categories of land and lessee. Under Russian law, the relevant authorities may require the payment of a separate, and sometimes significant, fee for the right to enter into a lease agreement with them. The terms for effecting land lease payments by a lessee are governed by the particular land lease agreement between the lessee and the federal, regional or local authorities.

REGULATION OF INTELLECTUAL PROPERTY

The Civil Code generally provides for the legal protection of trademarks registered with Rospatent. In addition, in accordance with the Agreement Concerning the International Registration of Marks (Madrid, 1891) and protocols thereto, Russia protects trademarks registered with the World Intellectual Property Organisation if international registration of such trademarks extends to Russia. Upon the registration of a trademark, Rospatent issues a certificate of registration of the trademark, which is valid for ten years from the date on which the application for registration was filed. This term may be extended for another ten years an unlimited number of times. In the absence of registration (i) the entity using the designation may be not able to protect its trademark against unauthorised use by a third party; (ii) if a third party has previously registered a trademark similar to the designation in question, then the entity may be held liable for unauthorised use of such trademark. Agreements for assignment of rights to a trademark, franchising agreements, licence agreements and pledge agreements are subject to registration with Rospatent. An unregistered licence agreement is invalid and unenforceable under Russian law and may trigger civil, administrative and criminal liability.

The Civil Code recognises a concept of a well-known trademark, i.e., a mark which, as a result of its widespread use, has become well known in association with certain goods among the relevant consumers in Russia.

Well-known trademarks enjoy more legal benefits than ordinary trademarks; these include:

- broader coverage: an owner of a well-known trademark may exercise its exclusive rights in association with goods beyond those for which the relevant trademark was originally registered, provided that the use of a n identical or confusingly similar trademark by a third party would cause consumers to associate the third party's trademark with the owner of the well-known trademark and would affect the legitimate interests of the owner of the well-known trademark; and

- an unlimited registration period: unlike the ordinary trademarks (which can be registered for ten years and renewed for each subsequent ten years period an unlimited number of times), the well-known trademarks registration generally remains effective for an unlimited period of time.

In order to register a mark as a well-known trademark, a person using the mark must submit the relevant application to Rospatent, together with certain documents including evidence that the relevant mark has become well known (such as the results of consumers surveys, documentary evidence of costs incurred for the advertising of the mark, etc.). Rospatent must take a decision on the application within 18 months and two weeks but this period may be extended subject to the regulator's requests for and consideration of additional documents and/or clarifications from the applicant.

The application may be denied in the following circumstances:

- the applicant has not provided the documents evidencing that the relevant mark has become well known; or
- the relevant mark has become well known after the priority date of another person's trademark which is identical or confusingly similar with the relevant mark and which has been registered for the use in respect of similar goods.

The mark is recognised a well-known trademark from the date of its registration (i.e. its entry into the register of well-known trademarks).

RUSSIAN ANTIMONOPOLY REGULATION

Merger control rules

Under the Competition Law, an investor must apply for prior consent of the FAS in relation to:

- other than in respect to financial organisations, such as banks, an acquisition by it (or its group) of more than 25% of the voting shares of a Russian joint-stock company (or one-third of the participation interests in a Russian limited liability company), except upon incorporation, and the subsequent increase of these stakes to more than 50% of the total number of the voting shares and more than 75% of the voting shares (or one-half and two-thirds of the participation interests), or acquisition by it (or its group) or lease of the fixed production assets (other than land and non-industrial buildings, constructions, premises and parts thereof or construction in progress) and/or intangible assets of an entity which are located/registered in Russia if the book value of such assets exceeds 20% of the total book value of the fixed production and intangible assets of such entity, or obtaining rights to determine the terms of conduct of business of a Russian entity or to exercise the powers of its executive body, or an acquisition by it (or its group) of more than 50% of the voting shares in a foreign entity, which sold goods and/or services into Russia for an amount exceeding 1 billion Roubles in the year preceding the transaction, or the rights to determine the terms of conduct of business of such entity or to exercise the powers of its executive body, if, in any of the above cases, the combined book asset value of the acquirer's group and the target's group (excluding the book asset value of the seller and its group, if as a result of the acquisition the seller and its group cease to control the target) exceeds RUB7 billion and at the same time the total book asset value of the target's group exceeds RUB400 million, or the combined turnover of the acquirer's group and the target's group in the preceding calendar year exceed 10 billion Roubles and at the same time the total book asset value of the target's group exceeds 400 million Roubles;
- mergers and amalgamations of entities, other than financial organisations, if the combined book value of assets of their respective groups exceeds RUB7 billion, or the combined annual turnover of such entities' groups in the preceding calendar year exceed RUB10 billion; and
- founding of a business entity, if its charter capital is paid by the shares (or participation interests) and/or the assets of another business entity (other than financial organisation) or the newly founded business entity acquires shares (or participation interests) and/or the assets of another business entity based on a transfer act or a separation balance sheet and rights in respect of such shares (or participation interests) and/or assets as specified above, if the combined book asset value of the founders' group and the group(s) of the business entities whose shares (or participation interests) and/or assets are contributed to the charter capital of the newly founded business entity, exceeds 7 billion Roubles, or the combined

turnover of such founders' and business entities' groups in the preceding calendar year exceed RUB10 billion.

- entry into agreements between competitors providing for their joint activities in the territory of Russia, if the combined book asset value of their respective groups exceeds RUB7 billion, or their total turnover in the preceding calendar year exceed RUB10 billion.

The requirement to obtain prior consent of the FAS will not apply if the transactions are performed by members of the same group, if information about such a group of persons was disclosed to the antimonopoly authority and there were no changes within one month prior to the date of the transaction within that group of persons. In such cases, the FAS must be notified of the transactions subsequently in accordance with the Competition Law by way of submission of a post-completion notification. Furthermore, the above requirement will not apply if the parties to a transaction are members of the same group, where one party holds in the other party (either due to its participation in this company or based on the powers received from other persons) more than 50% of the votes in its equity (share) capital or if the parties to the transaction are under common control of an entity which holds, directly or indirectly, more than 50% of the voting shares in each of the parties.

A transaction entered into in violation of the above requirements may be invalidated by a court decision pursuant to a claim brought by the FAS if the FAS proves to the court that the transaction leads or could lead to a limitation of competition in the relevant Russian market. In relation to the entities which were founded, merged or amalgamated without a FAS approval where it was required, the FAS may also issue binding orders and bring court proceedings seeking their liquidation, split-up or spin-off. In addition, a failure to comply with the above requirements entails imposition of the following administrative fines: (i) from RUB 300,000 to RUB 500,000 for legal entities and from RUB 15,000 to RUB 20,000 for officers for a failure to file an application for prior consent to the transaction to the FAS, and (ii) from RUB 150,000 to RUB 250,000 for legal entities and from RUB 5,000 to RUB 7,500 for officers for a failure to file a post-completion notification to the FAS.

Restrictions for companies having a dominant position

Under the Competition Law, a company may be qualified as having a dominant position in a market if its market share is over 50% (or in certain cases over 35%), which would lead to application of regulatory restrictions, including with respect to acquisitions. Moreover, the FAS is entitled to establish a dominant position of a company even if the company's market share is 35% or less and exceeds market shares of other companies in the relevant market when all of the following requirements are met: (i) the aggregate share of three major participants of the relevant market exceeds 50% or the aggregate share of five major participants of the relevant market exceeds 70%, provided that each such participant's share exceeds 8%; (ii) during at least one year (or during the existence period of the relevant market) relative sizes of participant's shares have not changed or have changed slightly and there are barriers to entry into the relevant market for new participants; and (iii) the products sold or purchased cannot be replaced by any other, the price changes do not cause declines in sales and information on the price, terms of realisation and purchase in the relevant market is publicly available. If a company (or its group) is found to hold a dominant position within a certain market, that company (or its group) will become subject to increased scrutiny of the FAS.

Under the Competition Law, a company with a dominant position in the relevant market is prohibited from abusing its dominant position. Specifically, such company is prohibited from:

- establishing and maintaining monopolistically high or monopolistically low prices of goods;
- withdrawing goods from circulation, if the result of such withdrawal is an increase in the price of goods;
- imposing contractual terms upon a counterparty which are unfavourable for the counterparty or not related to the subject matter of agreement (i.e., terms that are economically or technologically unjustified);
- reducing or terminating, without economical or technological justification, production of goods if there is a demand for the goods or orders for their delivery have been placed and it is possible to produce them profitably;
- refusing or avoiding, without economical or technological justification, to enter into a contract with customers in cases when the production or delivery of the relevant goods is possible;
- establishing, without economical, technological or other justification, different prices for the same goods;

- establishing unjustifiably high or unjustifiably low price of a financial service by a financial organisation;
- creating discriminatory conditions;
- creating barriers to entry into the market for the relevant goods or forcing other companies to leave the market;
- violating pricing procedures established by law; and
- manipulating prices in the wholesale and/or retail electricity (capacity) markets.

If the FAS suspects abuse, it may initiate proceedings. If an abuse of dominant position is identified, the FAS may in certain cases issue a warning to stop the abuse or, in other cases (including if the company does not stop the abuse based on the warning), acknowledge the violation of the Competition Law, issue a binding order to eliminate the violation and impose a fixed fine or a turnover-based fine calculated on the basis of the annual turnover received by the company in the affected market. Fines for an abuse of a dominant positon include an administrative fine of up to 1 million Roubles where there was an abuse but was no limitation of competition as such, and, if there was a limitation of competition, a fine of up to 15 percent of the dominant company's turnover in the affected market in the year preceding the year in which the violation was discovered, but not more than 2% of gross proceeds of sale of all products and services in the year preceding the year of the violation. The officers of the dominant entity may be fined for up to 50,000 Roubles or penalised with disqualification for up to three years. The FAS has the right to order that the entity which abused its dominant position pay all its revenues earned as a result of such abuse to the Russian State. If it so pays, no administrative fines can be imposed on it.

Limitations on, concerted actions, agreements and coordination of business activity

Under the Competition Law, concerted actions are actions which are taken in the absence of any agreement between market participants and which meet the following criteria: (a) the result of such actions is in the interest of each concerting market participant; (b) such actions were known in advance to each of the market participants due to a public announcement made by one of them regarding such actions; and (c) such actions are not caused by market circumstances equally affecting all business entities in the relevant market.

The Competition Law generally prohibits any concerted actions by, and any agreements between, competitors and/or coordination of business activity that results or may result in, among other matters, (a) fixing or maintaining prices, discounts, mark-ups or margins; (b) coordination of auction bids; (c) division of a commodity market by territory, volume of sales or purchases, types of products, customers or suppliers; or (d) refusal by suppliers to enter into contracts with customers for reasons other than economic or technological reasons. The Competition Law also prohibits certain vertical and other agreements (unless such agreements fall under the exemptions provided for, or meet certain permissibility criteria listed in, the Competition Law), including any agreements which lead or may lead to a limitation of competition as a result of: (a) imposing unfavourable contractual terms; (b) setting different prices for the same products where this is not economically or technologically justified or (c) creation of barriers to entering or exiting a market for other market players.

The sanctions for prohibited concerted actions, agreements between competitors and other anticompetitive agreements and/or coordination of business activity are as follows:

- In relation to concerted actions: an administrative fine on each party participating in concerted actions in an amount of up to 3 percent of such party's turnover in the affected market in the year preceding the year in which the offense was discovered, and a fine on officers of such party of up to RUB 20,000;
- In relation to prohibited anticompetitive agreements: an administrative fine on each party to the agreement in an amount of up to 5 percent of such party's turnover in the affected market in the year preceding the year in which the offense was discovered, and a fine on officers of such party of up to RUB 30,000 or (in relation to prohibited vertical agreements) their disqualification for up to one year;
- In relation to prohibited agreements between competitors (cartels): an administrative fine on each party to the cartel of up to 15 percent of the party's turnover in the affected market in the year preceding the year in which the cartel was discovered, a fine of up to RUB 50,000 on each party's officers (likely, the CEO), and disqualification of such officers for a period of up to three years. Furthermore, criminal liability may apply in principle, sanctions under which include higher fines for officers (up to 1,000,000 Roubles or in an amount of the officer's salary or other income for up to five years), disqualification for up to three years, forced labour for up to five years and even imprisonment for up to (depending on the circumstances) seven years.

- In relation to coordination of business activity: an administrative fine on the coordinating party in an amount of up to RUB 5,000,000 and a fine on officers of such party of up to RUB 50,000.

Also, the FAS has the right to order that the party in breach pay all its revenues earned as a result of the breach to the Russian State. If it so pays, no administrative fines can be imposed on it. As a matter of practice, however, the FAS imposes this sanction rarely and only when the fine for some reason cannot be calculated.

Federal Antimonopoly Service

The FAS is the state body in charge of enforcement of antitrust, foreign investment, public procurement and advertising laws. The FAS is also in charge of tariff regulation.

Russian legislation vests ample powers in the FAS permitting it to take necessary actions, including to (i) initiate proceedings regarding violation of the relevant laws; (ii) issue orders or impose fines; (iii) bring judicial actions to enforce the relevant laws against companies and their officers, including, inter alia, through invalidating in full or in part any agreements that violate the relevant laws. Historically, the FAS has fined a number of Russian companies on the grounds of their wrongful discrimination against suppliers by way of (x) imposing unequal or unfair conditions on suppliers, (y) refusing to enter into supply agreements with willing and able suppliers thus creating barriers to the suppliers' access to the market or (z) tying their entry into marketing agreements with suppliers to the turnover of their goods.

RUSSIAN LAW ON ADVERTISING

The Law on Advertising prohibits unfair and inaccurate advertising. The Law on Advertising restricts (i) dissemination of false, inaccurate, or distorted information that may inflict losses on an entity or cause damage to its business reputation; (ii) misrepresentation with respect to the nature, method, and place of manufacture or origin, consumer features, quality and quantity of a commodity or with respect to its producers; (iii) incorrect comparison of the products manufactured or sold by it with the products manufactured or sold by other entities; (iv) sale of commodities in violation of intellectual property rights, including trademarks and brands; or (v) illegal receipt, use, and disclosure of information constituting commercial, official or other secret protected by law. Advertising shall not be offensive (with regard to nationality, cultural properties, etc.) or misleading. Advertising activity as such does not require any licence. Advertising may be challenged by filing a complaint to FAS, which may issue injunctions as well as impose administrative fines. Persons, whose rights and interests have been affected by advertising, may seek reimbursement of damages in courts. Fines for violation of the Law on Advertising, include an administrative fine in an amount of up to RUB 500,000 for legal entities and a fine on officers of up to RUB 20,000.

EMPLOYMENT AND LABOUR

Russia has a comprehensive set of laws regulating labour relations between employers and employees. Employment matters in Russia are primarily governed by Russian Labour Code No. 197-FZ dated 30 December 2001, as amended (the "**Labour Code**"). It sets minimum employment standards that cannot be overridden by the agreement of parties.

Employment contracts

A written employment contract, setting out the basic terms of the employment relationship, must be entered into by each employee working in Russia. Any provision in an employment contract that diminishes an employee's position from that set out in the Labour Code will be invalid.

The Labour Code provides the list of terms and conditions that must be included in an employment contract (including the title of the job position of the employee; the term of an employment contract, conditions of work; compensation and benefits; conditions of remuneration; etc.).

As a general rule, employment contracts are concluded with employees for an indefinite term. Russian labour legislation expressly limits the possibility of entering into fixed-term employment contracts. However, an employment contract may be entered into for a fixed term of up to five years in certain cases where labour relations may not be established for an indefinite term due to the nature of the duties or the conditions of the performance of such duties as well as in other cases expressly identified by federal law.

Generally, the employer cannot make unilateral changes to the terms of the employment contract, unless there are organisational or technological changes in the conditions of work. Organizational or technological changes in the conditions of work must be justified and supported by the relevant internal documentation of the employer.

An employer may terminate an employment contract only on the basis of the specific grounds enumerated in the Labour Code, including (i) liquidation of the company or staff redundancy; (ii) failure of the employee to comply with the job position's requirements due to incompetence, as confirmed by the results of appraisal; (iii) systematic failure of the employee to fulfil his or her duties without a fair excuse if within the year this employee was subject to prior disciplinary action and if a warning or reprimand imposed on the employee has not been withdrawn by the employer; (iv) any single gross violation by the employee of his or her duties as it is defined in the Labour Code; and (v) provision by the employee of false documents or misleading information prior to entry into the employment contract.

Specific selection criteria of employees to be dismissed due to staff redundancy and notification requirements are established by the Labour Code. An employee dismissed from a company due to staff redundancy or liquidation is entitled to receive compensation including a severance payment and, depending on the circumstances, average salary payments for a certain period of time.

The Labour Code also provides protection for specified categories of employees. For example, except in cases of liquidation of a company, an employer cannot dismiss an employee who is on sick-leave, on a business trip or on holiday, or expectant mothers. Mothers with a child under the age of three, single mothers with a child under the age of 14 or a disabled child under the age of 18, or other persons caring for a child under the age of 14 or a disabled child under the age of 18 without a mother, may not be dismissed by the employer.

Any termination by an employer that is inconsistent with the Labour Code requirements may be invalidated by a court, and the employee may be reinstated. The general statute of limitation for contesting wrongful dismissal is one month as of the day when the employee was given a copy of the HR order on employment termination or when his/her workbook was returned to him/her. Lawsuits for the reinstatement of illegally dismissed employees and claiming damages for wrongful dismissal are increasingly frequent, and Russian courts tend to support employees' rights in most cases. Where an employee is reinstated by a court, depending on the scope of the employee's claims, the employer must compensate the employee for the unpaid average salary for the period between the wrongful termination and reinstatement, as well as for the distress suffered by the employee and perform some other remedial actions.

Work time, annual leave and retirement

The Labour Code generally sets the regular working hours at 40 hours per week. Any time worked beyond 40 hours per week, if the employee is not working on an irregular working hours regime, must be compensated at a higher rate. Work on public holidays and weekends must also be compensated at a higher rate. Annual paid vacation leave under the law is generally 28 calendar days. Employees who work in harmful conditions may be entitled to additional annual paid vacation. The duration of such additional annual paid vacation is determined based on provisions of an industrial agreement or a collective bargaining agreement and cannot be less than 7 calendar days. The retirement age in Russia is 60.5 year for males and 55.5 years for females who retires in 2020. As at 1 January 2028, the retirement age would become 65 years for males and 60 years for females with a several year transition period when individuals would be entitled to apply for state pension prior to reaching the new retirement age. An earlier retirement age is established for some categories of employees (employees with a long employment history employees working in the Far North regions, employees in certain professions working in harmful working conditions). An individual's reaching the retirement age does not form a legal ground for employment termination.

Salary

The minimum monthly salary in Russia is established by federal law. As at 1 January 2020, the statutory minimum monthly salary at the federal level is RUB 12,130 per month. As at 1 January 2021, the minimum monthly salary is planned to be RUB 12,392.

Local Russian authorities are entitled to adopt a higher local minimum salary, but are not allowed to adopt a lower salary than the federal minimum level. The minimal salary level may also be set by collective bargaining agreements and collective agreements. Salary is to be paid on a bi-weekly basis. The salary payment dates should be specified by the employer's internal labour regulations, a collective bargaining agreement or an employee's employment contract. For example, in Moscow the minimum monthly salary, from 1 October 2019, is set at RUB 20,195.

Strikes

The Labour Code defines a strike as the temporary and voluntary refusal of employees to perform their work duties with the intention of settling a collective labour dispute. Russian legislation contains several requirements for strikes to be qualified as legal under the law. Participation in a legal strike may not be considered by an employer as a ground for terminating an employment contract, although employers are generally not required to pay salaries to striking employees for the duration of the strike. Participation in an illegal strike after a court decision on the illegality of the strike has been delivered to the employees' representative body may be adequate grounds for disciplinary actions against the employee, including dismissal. Since its establishment, the Group has not experienced any strikes.

Trade unions

Trade unions in Russia still retain significant influence over employees of large industrial companies. The activities of trade unions are generally governed by Federal Law on Trade Unions, Their Rights and Guaranties of Their Activity No. 10-FZ dated 12 January 1996, as amended, (the "**Trade Union Law**"). Other applicable legal acts include the Labour Code, which provides for more detailed regulations relating to activities of trade unions. The Trade Union Law defines a trade union as a voluntary union of individuals with common professional and other interests that is incorporated for the purposes of representing and protecting the rights and interests of its members. As at the date of this Offering Memorandum, the Group's employees did not belong to any trade unions.

Collective bargaining agreements

The Labour Code provides that a collective bargaining agreement applies to all employees of the company whether members or non-members of the trade union. A collective bargaining agreement may be concluded either for the entire company, or for its branches, representative offices and other structural subdivisions. A collective bargaining agreement may be concluded for a term not exceeding three years and may be extended for another three years. It is not possible to include in the collective bargaining agreement a provision worsening the employees' standing under the general rule of law, as such provisions would be null and void. As at the date of this Offering Memorandum, the Group did not have any collective bargaining agreements.

ENVIRONMENTAL MATTERS

The Group is subject to laws, regulations and other legal requirements relating to the protection of the environment, including those governing the discharge of hazardous substances into the air and water, the management and disposal of hazardous substances and waste, the clean-up of contaminated sites, flora and fauna protection and wildlife protection. Issues of environmental protection in Russia are regulated primarily by Federal Law No. 7-FZ "On Environmental Protection" dated 10 January 2002, as amended (the "**Environmental Protection Law**"), as well as by a number of other federal and local legal acts.

Pay-to-pollute

The Environmental Protection Law establishes a "pay-to-pollute" regime administered by federal and local authorities. The Ministry of Natural Resources and Ecology, the Federal Service for the Supervision of the Use of Natural Resources, the Federal Agency on Water Resources and other government agencies have established standards relating to the permissible impact on the environment and, in particular, limits for emissions and disposal of substances, waste disposal and resource extraction. A company may obtain approval for exceeding these statutory limits from the federal or regional authorities, depending on the type and scale of environmental impact. As a condition to such approval, a plan for the reduction of the emissions or disposals must be developed by the company and cleared with the appropriate government authority. Fees should be calculated subject to the hazard class of the production and consumption waste, actual volumes of pollutant emissions, approved limits on emissions and disposals of pollutant substances and any excess of these limits with further adjustments to additional multipliers provided for by the recent changes to the Environmental Protection Law. Payments of such fees do not relieve a company from its responsibility to take environmental protection measures and undertake restoration and clean-up activities.

Ecological approval

Certain activities that may affect the environment are subject to state ecological examination by the Russian federal authorities or authorities of the constituent members of the Russian Federation in accordance with Federal Law No. 174-FZ "On Ecological Expert Examination" dated 23 November 1995, as amended. Conducting such operations that may cause damage to the environment without state ecological approval may result in the negative consequences described under "— *Environmental liability*".

Enforcement authorities

The Federal Service for the Supervision of the Use of Natural Resources, the Federal Service for Environmental, Technological and Nuclear Supervision, the Federal Service for Hydrometeorology and Environmental Monitoring, the Federal Agency for Forestry and the Federal Agency for Water Resources (along with their regional branches) are involved in environmental control, implementation and enforcement of relevant laws and regulations. The federal government and mainly the Ministry of Natural Resources and Ecology are responsible for coordinating the activities of the regulatory authorities in this area. Such regulatory authorities, along with other state authorities, individuals and public and non-governmental organisations, also have the right to initiate lawsuits for the compensation of damage caused to the environment. The general statute of limitations for such lawsuits is 20 years.

Environmental liability

If the operations of a company violate environmental requirements or cause harm to the environment or any individual or legal entity, environmental authorities may suspend these operations or a court action may be brought to limit or ban these operations and require the company to remedy the effects of the violation. Any company or employees that fail to comply with environmental regulations may be subject to administrative and/ or civil liability, and individuals may be held criminally liable. Courts may also impose clean-up obligations on violators in lieu of or in addition to imposing fines.

Health and Safety

The principal law regulating industrial safety is Federal Law No. 116-FZ "On Industrial Safety of Dangerous Industrial Facilities" dated 21 July 1997, as amended (the "**Safety Law**"). The Safety Law applies, in particular, to industrial facilities and sites where certain hazardous substances (e.g., flammable, or toxic substances, explosives, combustibles, etc.) are used, processed, stored, transported, or destroyed. The Safety Law also contains a comprehensive list of dangerous substances and their permitted concentration, and extends to facilities and sites where these substances are used.

Any construction, reconstruction, liquidation or other activities in relation to regulated industrial sites is subject to state industrial safety review. Any deviation from project documentation in the process of construction, reconstruction and liquidation of industrial sites is prohibited unless relevant amendments are made to the project documentation and are reviewed by a licensed expert. Companies that operate such industrial facilities and sites have a wide range of obligations under the Safety Law and the Labour Code. In particular, they must limit access to such sites to qualified specialists, maintain industrial safety controls and carry insurance of liability for injuries caused to third parties in the course of operating industrial sites. The Safety Law also requires these companies to enter into contracts with professional accident response companies or create their own accident response services in certain cases, conduct personnel training programmes, create systems to cope with and inform the Federal Service for Environmental, Technological and Nuclear Supervision of accidents and maintain these systems in good working order. In addition, the Labour Code provides for the state inspections of work safety to verify, in particular, the compliance of work conditions to state standards as well as compensations to employees due to hard or hazardous work conditions. Besides, companies with more than 50 employees must have a special work safety service or a work safety officer.

Business entities are required to spend 0.2% of their production expenses on improvement of work safety.

The Federal Service for Environmental, Technological and Nuclear Supervision has broad authority in the field of industrial safety. In case of an accident, a special commission led by a representative of the Federal Service for Environmental, Technological and Nuclear Supervision conducts a technical investigation of the cause. The company operating the hazardous industrial facility where the accident took place bears all costs of an investigation. The officials of the Federal Service for Environmental, Technological and Nuclear Supervision have the right to access industrial sites and may inspect documents to ensure a company's compliance with safety rules. The Federal Service for Environmental, Technological and Nuclear Supervision may suspend or terminate operations or impose administrative liability.

Any company or individual violating industrial safety rules may incur administrative and/or civil liability. A company that violates safety rules in a way that negatively impacts the health of an individual may also be obligated to compensate the individual for lost earnings, as well as health related damages.

PERSONAL DATA PROTECTION

Environmental protection in Russia is regulated primarily by Federal Law No. 152-FZ "On Personal Data" dated 27 July 2006, as amended (the "**Personal Data Law**"). Personal data means any information pertaining to a particular individual, including his/her surname, first name, patronymic, date and place of birth, address, and other information. Personal data processing means operations with personal data including personal data gathering, systematising, accumulation, storage, specification (updating, changing), use, distribution (including transmission), depersonalisation, blocking, destruction. Personal data processing generally requires consent of a personal data subject. Consent may be given to a personal data operator in oral, written or electronic form, unless a specific form of consent is required.

Violation of personal data laws generally entails administrative fines for the operator and/or its officer. In addition, a violation may also entail civil liability; criminal liability for the operator's officer if the personal data contains information about personal or family secrets of a data subject, and such information has been collected or distributed without the data subject's consent; disciplinary liability; blocking access to the operator's website if it contains personal data that has been processed in violation of statutory requirements.

TAXATION

The following summary of certain U.S. federal income and Russian tax consequences of ownership of the Shares is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect on the date hereof. 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 Shares, 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 Shares. 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 Shares, including the applicability and effect of any other tax laws or tax treaties, of pending or proposed changes in applicable tax laws as at the date hereof, and of any actual changes in applicable tax laws after such date.

RUSSIAN TAX CONSIDERATIONS

The following is a general description of certain Russian tax considerations relating to the Shares. It does not purport to be a complete analysis of all tax considerations relating to the Shares.

Prospective holders of the Shares should consult their tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Shares and receiving payments of dividends and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect as at the date hereof. The information and analysis contained in this section are limited to issues relating to taxation, and prospective holders should not apply any information or analysis set out below to other issues, including (but not limited to) the legality of transactions involving the Shares.

General

The following is the summary of certain Russian tax considerations relevant to the purchase, ownership and disposal of the Shares by Russian resident and non-resident investors, as well as the taxation of dividend income and is based on the laws of the Russian Federation in effect at the date hereof, which may be subject to changes in future (possibly with retroactive effect).

The summary does not seek to address the applicability of, and procedures in relation to, taxes levied by the regions, municipalities or other non-federal authorities of the Russian Federation. Nor does the overview seek to address the availability of double tax treaty relief in respect of the Shares, and it should be noted that there may be practical difficulties, including satisfying certain documentation requirements, involved in claiming relief under an applicable double tax treaty. Prospective holders should consult their own professional advisors regarding the tax consequences of investing in the Shares. No representations with respect to the Russian tax consequences to any particular holder are made hereby.

The provisions of the Russian Tax Code applicable to holders of and transactions involving the Shares are ambiguous and lack interpretive guidance. Both the substantive provisions of the Russian Tax Code applicable to financial instruments and the interpretation and application of those provisions by the Russian tax authorities may be subject to more rapid and unpredictable change and inconsistency than in jurisdictions with more developed capital markets or more developed taxation systems. In particular, the interpretation and application of such provisions will in practice rest substantially with local tax inspectorates.

In practice, interpretation by different tax inspectorates may be inconsistent or contradictory and may involve the imposition of conditions, requirements or restrictions not provided for by the existing legislation. Similarly, in the absence of binding precedents, court rulings on tax or related matters by different Russian courts relating to the same or similar circumstances may also be inconsistent, contradictory or changing.

For the purposes of this summary, a "**Russian Resident Holder**" means:

- an individual investor holding the Shares who actually resides in the Russian Federation for an aggregate period of 183 days (including days of arrival in the Russian Federation and days of departure from the Russian Federation) or more in a period comprising 12 consecutive months (days of medical treatment and education outside the Russian Federation are also counted as days spent in the Russian Federation if the individual departed from the Russian Federation for these purposes for less than six months). The interpretation of this definition by the Ministry of Finance suggests that for tax withholding purposes an individual's tax residence status should be determined on the date of the income payment (based on the number of days in the Russian Federation in the 12-month period preceding the date of payment). The individual's final tax liability in the Russian Federation for the reporting calendar year should be determined based on his/her tax residence status for such calendar year, i.e., based on the number of days spent in the Russian Federation in the 12-month period as of the end of such calendar year;

- an investor that is a Russian legal entity;
- a legal entity or an organisation, in each case organised under a foreign law, that purchases, holds and/or disposes of the Shares through its permanent establishment in the Russian Federation;
- a legal entity or an organisation, in each case organised under a foreign law, that is recognised as a Russian tax resident based on Russian domestic law and/or applicable double tax treaty;
- a legal entity or an organisation in each case organised under a foreign law, voluntary obtained a Russian tax residency.

For the purposes of this summary, a "**Non-Resident Holder**" is a holder of the Shares which is not qualified to be a Russian resident holder as discussed above.

Holders of the Shares should seek professional advice on their tax status in Russia.

Taxation of Acquisition of the Shares

No Russian tax implications generally should arise for holders, whether they are Russian Resident Holders or Non-Resident Holders, upon purchase of the Shares.

However, in certain circumstances, taxable income in the form of a material benefit (deemed income) may arise for individual holders if the Shares are purchased at a price below market value. If the acquisition price of the Shares is below the lower threshold of the range of fair market value calculated under a specific procedure for the determination of market prices of securities for tax purposes, the difference may be subject to the Russian personal income tax at a rate of 30% for individuals who are non-resident holders (arguably, this would be subject to reduction or elimination under an applicable double tax treaty) and 13% for individuals who are Russian resident holders.

Under Russian tax legislation, taxation of the income of non-resident holders who are individuals will depend on whether this income would be assessed as received from Russian or non-Russian sources. Although Russian tax legislation does not contain any provisions on how the relevant material benefit should be sourced, the tax authorities may infer that such income should be considered as Russian source income if the Shares are purchased "in the Russian Federation". In the absence of any additional guidance as to what should be considered as the purchase of securities "in the Russian Federation", the Russian tax authorities may apply various criteria in order to determine the source of the related material benefit, including consideration of the place of conclusion of the acquisition transaction, the location of the issuer, or other similar criteria.

Also, in certain circumstances, Russian resident holders that are legal entities or organisations acquiring the Shares must fulfil the responsibilities of a Russian tax agent (i.e., a legal entity resident in the Russian Federation for tax purposes paying taxable Russian source income to non-resident legal persons, organisations, resident and non-resident individuals being responsible for withholding Russian tax) with respect to withholding tax from the sales proceeds for the Shares to be transferred to a Non-Resident Holder that are legal entities disposing of Shares, and Russian resident and non-resident individuals. Holders of Shares should consult their own tax advisers with respect to the tax consequences of acquiring the Shares.

Taxation of Dividends

Russian tax on dividends is withheld and remitted to the Russian budget by a Russian company that, in accordance with the provisions of the Russian Tax Code, is regarded as a tax agent. In general, Russian depositary should act as a tax agent when it pays dividends to security holders. The applicable withholding tax rate will depend on the status of the dividend's recipient unless the Shares are held on either foreign nominal holder depo account, foreign authorised holder depo account or depositary receipt programme depo account opened with a Russian custodian, in which case an applicable withholding tax rate will also depend on the disclosure of information to such Russian custodian in respect of the persons executing rights attached to the relevant Shares and on the jurisdiction where such persons are tax residents.

The following sections summarise taxation of dividends paid by us on the Shares.

Russian Resident Holders

Payments of dividends by us to a Russian Resident Holder who is an individual, a legal entity or organisation resident in the Russian Federation for tax purposes should generally be subject to Russian withholding tax, and such tax should not exceed 13% of the gross dividend amount payable to each Russian Resident Holder.

The effective rate of this tax may be lower than 13%, owing to the fact that generally Russian tax agent should calculate this tax based on the formula that takes into consideration the difference between (i) the dividends to be distributed by the issuer to its shareholders (other than to non-resident companies and non-resident individuals) and (ii) dividends collected by the issuer in the current tax (reporting) period and preceding tax (reporting) period (except for dividends taxable at a rate of 0%). There is a draft law submitted for a consideration of the Russian State Duma that could expand the types of the received dividends not decreasing the amount of distributed dividends in the tax base formula.

Dividends received by Russian legal entities from the qualified Russian and foreign subsidiaries are taxable at a rate of 0% provided certain requirements are met (including continuous ownership not less than 365 calendar days at least 50% of the share capital of the paying company).

There is some uncertainty in respect of the rate of withholding tax that should apply to payments of dividends to a holder of the Shares that is a Russian permanent establishment of a foreign legal entity or organisation. Currently, the Russian Tax Code stipulates the rate of 15% for such a case.

It is expected that amendments to the Russian Tax Code's provision stipulating the rules of dividend taxation will be adopted starting from January 1, 2020. So, Russian Resident Holders should therefore consult their own tax advisers with respect to the tax consequences of their receipt of dividend income with respect to the holding of the Shares.

Non-Resident Holders

Payments of dividends by a Russian entity to Non-Resident Holders are generally subject to Russian withholding tax at a rate of 15%, which a tax agent will withhold. Such Russian withholding tax may be subject to reduction pursuant to the terms of any applicable double tax treaty between the Russian Federation and the country of tax residence of the Non-Resident Holders to the extent such Non-Resident Holders are entitled to benefit from a double tax treaty and the corresponding tax treaty reliefs provided by such treaty. Accordingly, it is possible that payments of dividends on the Shares to Non-Resident Holders may be subject to withholding taxation at a reduced rate if such reduction is provided for by an applicable double tax treaty, provided the requirements set out by the Russian tax legislation in relation to advance treaty relief are satisfied. See "*—Russian Tax Considerations—Withholding of tax on capital gains (Resident and Non-Resident Holders)—Tax Treaty Procedures*".

If Non-Resident Holders do not obtain double tax treaty relief at the time the dividend income under the Shares is paid to such Non-Resident Holders and income tax is withheld by a Russian tax agent, such Non-Resident Holders may apply for a refund within three years from the date the tax was withheld. The documentation requirements to obtain such a refund are prescribed by the Russian Tax Code (see "*—Russian Tax Conditions—Withholding of tax on capital gains (Resident and Non-Resident Holders)—Refund of Tax Withheld*").

However, there can be no assurance that such double tax treaty relief (or refund of any taxes withheld) will be available for such Non-Resident Holders.

Under the "look-through" approach introduced by the amendments and effective starting from 1 January 2015, if at the moment of dividends payment the tax agent is made aware and received documentation that the actual recipient of dividends is not the direct recipient of income, the tax agent may potentially apply benefits of an applicable double tax treaty between Russia and the country of residence of the actual recipient of dividends or local tax rules and the respective rates, provided the tax authorities are duly informed and compliance with some other conditions established by Russian Tax Code. However, the "look-through" approach could not be applied by the Russian custodian with respect to dividends on shares registered in foreign nominal holder, foreign authorised holder or foreign depositary receipt programme depo accounts.

Taxation of dividends on the Shares registered in foreign nominal holder, foreign authorised holder or foreign depositary receipt programme depo accounts

There is special regime of taxation of income on securities issued by Russian issuers and held in certain types of depo accounts with Russian custodians as described below, including shares held in special accounts for foreign nominal holder (i.e. foreign custodians, depositaries, foreign authorised holder (e.g. foreign brokers) or depositary receipt programmes). This new regime, inter alia, introduces the new information disclosure requirements in respect of persons executing rights attached to the securities issued by Russian issuers held with Russian custodians in foreign nominal holder depo accounts, foreign authorised holder depo accounts and foreign depositary receipt programme depo accounts. When a Russian custodian transfers dividends on the Shares registered in the above accounts opened with such Russian custodian, Russian withholding tax should be calculated and withheld by such Russian custodian based on the disclosure of the aggregated information about the persons executing rights attached to relevant Shares and information about the persons in whose interests a foreign asset manager exercises the rights attached to the Shares, unless the exercise of rights attached to such Shares is performed by such asset manager on behalf of a foreign investment fund which is in accordance with its local legislation is classified as a mutual collective scheme.

If the required information is properly disclosed in accordance with the Russian Tax Code, the Russian custodian should withhold Russian withholding tax at a tax rate envisaged either by the Russian Tax Code or by a relevant double tax treaty, provided that application of such rate is not subject to conditions connected with ownership interest, or (and) amount of investment, or (and) period of owning a share in the capital of a Russian issuer (the reduced tax rate that is subject to the said conditions will only be available in the form of a tax refund). Since the Russian custodian should rely on the disclosed aggregated information on the above persons as required by the Russian Tax Code and described above, in the absence of proper disclosure, the Russian custodian has to withhold a standard 15% tax on the distributable dividends (i.e., relevant double tax treaty reliefs would not apply).

The recipient of dividend income who is entitled to the reduced tax rates on dividends paid on the Shares under either the Russian Tax Code or the relevant double tax treaty may apply for a refund in accordance with the general tax refund procedure envisaged by the Russian Tax Code (see "—*Russian Tax Considerations—Withholding of tax on capital gains (Resident and Non-Resident Holders—Refund of Tax Withheld*").

Non-resident holders should consult their own tax advisers with respect to the tax consequences of their receipt of dividend income on the Shares recorded on the above accounts.

Taxation of Capital Gains

The following sections summarise the taxation of capital gains in respect of the disposition of the Shares.

Taxation of Legal Entities and Organisations

Russian Resident Holders

Capital gains arising from the sale or other disposal of the Shares by a Russian Resident Holder which is a legal entity or an organisation will be taxable at the regular Russian corporate profits tax rate of 20%. According to the current Russian tax legislation, the financial result (profit or loss) arising from activities connected with securities quoted on a stock exchange may be accounted for together with the financial result arising from other operations (i.e., may be included into the general tax base). Therefore, Russian Resident Holders that are legal entities may be able to offset losses incurred on operations in the quoted shares against other types of income (excluding income from non-quoted securities and derivatives). Special tax rules apply to Russian organisations that hold a broker and/or dealer licence as well as certain other licences related to securities market. The Russian Tax Code also establishes special rules for the calculation of the tax base for the purposes of transactions with securities which are subject to TP control in Russia.

Russian Tax Code contains certain exemptions from capital gains taxation for non-quoted shares as well for shares in high-technology companies acquired after 1 January 2011. Such exemptions are not expected to be relevant for the Shares.

Russian tax legislation contains a requirement that a financial result in respect of activities connected with securities quoted on a stock exchange must be calculated separately from a financial result in respect of trading in non-quoted securities. Amount of loss from transactions with securities quoted on a stock exchange may be deducted against the tax base for operations with derivatives quoted on a stock exchange where the underlying assets are securities, stock indexes or derivatives with securities or stock indexes as underlying assets.

Russian Resident Holders may carry forward losses arising from dealing with quoted securities to offset future capital gains from the sale, exchange or other disposal of other quoted securities for the period of up to 10 years. No loss carry-forward is available for non-quoted securities and derivatives.

Russian Resident Holders of the Shares who are legal entities or organisations should in all events consult their own tax advisers with respect to the tax consequences of gains derived from the disposal of the Shares.

Non-Resident Holders

Capital gains arising from the sale, exchange or other disposal of the Shares by legal entities and organisations that are Non-Resident Holders should not be subject to tax in the Russian Federation if the immovable property located in the Russian Federation constitutes directly or indirectly 50% or less of the Group's assets and/or the Shares qualify as "quoted" on a registered stock exchange (recognised as such according to the applicable legislation) based on the requirements set in the Russian tax legislation. A security will be deemed "quoted" security if the market quote (determined in accordance with the applicable law) for such security is available on any date that is not more than three months prior to the date of the transaction in such security and if either such market quotes are publicly available through media or such registered stock exchange is able to provide information in respect of quotes during the three years following the transaction. If more than 50% of the Group's assets were to consist of immovable property located in the Russian Federation and the Shares were not recognised as quoted, legal entities and organisations that are Non-Resident Holders holding the Shares should be subject to a 20% withholding tax on the gross proceeds from the disposal of such shares. Alternatively, the difference between the sales, exchange or other disposal price and the acquisition costs of the Shares should be subject to a 20% withholding tax provided that relevant documentary evidence related to the purchase of these Shares (including the cost of the securities and the expenses associated with the purchase, keeping and sale of these securities) is available.

Disposal of Shares by a Non-Resident Holder that is a legal entity or organisation (other than through a permanent establishment in the Russian Federation) to a Russian Resident that is a legal entity or organisation is subject to the rules described above. In this case the Russian Resident will act as the tax agent required to withhold the tax and pay it to the budget.

The mechanism of withholding of tax on income from sources in the Russian Federation in a situation when a receiver and a payer of income are both foreign organisations having no permanent establishment in the Russian Federation is not regulated by the Russian Tax Code. The Russian Tax Code does not expressly provide the obligations of Non-Resident Holders to pay tax voluntarily. However, the absence of a special mechanism of payment could mean that tax should be paid in a general order, since the Russian Tax Code does not contain any restrictions for foreign organisations for the voluntary registration in the Russian tax authorities with the purpose of performance of tax obligations.

There can be no assurance that the Shares will be considered as quoted or immovable property owned directly or indirectly by the Group and located in the Russian Federation will not constitute more than 50% of the Group's assets as at the date of the sale of Shares by non-residents. Certain international Treaties may provide for protection from the Russian taxation in the case in question. There is no assurance that double tax treaty relief will be available.

Non-Russian Holders of the Shares who are legal entities or organisations should in all events consult their own tax advisers with respect to the tax consequences of gains derived from the disposal of the Shares.

Taxation of Individuals

Russian Resident Holders

Capital gains arising from the sale, exchange or other disposal of the Shares by individuals who are Russian Resident Holders must be declared on the holder's tax return and are subject to personal income tax at a rate of 13% unless the tax was properly withheld at source by a tax agent. Since 1 January 2020, Russian legal entities should withhold personal income tax as a tax agent in case of payments to individuals under sale (exchange) of securities. The income in respect of sale of the Shares by an individual is calculated as the sale proceeds less expenses proved by documentary evidence related to the purchase of these Shares (including the cost of the securities and the expenses associated with the purchase, keeping and sale of these Shares and amounts on which personal income tax was accrued and paid on acquisition (receipt) of the Shares and the amount of tax paid).

The Russian Tax Code also contains certain tax deductions that may be applied by Russian Resident Holders who are individuals in respect of income from the sale of the securities given that at the moment of such securities are listed on a Russian stock exchange as quoted and are held by a Russian Resident Holder for more than 3 years. The amount of such deduction is determined using a specific formula and depends on how long the Shares were held by a Russian Resident Holder.

Russian Resident Holders who are individuals, should in all events consult their own tax advisers with respect to the tax consequences of gains derived from the disposal of the Shares.

Non-Resident Holders

If income from a sale, redemption or disposition of the Shares is received from a source within the Russian Federation, a Non-Resident Holder who is an individual will generally be subject to Russian personal income tax at a rate of 30% on the gain from such disposal. The gain generally being calculated as the gross proceeds from such disposal less any available cost deduction which includes the purchase price of the Shares (if tax was paid on purchase of Shares the amount that was subject to tax and the tax itself could be deducted from the gross proceeds. Tax rate may be reduced according to any available double tax treaty relief. Substantiation of expenses associated with purchasing the Shares for purposes of the gain calculation may be connected with certain practical difficulties. According to Russian tax legislation, income received from a sale, redemption or disposition of the Shares should be treated as having been received from a Russian source if such sale, redemption or disposition occurs in the Russian Federation. Russian tax law gives no clear indication as to how to identify the source of income received from a sale, redemption or disposition of securities except that income received from the sale of securities "in the Russian Federation" will be treated as having been received from a Russian source.

Russian Tax Code contains certain exemptions from capital gains taxation for non-quoted shares as well for shares in high-technology companies acquired after 1 January 2011. Such exemptions are not expected to be relevant for the Shares.

Non-Resident Holders should in all events consult their own tax advisers with respect to the tax consequences of disposition of the Shares.

Withholding of tax on capital gains (Resident and Non-Resident Holders)

The tax may be withheld at source of payment or, if the tax is not withheld, the Resident or Non-Resident Holder who is an individual may be liable to declare its income in the Russian Federation and to pay the tax. According to the Russian Tax Code, a licensed broker or an asset manager that is a Russian legal entity that carries out operations under a brokerage service agreement, agency agreement, asset management agreement, commission agreement or commercial mandate agreement should withhold the tax from payments associated with disposition of the Shares to a Resident and non-Resident Holder who are individuals. Such tax agent will be required to withhold the tax at the end of the reporting period, date of termination of the brokerage, management or other similar agreement, or the date of the actual payment of relevant income to the Holder who is individual, and pay relevant amounts to the budget within a month after the end of the reporting year or the date of the payment of income. If it is impossible to withhold the tax, tax agents have an obligation to notify the tax authorities.

Tax Treaty Procedures

The Russian Federation has concluded double tax treaties with a number of countries and honours some double tax treaties concluded by the Soviet Union. These tax treaties may contain provisions that allow reduction or elimination of Russian withholding tax due, with respect to income received by a Non-Resident Holders, from a source within the Russian Federation, including income from disposition of the Shares and dividends. In order to obtain benefits available under the respective tax treaty, a Non-Resident Holder must comply with the certification, information, and reporting requirements in force in the Russian Federation (where applicable).

The Russian Tax Code does not require a Non-Resident Holder, which is a legal entity or organisation, to obtain tax treaty clearance from the Russian tax authorities prior to receiving any income, in order to qualify for benefits under an applicable tax treaty. However, a non-resident legal entity seeking to obtain relief from Russian withholding tax under a tax treaty must satisfy the conditions of relevant double tax treaty to apply its benefits (including but not limited to beneficial ownership requirements) and satisfy requirements of the Russian Tax Code, under which such legal entity or organisation should provide to a tax agent (i.e. the entity paying income to a non-resident or other Russian entity as defined by the Russian Tax Code), a confirmation of its tax treaty residence that complies with the applicable requirements (i.e., certificate of tax residency) in advance of receiving the relevant income. In particular, the certificate should confirm that the respective Non-Resident Holder, which is a legal entity, is the tax resident of the relevant double tax treaty country in a particular calendar year during which the income is paid. This certificate should be apostilled or legalised and needs to be renewed on an annual basis. A notarised Russian translation of the certificate may be required.

In order to enjoy benefits under an applicable double tax treaty, the person claiming such benefits must be the beneficial owner of the relevant income. In addition to a certificate of tax residency, the Russian Tax Code requires the tax agent to obtain a confirmation from the non-resident holder—legal entity that it is the beneficial owner of the relevant income. There are some clarifications of the Ministry of Finance related to such confirmations. However, these clarifications are of general nature and do not provide for an explicit list of such documents. So, there can be no assurance that treaty relief at source will be available in practice.

In accordance with the Russian Tax Code, in order to enjoy benefits of the applicable tax treaty a Non-Resident Holder, who is an individual, must present to the tax agent a document confirming his or her residency in his or her home country (a passport or a tax residency confirmation issued by the competent authorities in his or her country of residence for tax purposes (a notarised Russian translation of such confirmation may be required).

Starting from 2020, MLI could limit tax relief granted by most double tax treaties to which Russia is a party. Non-Resident Holders should consult their own tax advisers regarding possible tax treaty relief.

The treaty relief procedure as described above does not apply if dividends are paid on the Shares which are recorded on special accounts (i.e., foreign nominal holder depo account or foreign authorised holder depo account) opened with a Russian custodian. In this case a foreign holder of the above accounts should present aggregated information to a Russian tax agent (in the format and within the deadlines established by the Russian Tax Code) as regarding the persons who exercise rights attached to such Shares or regarding the persons in whose interests the asset manager exercises the rights attached to such Shares, unless the exercise of rights attached to such Shares is performed on behalf of a foreign investment fund which is in accordance with its applicable law is classified as a mutual collective scheme. Subject to receipt of such information, the Russian custodian should apply Russian withholding tax at a tax rate envisaged under the relevant double tax treaty without applying any reduced tax rates which are subject to special conditions under the relevant double tax treaty (the reduced tax rate that is subject to certain conditions such as share of ownership, amount of investments and term of holding the investment could only be available through a mechanism of tax refund).

Refund of Tax Withheld

If the Russian withholding tax on income derived from Russian sources by a Non-Resident Holder, which is a legal entity or an organisation was withheld at source, and such Non-Resident Holder, which is a legal entity or an organisation, is entitled to benefits of an applicable double tax treaty allowing such legal entity or organisation not to pay the tax in the Russian Federation or allowing it to pay the tax at a reduced rate in relation to such income, a claim for a refund of the tax withheld at source can be filed with the Russian tax authorities within three years since the end of the tax period in which the income tax was paid.

To process a claim for a refund, the Russian tax authorities require: (i) a confirmation of the tax treaty residence of the non-resident at the time the income was paid (this confirmation should be apostilled or legalised and should be provided for the year when the income in which respect the refund is claimed was paid); (ii) a document confirming that the applicant satisfies any additional conditions envisaged under the Russian Tax Code or the relevant double tax treaty for application of the reduced tax rate; and (iii) an application for the refund of the tax withheld in a format provided by the Russian tax authorities. Where tax is withheld in respect of dividends on the Shares which are registered in special accounts (i.e., foreign nominal holder, foreign authorised holder or foreign depositary receipt programme depo accounts) opened with a Russian custodian, the following documents are required in addition to those listed under (i) and (ii) above: (a) a document confirming the exercise of rights (or confirming the exercise of rights in the interests of the applicant by a trustee or other similar person) attached to the Shares on which the dividend income was paid, as at the date of the decision to distribute dividends by a Russian entity; (b) a document confirming the amount of dividend income on the Shares; (c) information on the custodian (custodians) that transferred the amount of dividend income to the foreign company (holder of the relevant account in the Russian custodian).

The Russian tax authorities require a Russian translation of the above documents if they are prepared in a foreign language. Refund of the tax withheld should be done within one month of the filing of the required documents with the Russian tax authorities. The calculation of the deadline for the return of overpaid tax starts from the day of filing the application for tax refund, but not earlier than from the moment of completion of the desk tax audit for the relevant tax period. However, procedures for processing such claims have not been clearly established and there is significant uncertainty regarding the availability and timing of such refunds.

If the Russian personal income tax on the income derived from Russian sources by a Non-Resident Holder who is an individual was withheld at source and such individual Non-Resident Holder is entitled to rely on benefits of the applicable double tax treaty allowing such individual not to pay the tax in the Russian Federation or allowing such individual to pay the tax at a reduced rate in relation to such income, a claim for a tax treaty benefit and further refund of the tax withheld can be filed within three years following the tax period in which the tax was withheld.

In practice, the Russian tax authorities require a wide variety of documentation confirming the 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.

Obtaining a refund of Russian taxes that were withheld at source is likely to be a time-consuming process and no assurance can be given that such a refund will be granted in practice.

Non-Resident Holders (and in certain limited cases Russian Resident Holders) should consult their own tax advisers regarding possible tax treaty relief and/or tax refund as applicable and the procedures required to be fulfilled in order to obtain such treaty relief or refund with respect to any Russian taxes imposed on the income received in connection with the acquisition, ownership and disposition of the Shares.

Taxation of payments made upon withdrawal of the capital and liquidation proceeds

Generally, payments made to the Holders upon reduction of the capital, liquidation or distribution of the Issuer's assets that do not exceed paid-in contribution into the charter capital are tax exempt. Tax treatment of payments made in excess of such contribution is not envisaged in the Russian Tax Code and is unclear depending on the tax residency status of the Holder and applicable tax law provisions (i.e. double tax treaties for Non-Resident Holders and Russian tax law for Russian Resident Holders).

Russian Resident Holders Personal income tax

In case of liquidation of the Issuer the Holder of the Shares being an individual and a Russian tax resident may reduce the respective taxable income on the amount equal to acquisition cost of the Shares provided that the related expenses incurred upon the purchase of the Shares are properly documented. Should this be the case, the proceeds up to or equal to the paid-in contribution (acquisition price) will be tax exempt. Payments made in excess of the acquisition cost should be taxed at a tax rate of 13%.

At the same time, Russian Tax Code does not clearly define whether an individual Holder, being a Russian tax resident, can claim any expenses in case of a capital reduction made by the Issuer or if a joint-stock company goes bankrupt. Therefore, there is a risk that claim of any expenses against income received from capital reduction or distributions made in line with bankruptcy proceeding will be challenged by the tax authorities.

Corporate profit tax

Income received by the Holder either via liquidation of the Issuer or via reduction of charter capital of the Issuer within the amount of paid-in capital contribution should be tax exempt.

However, distributions in excess of paid-in capital received by the Holder via liquidation of the Issuer should be treated as dividends and taxed at 13% (see "–Taxation of Dividends–Russian Resident Holders").

Income received by the Holder via reduction of the Issuer's charter capital in excess of paid-in capital should be treated as non-operating income taxable at a general tax rate of 20% (unless such reduction is executed because of Russian legislation requirements).

Non-Resident Holders

Amounts distributed to the Holders upon withdrawal of the capital or liquidation of the Issuer that do not exceed paid-in capital of the Issuer are tax exempt.

The payments made in excess of the paid-in capital should be taxed based on provisions of respective double tax treaty or domestic law:

- payments treated as dividends for the purpose of relevant double tax treaty should be taxed in Russia at a tax rate of 15% (the withholding tax rate may be reduced or eliminated by applying tax benefits provided under the relevant double tax treaty);
- payments treated as "other income" for the purpose of relevant double tax treaty should be taxed in Russia at a tax rate of 20% for legal entities and 30% for individuals (the withholding tax rate may be reduced or eliminated by applying tax benefits provided under the relevant double tax treaty).

To apply exemption or reduced tax rate under the respective double tax treaty the Holder should provide the documents confirming the Holder's tax residency status and beneficial ownership of income by the foreign Holder.

Please note, that the difference between the amount of liquidation proceeds and the amount of investment in capital of the Issuer should be calculated in Russian Roubles and the assets proceeded are quoted under market prices.

Russian Resident and Non-Resident Holders should in all events consult their own tax advisers with respect to the consequences of payments made upon withdrawal of the capital and liquidation proceeds.

Stamp Duties

No Russian stamp duty should be payable by the holders upon any of the transactions with the Shares discussed in this section of this Offering Memorandum (e.g., on a purchase or sale of the Shares), except for transactions involving the receipt of Shares by way of inheritance.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary based on present law of certain U.S. federal income tax considerations relevant to the acquisition, ownership and disposition of the Shares. This discussion is not a complete description of all tax considerations that may be relevant; it is not a substitute for tax advice. It addresses only U.S. Holders (as defined below) that purchase the Shares in the Offering, hold the Shares as capital assets for U.S. federal income tax purposes and use the U.S. dollar as their functional currency. This discussion does not address the tax treatment of U.S. Holders subject to special rules, such as banks and other financial institutions, insurance companies, dealers in currencies and securities, traders in securities that elect to mark-to-market, regulated investment companies, real estate investment trusts, tax-exempt entities, pass-through entities (including S-corporations), persons owning directly, indirectly or constructively 10% or more of the Company's share capital, U.S. expatriates, investors liable for alternative minimum tax, persons holding the Shares as part of a hedge, straddle, conversion, constructive sale or other integrated financial transaction or persons holding the Shares in connection with a permanent establishment or fixed base outside the United States. It also does not address U.S. federal taxes other than the income tax (such as the estate and gift tax) or U.S. state and local tax or non- U.S. tax considerations.

As used in this section, "U.S. Holder" means a beneficial owner of the Shares that is, for U.S. federal income tax purposes (i) a citizen or individual resident of the United States, any state therein or the District of Columbia, (ii) a corporation or other entity taxable as a corporation created or organised under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of one or more U.S. persons and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income tax without regard to its source.

The U.S. federal income tax treatment of a partner in a partnership (or an entity or arrangement treated as a partnership) for U.S. federal income tax purposes that holds the Shares generally will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their own tax advisors regarding the specific U.S. federal income tax consequences to their partners of the partnership's acquisition, ownership and disposition of the Shares.

The Company believes, and the following discussion assumes, that the Company has not been a passive foreign investment company ("**PFIC**") for US federal income tax purposes in any prior taxable year and, based on the composition of the Company's current gross assets and income and the manner in which the Company expects to operate its business in future years, the Company believes that it should not be classified as a PFIC for US federal income tax purposes for its current taxable year or in the foreseeable future. The tests to determine whether a company is a PFIC apply annually and a company's status can change depending, among other things, on changes in the composition and relative value of its gross receipts and assets, changes in its operations and changes in the market value of its stock. Accordingly, no assurance can be provided by the Company that it will not become a PFIC in any future year.

Dividends

Distributions on the Shares (including the amount of any Russian tax withheld therefrom, if any) generally will be included in a U.S. Holder's gross income as ordinary dividend income from foreign sources upon receipt. Dividends will not be eligible for the dividends-received deduction generally available to U.S. corporations. If the Company qualifies for benefits under the income tax treaty between the United States and the Russian Federation (the "**Treaty**"), and is not a PFIC in the taxable year of distribution or in the preceding taxable year, dividends on the Shares generally will qualify for the reduced rates applicable to "qualified dividend income" of certain eligible non-corporate U.S. Holders that satisfy a minimum holding period and other generally applicable requirements. Provided that the Shares are traded on a substantial and regular basis on an officially recognised stock exchange, the Company believes it will qualify for benefits under the Treaty.

Dividends paid in a currency other than U.S. dollars will be includable in income in a U.S. dollar amount based on the exchange rate in effect on the date of receipt whether or not the currency is converted into U.S. dollars or otherwise disposed of at that time. A U.S. Holder's tax basis in the non-U.S. currency will equal the U.S. dollar amount included in income. Any gain or loss realised on a subsequent disposition or conversion of the non-US currency for a different U.S. dollar amount generally will be U.S. source ordinary income or loss. If a dividend paid in non-U.S. currency is converted into U.S. dollars on the day the dividend is received, the U.S. Holder will generally not be required to recognise foreign currency exchange gain or loss in respect of the dividend.

Subject to applicable limitations, a U.S. Holder may claim a deduction or a foreign tax credit for Russian tax withheld at the appropriate rate. In computing foreign tax credit limitations, non-corporate U.S. Holders may take into account only a portion of any qualified dividend income that is effectively taxed at the highest applicable marginal rate. U.S. Holders should consult their own tax advisors regarding the tax consequences to it if Russian tax is withheld from dividends on the Shares, including the availability of the foreign tax credit under its particular circumstances.

Dispositions

A U.S. Holder generally will recognise capital gain or loss on the sale or other disposition of the Shares in an amount equal to the difference between the U.S. Holder's adjusted tax basis in the Shares and the U.S. dollar value of the amount realised from the sale or other disposition. Any gain or loss generally will be long-term capital gain or loss if the U.S. Holder's holding period exceeds one year. Any loss realised by a non-corporate U.S. Holder will nonetheless be a long-term capital loss regardless of such U.S. Holder's actual holding period to the extent such U.S. Holder has received qualified dividends eligible for reduced rates of tax in an amount equal to or in excess of either (i) 10% of such U.S. Holder's adjusted basis (or fair market value at the election of such U.S. Holder) in such Share in any 85-day period or (ii) 20% of a non-corporate U.S. Holder's adjusted basis (or fair market value if an election is made) in the Shares in any 365 day period. Any gain or loss generally will be treated as arising from U.S. sources. Deductions for capital loss are subject to limitations.

A U.S. Holder's adjusted tax basis in the Shares generally will be the U.S. dollar value of the purchase price paid in the Offering. A U.S. Holder that receives a currency other than U.S. dollars on the sale or other disposition of the Shares will realise an amount equal to the U.S. dollar value of the currency received at the spot rate on the date of sale or other disposition (or, if the Shares are traded on an established securities market, in the case of cash basis and electing accrual basis U.S. Holders, the settlement date). A U.S. Holder that determines the amount realised using the spot rate on the date of sale or other disposition will recognise 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 sale or other disposition and the settlement date. A U.S. Holder will have a tax basis in the currency received equal to the U.S. dollar value of the currency received at the spot rate on the settlement date. Any gain or loss realised on a subsequent disposition or conversion of the non-U.S. currency for a different U.S. dollar amount generally will be U.S. source ordinary income or loss.

Medicare Tax on Net Investment Income

Certain non-corporate U.S. Holders whose income exceeds certain thresholds generally will be subject to a 3.8% surtax on their "net investment income" (which generally includes, among other things, dividends on, and capital gain from the sale or other disposition of the Shares). Non-corporate U.S. Holders should consult their own tax advisors regarding the possible effect of such tax on their ownership and disposition of the Shares.

Reporting and Backup Withholding

Dividends on the Shares and proceeds from the sale or other disposition of Shares that are made into the United States or through certain U.S.-related financial intermediaries may be reported to the U.S. Internal Revenue Service ("**IRS**") unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to reportable payments unless the holder makes the required certification, including providing its taxpayer identification number or otherwise establishes a basis for exemption. Any amount withheld may be credited against a U.S. Holder's U.S. federal income tax liability or refunded to the extent it exceeds the holder's liability, provided the required information is timely furnished to the IRS.

Certain U.S. Holders are required to report information to the IRS with respect to the Shares not held through an account with a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors about these and any other reporting obligations arising from their investment in the Shares.

SELLING AND TRANSFER RESTRICTIONS

SELLING RESTRICTIONS

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Shares, or possession or distribution of this Offering Memorandum or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisement in connection with the Shares 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. Persons into whose possession this Offering Memorandum comes should inform themselves about and observe any restrictions on the distribution of this Offering Memorandum and the offer and sale of the Shares offered in the Offering, including those in the paragraphs below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Offering Memorandum does not constitute an offer to subscribe for or buy any of the Shares offered in the Offering to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

United States

The Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. The Shares are being offered and sold (i) outside of the United States in reliance on Regulation S, and (ii) within the United States to "qualified institutional buyers" as defined in, and in reliance upon, Rule 144A (Rule 144A) under the Securities Act or pursuant to another exemption from registration under the Securities Act.

Each Manager has agreed that, except as permitted by the Underwriting Agreement, (i) it will not offer or sell the Shares as part of their distribution at any time except in accordance with Rule 903 of Regulation S or Rule 144A and (ii) neither it nor any of its affiliates, nor any person acting on its or their behalf has entered nor will enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Shares, except with its affiliates (or in case of VTB Capital plc through Xtellus who acts as an agent of VTB Capital plc pursuant to Rule 15a-6 under the U.S. Securities Exchange Act of 1934 in connection with securities transactions effected by VTB Capital plc with U.S. investors; Xtellus is a broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority with address at 452 Fifth Avenue, 3rd Floor, New York NY 10018) or with the prior written consent of the Company.

In addition, until 40 days after the commencement of the Offering of the Shares, an offer or sale of Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A. Terms used in this section have the meanings given to them by Regulation S.

United Kingdom

Each of the Managers has represented and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Shares in circumstances in which section 21(1) of the FSMA does not apply to the Company; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom.

European Economic Area

Each of the Managers has represented and agreed in relation to each Member State of the European Economic Area (each, a "**Relevant Member State**") that neither it nor any of its affiliates has made nor will make an offer to the public of any Shares which are the subject of the Offering contemplated herein in that Relevant Member State, except that it may make an offer of Shares to the public in that Relevant Member State under the following exemptions under the Prospectus Regulation:

- to qualified investors as defined in the Prospectus Regulation;

- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) in each Member State, subject to obtaining the prior consent of the Managers for any such offer; or
- in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Shares shall result in a requirement for the publication by the Company or any Manager 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 of any Shares to the public*" in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information of the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase any Shares; and the expression "**Prospectus Regulation**" means Regulation 2017/1129 of the European Parliament and of the Council dated 14 June 2017.

In the case of any Shares being offered to a financial intermediary, as that term is used in Article 3(2) of the Prospectus Regulation, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Shares acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Shares to the public other than their offer or resale in a Relevant Member State to qualified investors who are not financial intermediaries as so defined or in circumstances in which the prior consent of the Managers has been obtained to each such proposed offer or resale. The Company, the Managers and their respective affiliates, and others will rely (and the Company acknowledges that the Managers and their respective affiliates and others will rely) upon the truth and accuracy of the foregoing representations, acknowledgements and agreements. Notwithstanding the above, a person who is not a qualified investor and who has notified the Managers of such fact in writing may, with the consent of the Managers, be permitted to subscribe for or purchase Shares.

Canada

The Shares may be sold in Canada only to purchasers resident or located in the Provinces of Ontario, Québec, Alberta and British Columbia, purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), the Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Japan

The Shares have not been and will not be registered under the Final Instruments and Exchange Law, as amended (the "**FIEL**"). This Offering Memorandum is not an offer of securities for sale, directly or indirectly, in Japan or to or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exception from the registration requirements under the FIEL, and otherwise in compliance with, the FIEL and other relevant laws and otherwise in compliance with such law and any other applicable laws, regulations or ministerial guidelines of Japan.

Australia

No prospectus or other disclosure document has been lodged with, or registered by the Australian Securities and Investments Commission in relation to the offering of the Shares. This Offering Memorandum does not constitute a prospectus or other disclosure document under the Corporations Act 2001 (the "**Corporations Act**") and does not purport to include the information required for a prospectus or other disclosure document under the Corporations Act.

This document is being distributed in Australia by the Exempt Investors who are "sophisticated investors" (within the meaning of section 708(8) of the Corporations Act, to "professional investors" (within the meaning of section 708(11) of the Corporations Act) and/or otherwise pursuant to one of more exemptions contained in section 708 of the Corporations Act. The entity receiving this document represents and warrants that if it is in Australia, it is either a professional or a sophisticated investor or a person to whom it is lawful to offer the Shares without disclosure to investors under Chapter 6D of the Corporations Act and that it will not distribute this document to any other person.

Any of the Shares applied for by Exempt Investors in Australia must not be offered for sale in Australia for 12 months from the date of issue, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 or 708A of the Corporations Act. This document is not supplied in connection with any offering or proposed offering of securities or financial products that require disclosure in accordance with Chapter 6D or Part 7.9 of the Corporations Act. Chapters 6D and 7 of the Corporations Act are complex. Any person acquiring the Shares must observe such Australian on-sale restrictions and if in any doubt as to the application or effect of this legislation, should confer with its professional advisors.

Switzerland

This Offering Memorandum shall be communicated in Switzerland to a small number of selected investors only. Each copy of this Offering Memorandum shall be addressed to a specifically named recipient and may not be passed on to third parties. The Shares shall not be publicly offered, sold, advertised, distributed or redistributed, directly or indirectly, in or from Switzerland, and neither this Offering Memorandum nor any other solicitation for investments in the Shares may be communicated, distributed or otherwise made available in Switzerland in any way that could constitute a public offering within the meaning of Articles 652a of the Swiss Code of Obligations (the "CO") unless the legal and regulatory conditions imposed on a public offering under the CO are satisfied.

TRANSFER RESTRICTIONS

Rule 144A Offering

Each purchaser of Shares in the Rule 144A Offering, by its acceptance of delivery of this Offering Memorandum, will be deemed to have represented, agreed and acknowledged as follows:

- 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 Shares 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 Shares for its own account or for the account of one or more QIBs and (iv) if it is acquiring such Shares 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.
- The purchaser is aware that the 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").
- For so long as the Shares are Restricted Securities, it will not deposit such 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.
- The Company, the Managers, their 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 SHARES 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.

Regulation S Offering

Each purchaser of the Shares in the Regulation S Offering, by its acceptance of the delivery of this Offering Memorandum, 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):

- the purchaser is, at the time of the offer to it of the Shares and at the time the buy order originated, outside the United States for the purposes of Rule 903 under the Securities Act;
- the purchaser is aware that the 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;
- any offer, sale, pledge or other transfer made other than in compliance with the above-stated restrictions shall not be recognised by the Company; and
- the Company, the Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

If a purchaser of Shares is acquiring such Shares 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.

Information to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, Shares have been subject to a product approval process, which has determined that such Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, Distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Managers will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channels.

SETTLEMENT AND DELIVERY

The Shares will be priced in Russian Roubles. Each purchaser of the Shares must pay for such Shares by the date and in the currency agreed with the Managers. The Shares will be delivered to purchasers through NSD. To take delivery of the Shares, purchasers need to have: (i) a depo account with the NSD, or (ii) a depo account with a depositary that has a depositary account with the NSD. The purchasers shall take all actions required in accordance with the depositary rules and applicable law to take delivery of the purchased Shares, including issuing appropriate credit instructions to their depositaries.

LEGAL MATTERS

Certain legal matters with respect to the Offering will be passed upon for the Company in respect of the laws of England, the United States and the Russian Federation by Freshfields Bruckhaus Deringer LLP. Certain legal matters with respect to the Offering will be passed upon for the Managers in respect of the laws of England, the United States and the Russian Federation by Latham & Watkins LLP.

INDEPENDENT AUDITORS

The consolidated financial statements of PJSC Samolet Group as at 31 December 2019 and for the year then ended, included in this Offering Memorandum, have been audited by JSC KPMG, independent auditors, as stated in their report incorporated by reference herein.

The consolidated financial statements of PJSC Samolet Group as at 31 December 2018 and for the year then ended, included in this offering memorandum, have been audited by JSC KPMG, independent auditors, as stated in their report incorporated by reference herein.

With respect to the unaudited condensed consolidated interim financial information for the period ended 30 June 2020 included herein, the independent auditor has reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report to the condensed consolidated financial statements as of and for the six months ended 30 June 2020, included herein, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

CUSHMAN & WAKEFIELD

Valuation of:

Samolet Group Real Estate and Business Portfolio

Prepared for:

Samolet Group

Valuation date:

30.06.2020

Contents

A. Valuation Record

To:	Samolet Group Public Joint Stock Company
Properties:	The property and business valued are detailed in Part D of this report
Report Date:	23.09.2020
Valuation Date:	30.06.2020
Our references:	00077378

Instructions

1.1. Appointment

In accordance with your request, as confirmed by the Consultancy Services Agreement № 00077378 dated 14.08.2020 ("Agreement") and supplementary agreement to the Agreement №1 dated 21.08.2020, concluded between LLC "Cushman & Wakefield OOO" ("C&W") and Samolet Group Public Joint Stock Company ("the Client" or "Company"), we have considered each Property and Business as set out in Part D of this report and made all necessary enquiries to provide you with our opinion of Fair Value.

We have valued the property interests in the above Property as at the date of valuation either held directly the Company, held in a joint venture where the Company holds a share ("Joint Ventures"), or held by Associates (defined as those entities over which the Company or any of its subsidiaries is in a position to exercise significant influence, but not control or joint control) ("Associates").

In respect of the properties held in Joint Ventures or by Associates, in the figures set out in this Report, we have included apportionments of the Fair Value of the Property interests based on the Company's share of the Property interests in the Joint Ventures or Associates.

1.2. Compliance with RICS Valuation – Global Standards

We confirm that the valuation and Valuation Report have been prepared in accordance with the RICS Valuation – Global Standards which incorporate the International Valuation Standards ("IVS") and the RICS UK Valuation Standards (the "RICS Red Book") edition current at the Valuation Date. It follows that the valuations are compliant with "IVS".

1.3. Status of Valuer and Conflicts of Interest

We confirm that all valuers who have contributed to the valuation have complied with the requirements of PS 1 of the RICS Red Book. We confirm that we have sufficient current knowledge of the relevant markets, and the skills and understanding to undertake the valuation competently. We confirm that Konstantin Lebedev and Ksenia Komarova have overall responsibility for the valuation and is in a position to provide an objective and unbiased valuation and is competent to undertake the valuation. Finally, we confirm that we have undertaken the valuation acting as an External Valuer as defined in the RICS Red Book.

Cushman & Wakefield (C&W) undertake various instructions in providing property advice to the Company. We therefore confirm that C&W have current, anticipated and previous recent involvement with the Property. The advice includes ongoing agency, development and other advice.

1.4. Purpose of Valuation

We are instructed to prepare this Valuation Report for inclusion in the international prospectus (the "Prospectus") concerning the proposed placing and offer ("Samolet Offering") of Ordinary Shares in the Company on Moscow Exchange.

1.5. Bases of Valuation

The valuation and report have been prepared in accordance with the RICS Valuation – Professional Standards (the "Red Book") by a valuer acting as an External Valuer, as defined within the Red Book. We confirm that the valuer conforms to the stipulated requirements.

The valuation and report have been prepared in accordance with the IVS 300 – Valuations for Financial Reporting.

1.5.1. Bases

A Basis of Value is defined by the Red Book as:

'A statement of the fundamental measurement assumptions of a valuation.'

In accordance with our instructions from the Client, the property in Part B has been valued on the basis of Fair Value.

1.5.2. Definition

Fair value (the definition adopted by the International Accounting Standards Board (IASB) in IFRS 13) is: '*The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date*.'

RICS valuation standards, as well as International Valuation Standards (IVS), recommend using the Fair value as the Market Value, thus applying the same methodology of the value calculation.

Thus, for the purposes of this analysis in order to determine the Fair Value we have used the methodology of the Market value calculation.

1.6. Disclosures required under the provisions of PS 2.5

1.6.1. Signatures

The members of The Royal Institution of Chartered Surveyors who are referred to in Section above have not previously been the signatories to the valuations provided to the Company for the same purposes as this Valuation Report. C&W have not previously carried out these valuations for the same purpose as this Valuation Report on behalf of the Company.

1.6.2. C&W's relationships with the Client

C&W have from time to time provided other professional or agency services to the client and have done so for a period of less than 5 years.

1.6.3. Fee income from the Company

In relation to the preceding financial year the proportion of the total fees payable by the Company to the total fee income of C&W S&R is less than 5%.

1.7. Inspection

We have inspected each property externally on dates between 21 August and 10 September 2020.

1.8. Town planning

We have not made formal searches but have generally relied on verbal enquiries and any informal information received from the local planning authority, or from the Client. Each valuation is on the basis that each property has been erected either prior to planning control or in accordance with a valid planning permission and is being occupied and used without any breach of planning or building regulations. Except where stated otherwise, each valuation is on the basis that each property is not affected by proposals for road widening, compulsory purchase, planning inquiry, or archaeological investigation.

We are informed by the Company that for a number of "properties held for development" the relevant planning permission approvals are either; "in the process of being applied for", or "in the process of being updated". Each valuation assumes that all required planning permission consents will be received within a normally acceptable timescale and that there are no such issues which would materially delay the issuance of the required consent or have a material effect on value or marketability.

Although, where appropriate, we have considered the Company's business plan to develop each property, each valuation reflects our opinion of an appropriate development that could reasonably be expected to form the basis of a bid for a property by a third party. I.e. the Highest and Best Use as defined by the International Valuation Standards has been considered for each property. "*Highest and best use is the use, from a participant perspective, that would produce the highest value for an asset.*"

Therefore, our valuations do not necessarily reflect the Company's intended investment / development program.

1.9. Structure

We have neither carried out a structural survey of each property, nor tested any services or other plant or machinery. We are therefore unable to give any opinion on the condition of the structure or services at any property. Each valuation takes into account any information supplied to us and any defects noted during our inspection, but otherwise are on the basis that there are no latent defects, wants of repair or other matters which would materially affect each valuation.

We have not inspected those parts of each property which are covered, unexposed or inaccessible and each valuation is on the basis that they are in good repair and condition.

We have not investigated the presence or absence of High Alumina Cement, Calcium Chloride, Asbestos and other deleterious materials. In the absence of information to the contrary, each valuation is on the basis that no hazardous or suspect materials or techniques have been used in the construction of any property.

1.10. Site and Contamination

We have not investigated ground conditions/stability and each valuation is on the basis that any buildings have been constructed, having appropriate regard to existing ground conditions. Where the property has development potential, our valuation is on the basis that there are no adverse ground conditions which would affect building costs. However, where you have supplied us with a building cost estimate, we have relied on it being based on full information regarding existing ground conditions. We have considered the Company's construction estimates in the light of typical market norms.

We have not carried out any investigations or tests, nor been supplied with any information from you or from any relevant expert that determines the presence or otherwise of contamination (including any ground water). Accordingly, our valuation has been prepared on the basis that there are no such matters that would materially affect our valuation.

1.11. Assumptions, Special Assumptions, Departures and Reservations

1.11.1. Special assumptions

The certain projects of the Company, in particularly Yam, Erino, Esenino Park, Bogdanikha, Setun' Park, Balashikha, Poyma, Saburovo, Molzhaninovo the ownership rights and lease agreement to which, as might be defined in the relevant legally binding documentation, are not currently agreed by the company or currently being in process of registration or receipt of the relevant ownership title as of the date of the audited IFRS financial statements for the period ended 30 June 2020. Nevertheless, and assuming the respective level of probability of receipt of such title rights, as have been evaluated by the Company, the projects have been included into the company valuation of the company assets for the purposes of the valuation.

1.11.2. Assumptions

An assumption is stated in VPS 1 to the Red Book to be "is matter that is reasonable to accept as fact in the context of the valuation assignment without specific investigation or verification". Typically, an assumption is made where specific investigation by the valuer is not required in order to prove that something is true.

In undertaking our valuations we have made a number of assumptions and have relied on certain sources of information. Where appropriate, the Company has confirmed that our assumptions are correct so far as they are aware. We believe that our assumptions are reasonable, taking into account our knowledge of the property, and the contents of reports made available to us. In case any of our Assumptions prove to be incorrect, the valuation contained in this valuation report should be reviewed and modified as necessary.

We have prepared our valuation on the basis of the assumptions within our instructions detailed in Part E, Appendices IV and V, of this report.

We have not carried out any physical verification of the assets and liabilities and take no responsibility for the identification of such assets and liabilities.

Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. We have, therefore, not performed any audit, review or examinations of any information used and therefore, do not express any opinion with regards to the same

We have relied on the judgment made by the Management and, accordingly. our valuation does not consider the assumption of contingent liabilities materializing (other than those specified by the Management and the Auditors). If there were any omissions, inaccuracies or misrepresentations of the information provided by the Management, then this may have an effect on our valuation computations.

Any person/party intending to provide finance I deal in the shares / business of the Company shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are taking an informed decision

We have relied upon the written representations received from the Management that the information contained in this Report is materially accurate and complete, fair in the manner of its portrayal and therefore forms a reliable basis for the valuation.

No investigation of Samolet group's claim to the title of assets has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts and represented by the Management as attributed to the Demerged Undertaking. Therefore, no responsibility is assumed for matters of a legal nature. The report is not, nor should it be construed, as our opining or certifying the compliance with the provisions of any law including company and taxation laws or as regards any legal. accounting or taxation implications or issues'

Our valuation is based on the market conditions and the regulatory environment that currently exist. However, changes to the same in the future could impact the Companies and the industry they operate in, which may impact our valuation.

1.11.3. Departures

We have made no Departures from the RICS Red Book.

1.11.4. Reservations

The valuation is not subject to any reservation.

1.12. Accommodation

Source of Floor Areas

No measured surveys have been carried out by C&W, we have relied entirely on the site and floor areas and dimensions provided to us by the Company. We have assumed that these are correct and calculated on the appropriate basis, as normally adopted by the local property market. Any reference to the age of buildings are approximate.

1.13. Sources of Information

In addition to information established by us, we have relied on the information obtained from you and others as referred to in this Valuation Report. We have made the Assumption that the information provided by you and your professional advisers in respect of the Property we have valued is both full and correct.

1.14. General Comment

Each valuation is based on the information which has been supplied to us by the Company or which we have obtained in response to our enquiries. We have relied on this information as being correct and complete and on there being no undisclosed matters which would affect each valuation.

A valuation is a prediction of price, not a guarantee. By necessity, it requires the valuer to make subjective judgements that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the date of valuation was to change. If you wish to rely on our valuation as being valid on any other date you should consult us first.

Should you contemplate a sale, we strongly recommend that the property is given proper exposure to the market. Each valuation assumes that there is an active letting and funding market. This Valuation Report should be read in conjunction with the contracts referred to above, our terms of engagement and in particular our Principal Terms and Conditions of Appointment of Cushman & Wakefield as Valuers.

We recommend that you keep the valuation of this property under frequent review.

You should not rely on this report unless any reference to tenure, tenancies and legal title has been verified as correct by your legal advisers.

1.15. Taxation and costs

We have not made any adjustment to reflect any liability to taxation that may arise on disposal, nor for any costs associated with disposal incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance that may arise on disposal.

We have made a deduction to reflect a purchaser's acquisition costs.

1.15.1. Currency

The property has been valued in roubles.

1.16. Valuation

Subject to the contents of this report and based on current values, we are of the opinion that the Fair Value of real estate and business portfolio as at the date of valuation is fairly reflected in the sum of:

200,982,033,000 RUB

Including:

	Value, mln. RUB
General contract (100% share of ZHILSTROY-MO LLC (OGRN 1185027010002), 100% share of LLC "MEGASTROY-MO". (OGRN 1075015001819), 100% share of CITISTROY-MO LLC (OGRN 1167746755131), 57.76% share of LLC Stroy-Development (OGRN 1067761010525), 57.76% of LLC SR-Stroy (OGRN 1167746567053))	10,260
Resource assets: housing maintenance (100 % share Samolet Service LLC)	3,057
Technology in real estate (36% share SKOR LLC (OGRN 1197847172511); 18% share Input Lab LLC (OGRN 1177746465698)	973
Land plots for commercial development (Land plots with cadastre number 50:20:0010516:1610, 50:20:0010516:1630, 50:20:0010516:3183, 50:20:0010516:3258, 50:20:0010516:3259, total area 17,924 sq.m)	632
Brand	9,211
Land Bank	

#	Project	Fair Value attributable to Samolet, excl. VAT, (RUB mm)
	Moscow region	
1	Prigorod Lesnoe	20,717
2	Putilkovo	19,245
3	Lyubertsy	3,396
4	Tomilino	13,124
5	Sputnik	24,784
6	Korobovo	4,245
7	Mytishchi	6,015
8	Zarechye	2,272
9	Yurlovo	2,148
10	Yam	2,337
11	Poyma	9,256
12	Saburovo	1,295
13	Bogdanikha	4,006
14	Balashikha	2,731
	Moscow (incl New Moscow)	
1	Ostafyevo	15,539
2	Nekrasovka	2,239
3	Rumyantsevo	2,449
4	Alkhimovo	5,259
5	Novodanilovskaya 8	2,324
6	Ryazanovskoye	5,849
7	Setun Park	5,488
8	Novoe Vnukovo	6,236
9	Erino	2,988
10	Esenino Park	4,302
11	Molzaninovo	8,607
	Total	**176,85**

In arriving at our opinion of Fair Value of the aggregate of the interests of the Properties of the portfolio, we have valued each property individually. As such, we have assumed that the Properties would be marketed in an orderly way and not all placed on the market at the same time.

1.17. Confidentiality

The contents of this Valuation Report are intended to be confidential to the addressees and for the specific purpose stated, which is to form part of the Prospectus for the Company.

1.18. Conditions on Use and Reliance

Other than those parties to whom this Valuation Report is addressed (or any person to whom we have issued a reliance letter and who has accepted the terms contained therein), any third party seeking to rely on this Valuation Report shall only be entitled to do so for the purposes of determining whether or not to acquire shares in Samolet Group PJSC.

This Valuation Report or any part of it may not be modified, altered (including altering the context in which the Valuation Report is displayed) or reproduced without the written consent of Cushman & Wakefield (having first been obtained) and any person who contravenes this provision shall be responsible for all of the consequences of the same including indemnifying Cushman & Wakefield for all of the consequences of the contravention. Cushman & Wakefield accepts no liability for any use of the Report which is in contravention of this section.

1.19. Publication

Before the Valuation Report or any part of its contents are reproduced or referred to in any other document, circular or statement or disclosed orally to a third party, our written approval as to the form and context of such publication or disclosure must first be obtained. For the avoidance of doubt, such approval is required whether or not this firm is referred to by name and whether or not our Valuation Report is combined with others.

With no prejudice to the paragraph above the Valuation Report may be disclosed in it's entirety as a part of the Prospectus to person or persons other than the addressees of the Valuation Report only for the purposes of determining whether or not to acquire shares in Samolet Group PJSC.

Signed for and on behalf of Cushman & Wakefield

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B. Market Overview

In the first half of 2020, most economies in the world were affected by factors associated with the spread of coronavirus infection. Data released since the publication of MPR 2/20 indicate a stronger than previously expected drop in the world economy in Q2. However, the pace of its recovery in the medium term is likely to be moderate, given the persistent spread of coronavirus and the associated continuation of restrictive measures in a number of countries. Therefore, the output gap of Russia's key trading partners will remain negative across the forecast horizon, meaning weak external demand for the Russian economy.

In particular, the dynamics of Russian exports will be constrained by the production restrictions limits under the OPEC+ agreement. The effects of the coronavirus pandemic and respective restrictions on the Russian economy in the second quarter were also more significant than previously estimated mainly due to the longer duration of the restrictive measures. At the same time, in 2020 Q3-Q4, the GDP will grow at a faster pace than previously expected, both as a result of a more accommodative fiscal policy and due to the slower recovery of imports (especially services imports). In 2020, GDP will decline by 4.5–5.5%, which is overall in line with the forecast in MPR 2/20.

In 2021–2022, the Russian economy will transition to dynamic recovery, which will be facilitated by an accommodative monetary policy and gradual recovery of the world economy. The negative output gap will be closed by mid-2022. At the same time, in 2021, the influence of the fiscal policy will become more restrained, and in 2022 budget expenditure will return to a level consistent with the fiscal rule.

In 2020–2021, the continued negative output gap will contribute to relatively low inflationary pressure, which, given the larger drop in domestic demand in Q2 this year, is reflected in a lower inflation forecast compared to April: the forecast for 2020 was lowered from 3.8–4.8% to 3.7–4.2%. By the end of 2021, inflation will be 3.5–4.0% and thereafter will remain near the 4% target.

Russia is currently using a floating exchange rate regime, which means that foreign exchange rates against the ruble are determined by market forces, that is, the ratio of the demand for and supply of foreign currency in the foreign exchange market. Any factors affecting this ratio may cause the exchange rate to fluctuate. Specifically, exchange rate dynamics may be affected by movements of import and export prices, inflation and interest rates in Russia and abroad, the pace of economic growth, investor sentiment and expectations in Russia and abroad, as well as changes in the monetary policy of the central banks of Russia or other countries. (Data on fluctuations of the ruble exchange rate and factors causing these changes are published in the quarterly Monetary Policy Report).

During most of the first half of 2020, the ruble exchange rate strengthened, corresponding to the dynamics observed in the markets and the situation in the economy. By the end of July, as compared to 24 April, the ruble grew by 4.2% against the US dollar, while other EME currencies grew by 6.4%, and oil prices almost doubled. The slower growth in the ruble exchange rate compared to other EME currencies was explained by its weakening in July, possibly associated with the conversion of dividends and the sale of OFZs by foreign investors amid elevated geopolitical risks.

The average price for Urals crude grew from $16 per barrel in April to $30 per barrel in May and to $42 per barrel in June. On 21 April, it dropped to its 1999 low, having declined by more than 80% since the beginning of the year amid a significant contraction in demand as a result of restrictive measures introduced to contain the pandemic as well as an increase in oil supply following the termination of the OPEC+ agreement in April 2020. New agreements on significant production cuts over two years starting from May 2020 were reached in early April. This supported prices on the supply side in combination with additional production cuts in Saudi Arabia, the UAE and Kuwait in June, an extension of stricter production quotas for July and a natural decline in US production. In May–June, demand for oil began to recover, further contributing to the rise in oil prices in recent months. As a result, actual oil prices in 2020 Q2 were higher than expected, and oil price trajectories were revised upward. The upward revision of oil prices, in turn, led to an adjustment in most of the forecast indicators, in particular, higher values of exports and the current account balance and a less significant decrease in reserve assets in the balance of payments.

In many countries, the drop in demand for oil due to the coronavirus pandemic spread and related restrictive measures continued in April, but May already saw signs of its recovery that became even more evident in June. Compared to June, in July, international organisations and consulting companies slightly downgraded their estimates for a drop in demand for oil in 2020: the US Energy Information Administration by 0.2 million bpd to 8.2 million bpd; and the International Energy Agency (IEA) also by 0.2 million bpd to 7.9 million bpd.

Production volumes in non-OPEC+ countries started to decrease as early as in April on the back of a sharp decline in drilling activity as a result of oil prices. According to the US Energy Information Administration, oil production in the USA in April–June decreased by 1.3 million bpd compared to 2020 Q1, and production of liquid hydrocarbons in Canada decreased by 1.1 million bpd. The decline in US crude oil production is expected to continue through mid-2021, while Canadian production will recover to the levels observed at the beginning of 2020 no earlier than late 2021.

After OPEC+ agreements on production cuts were terminated in April, some countries, including Saudi Arabia, increased their production volumes. However, a sharp downturn in oil prices, risks of lack of oil storage capacities and forced production cuts made it possible to enter into a new agreement effective until April 2022. In May, this resulted in significant oil production cuts by OPEC+ countries, including Russia. In June, they were supplemented by voluntary production cuts by Saudi Arabia, the UAE and Kuwait as well as the extension of stricter production quotas for July

The average value of household consumption as percent of GDP for Russia during t from 1988 to 2019 was 50.52 percent with a minimum of 37.46 percent in 1992 and a maximum of 57.47 percent in 1998. The latest value from 2019 is 50.38 percent. For comparison, the world average in 2019 based on 133 countries is 62.93 percent.

The Gross Domestic Product (GDP) in Russia was worth 1699.90 billion US dollars in 2019, according to official data from the World Bank. The GDP value of Russia represents 1.42 percent of the world economy.

Russia's economy shrank 8 percent year-on-year in the second quarter of 2020, compared to preliminary estimates of an 8.5 percent contraction and after a 1.6 percent expansion in the previous period. Still, it remained the steepest pace of contraction since the third quarter of 2009 due to the coronavirus pandemic and associated lockdown measures, as well as falling oil prices. Output fell for mining (-12.8 percent); manufacturing (-7.9 percent); wholesale and retail trade; repair of motor vehicles & motorcycles (-12.7 percent) and transportation and storage (-19.3 percent).

The table below sets out the key Russian macroeconomic indicators that impact the Group's operations:

Key Economic Indicators	2019 (Dec|Dec.)	Jan.- Aug. 2019	Jan.- Aug. 2020	Aug. 2019	Aug. 2020
CPI, %	3.0	2.4	3.0	-0.2	0.0
PPI, %	-4.3	-2.0	-0.9[2]	-2.7[2]	4.3
Monetary base[1], %	3.1	-1.3	19.6	1.3	1.0
USD/RUB real appreciation, %	7.6	2.9	-13.0	-3.7	-4.0
Real effective exchange rate, %	8.1	4.4	-11.8	-2.9	-5.2
GDP, Rub. bln.	1.3	0.9[2]	-3.8	1.7	-4.7
Average price of Urals crude oil, USD/bbl	63.6	64.5	40.8	59.4	44.5
RUB/USD average exchange rate	64.7	65.1	70.0	65.5	73.8

Source: Rosstat, Bank of Russia, Federal Treasury, Ministry of Finance of Russia

The size of external debt of the Russian Federation amounted to $481.6 billion as of June 30, 2020. From the beginning of the year the debt liabilities decreased by $9.8 billion, mainly due to decrease in foreign liabilities of general government on the sovereign securities as well as decline of banks' liabilities in the form of non-residents' current accounts and deposits. The international investment position of Russian Federation grew from $358.7 billion at the beginning of the year to $480.4 billion as of June 30, 2020 due to a significant reduction of foreign liabilities and still relatively low increase of foreign assets. .

Russia, which has the largest country area in the world, ranks ninth by population with nearly 146.75 million residents as of January 1, 2020. Most of them lived in the Central Federal District, where Moscow, the capital, is located, while the Far Eastern Federal District was the least populated. Russia faces a demographic crisis, as its population shrinks and ages year-on-year and the number of deaths exceeds the number of births. By 2035, the Russian median age was forecasted according Statista Research Department to reach 44 years.

Russia's jobless rate rose to 6.2 percent in June of 2020 from 6.1 percent in the previous month, below expectations of 6.3 percent. It was the highest jobless rate since March of 2013, as most Russian cities imposed lockdowns measures to curb the spread of the coronavirus. The number of unemployed persons rose by 93 thousand from a month earlier to 4.606 million and those officially registered as unemployed surged by 644 thousand to 2.787 million. A year earlier the unemployment rate was lower at 4.4%

On 18 September 2020, the Bank of Russia Board of Directors decided to keep the key rate at 4.25% per annum. In recent months, price growth rates were slightly higher overall than the Bank of Russia's expectations. This is driven by two key factors: an active recovery of demand after the lockdown as well as the weakening of the ruble on the back of generally increased volatility in global markets and higher geopolitical risks. Inflation expectations of households and businesses remain elevated. Although the effect of short-term proinflationary factors has strengthened, disinflationary risks still prevail in the medium run. As the stage of lively recovery growth owing to restriction lifting and support measures completes, the pace of return of the global and Russian economies to their potential will slow down. This will have a constraining effect on price growth rates. According to the Bank of Russia's forecast, given the current monetary policy stance, annual inflation will reach 3.7-4.2% in 2020, 3.5-4.0% in 2021 and will stabilise close to 4% later on.

Key rate dynamics

Source: CBR

[1]Weighted average interest rate on mortgage loans given to Russian residents during the month for the acquisition of residential real estate on the primary market.

The situation in housing construction in Russia in 2019 was formed under the influence of significant regulatory change in the industry - the introduction of a project financing model using escrow accounts, on which citizens' funds are accumulated. It influenced both the dynamics of lending to construction companies, and their financial position, and ultimately - the prices and supply of housing. The use of the project financing mechanism and bank support of projects has increased the transparency of the construction industry.

In general, in 2019, housing commissioning increased by 4.9% in annual terms, but its dynamics during the year was heterogeneous

Residential real estate construction is one of the most dynamic sectors of the Russian economy. Before the crisis of 2008 the residential real estate construction industry grew at a CAGR of 11%. In 2010, 58.4 million square metres were completed. After two years of recession, growth resumed with at a CAGR of 6.5% for the period to 2016. In 2018, nearly 75.3 million square metres of residential real estate (32.4 million square metres completed by population and 42.9 million square metres of multioccupancy housing commissioning(**)) were completed in Russia, down 4.9% year-on-year. The decrease was primarily attributed to lower investment activity in 2015, when companies suspended new launches due to economic instability.

The residential real estate market can be divided into five main price categories: elite, business-class, comfort class and mass-market.

Elite

Elite residential properties are characterised by the following features: a prime location, superior views, high-quality construction, the use of advanced construction technologies, distinctive architectural design, a developer with a track record in elite property, a small number of apartments in the building, spacious apartments allowing for alterations to be made and the combining of adjacent apartments, parking spaces for each property (with an average of 1.5-2 parking spaces per apartment) and other amenities as well as security and maintenance services provided by a professional property management company.

Business class

Business residential properties are characterised by the following features: location close to the city centre, high-quality architectural design, individually designed building, spacious kitchens and bathrooms, parking spaces for each apartment unit and maintenance services provided by a professional property management company.

Comfort class. Comfort-class residential properties are characterised by the following features: ready-for-living apartments with parking spaces and a developed outside infrastructure. In the Moscow Metropolitan Area these apartments are located in proximity to Third Ring Road.

Mass-market

Economy class. Economy-class residential properties are characterised by the following features: non-ready-for-living apartments with a low price, in proximity and outside the Moscow Ring Road and certain construction methods, including the use of prefabricated concrete panels.

Moscow is the most densely populated area in Russia. According to Rosstat, by 1 January 2019 the population of Moscow amounted to 12.6 million. Spurred by economic growth and growing immigration, the population of Moscow has grown at a CAGR of 1% between 2010 and 2018. Such growth supports strong demand for residential real estate in this area.

Moscow is one of the country's largest real estate markets, with 3.5 million square metres of housing commissioned in 2018, according to Rosstat.

As at 31 December 2018, Moscow accounted for nearly half of the total multioccupancy housing commissioning in the Moscow Metropolitan Area (i.e., the city of Moscow and the Moscow Region combined) with 3.3 million m^2 (up 3.8% year-on-year).

The following table describes residential real estate completions in the city of Moscow for the period 2010 to 2019.

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Completions (*), million m2	5.1	3.5	3.4	3.4	3.9	3.3	3.1	3.0	1.8	1.8
of which completed by population, million m2	0.5	0.2	0.2	0.3	0.6	0.5	0.3	0.0	0.0	0.0
of which multioccupancy housing commissioning (**), million m2	4.6	3.3	3.2	3.1	3.3	2.8	2.8	3.0	1.8	1.8

According to the Unified Register of Homebuilders, as at May 20120 the volume of housing under construction in Moscow was 17.3 million square metres.

The average area of a residential unit under construction in Moscow is 57.6 m². For the Russian Federation, this indicator is 49.9 m².

As of May 2020, weighted average price offers on the market of housing under construction in Moscow amounted to 182,375 rubles per square meter.

Demand for housing in Moscow is high with just 19.1 m^2 of housing stock per capita in 2017, according to Rosstat. The Moscow authorities also have to cope with the poor quality of much of the available housing stock in the city. As a result, in 2017, a programme to renovate obsolete low-rise housing stock built between 1957 and 1968 was announced, which will include the reconstruction of more than five thousand buildings over the next 15 years.

According to the Bank of Russia data for 3 months of 2020, the number of mortgage loans issued to residents of Moscow, amounted to 22,921, which is 21.2% more than in 2019 (18,918), and 28.4% more than the level achieved in 2018 (17,845).

According to the Bank of Russia, for 3 months of 2020 the number of mortgage loan issued to residents of Moscow amounted to 120,226 million rubles, which is 40.0% more than the level reached in 2019 (85 862 million rubles), and by 64.8% more than the same value in 2018 (72,936 million rubles).

Mortgage lending is one of the key drivers of demand in the market for housing under construction in Moscow. In general, for all types of residential mortgage loans, issued in March 2020 in Moscow, weighted average rate amounted to 8.66%. Compared to the same indicator in March In 2019, the rate decreased by 1.74 p.p. (from 10.40 to 8.66%).

The following table sets out the levels of mortgage lending in Moscow for the 2013 to 1 quartal 2020 period.

	1 quartal 2020	2019	2018	2017	2016	2015	2014	2013
Loans issued, number of loans	22,921	80,758	88,141	62,505	49,150	31,525	46,176	41,051
Loans issued, RUB million	120,226	389,842	385,200	253,688	182,573	114,334	173,651	145,719

According to Rosstat, by 1 January 2018 the population of the Moscow Region amounted to 7.5 million. Spurred by economic growth and growing immigration, the population of the Moscow Region grew at a CAGR of 1% between 2010 and 2018. Such growth supports strong demand for residential real estate in this region.

The Moscow Region is the country's largest real estate market, with 8.6 million square metres commissioned in 2019, according to Rosstat.

The following table describes residential real estate completions in the Moscow Region for the period 2010 to 2019.

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Completions, million m2	8.6	8.8	9.1	8.9	9.6	9.9	7.4	6.6	8.2	7.9
of which completed by population, million m2	4.0	3.7	3.5	2.8	3.2	1.7	1.8	2.4	2.8	3.0
of which multioccupancy housing commissioning (*), million m2	4.6	5.1	5.6	6.1	6.4	8.2	5.6	4.2	5.4	4.9

According to the Unified Register of Homebuilders, as at June 2020 the volume of housing under construction in the Moscow Region was 12.5 million square metres.

Mortgage lending is one of the key drivers of demand in the market for housing under construction in the Moscow Region. In general, for all types of residential mortgage loans, issued in April 2020 in the Moscow region, the weighted average rate was 8.43%. Compared to the same in April 2019, there was a decrease in the rate by 2.00 p.p. (from 10.43 to 8.43%).

According to the Bank of Russia, for 4 months of 2020 the number mortgage loans issued to residents Moscow region, amounted to 22,727, which is 0.8% more than the level 2019 (22,546), and 2.0% less than the level achieved in 2018. (23,199).

The following table sets out the levels of mortgage lending in the Moscow Region for the 2013 to 2019 period.

	2019	2018	2017	2016	2015	2014	2013
Loans issued, number of loans	64,867	82,048	56,646	43,153	37,521	55,462	38,861
Loans issued, RUB million	241,161	252,656	159,519	114,028	96,750	150,800	99,788

C. Valuation Methodology

1.1. Valuation of land bank

The Properties comprise several residential development projects, premises within completed residential developments and standing investment asset.

The development properties are in differing stages of development, some being close to completion and others being at the very early stages of the development process. When undertaking the valuation of development sites, there are generally two approaches which can be adopted, the approach selected being generally dependent upon the specific market and characteristics of the property concerned.

The first approach which can be adopted is referred to as the "sales comparable" approach. Where this relates to development sites, the approach involves the analysis of comparable transactions which are generally reported on an area basis, to which adjustments can then be made to reflect differences in location, size, volume of proposed development etc. Adoption of the sales comparison approach necessitates the existence of detailed information on the various transactions available. Where such information is available, for example from a database held by a Land Registry, then this approach can be particularly useful and enables the accurate valuation of the value of properties comprising sites held for development.

Adopting the sales comparison approach for the valuation of development sites in Russia is particularly difficult as a result of the lack of transparency in the market and a general shortage of detailed comparable evidence. 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. This current situation is likely to start to change as the property market matures and the availability and credibility of transactional evidence improves.

As a result of the above, we have not adopted this approach in arriving at our opinion of Fair value of the Properties, considering that most development projects are reasonably advanced in terms of the overall development process which has to be undertaken by a developer. However, where we are aware of details of comparable transactions, we have had regard to them in arriving at our opinions and these are reflected within the Fair values adopted. However, given the relatively limited number of such transactions we have been required to adopt an alternative technique as the principal approach to valuation.

The second approach which can be adopted in valuing properties in the course of development is the residual approach to valuation. This approach has been applied by us using the Discounted Cash Flow ("DCF") 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 at the date of valuation.

The DCF residual methods contain a variety of different variables, such as development costs, incomes, expenses, discount rates. Small changes in these variables can result in relatively significant changes in the Fair value obtained and, therefore, each of these variables should be thoroughly researched in order that the inputs adopted are fully supportable.

Valuation Approach

In addition to the above general valuation methodology, we would point out the following specific assumptions and bases of valuation we have considered in arriving at our opinions of Fair value:

With the exception of a few projects, we understand that the development concepts and development volumes within the projects under development have been approved by the City Authorities in the majority of development properties considered in this Valuation Conclusion. As a result, we have assumed that the properties will be developed in accordance with the approved planning and project documentation. In terms of the projects at the early development stages, which have not obtained full permission from the city authorities, we have analyzed the data on the proposed development concepts provided to us by the Company and have formed our opinion, based on the assumption these concepts are adequate and realistic.

In terms of construction costs and outstanding construction costs, its dynamics, we have had regard to those budgeted costs provided to us by the Client and have taken these into account in considering our opinions of value. Where there are outstanding payments to be made in respect of permitting, we have adopted those figures provided to us by the Client. We have assumed that these costs are accurate.

In terms of residential accommodation, the sales prices per sqm and sales dynamics reflect forecasted market conditions and represent those levels we consider to be achievable in future.

We applied flat discount rates for each project, reflecting the risks of development stage as at the valuation date.

DISCOUNT RATE			
RISK-FREE RATE (COUNTRY ADJUSTED)			
	2016		
	2017		
	2018	0,00%	
Russia 20	2020	4,09%	
Russia 21	2021	4,32%	
Russia 22	2022	4,57%	
Russia 23	2023	4,81%	
Russia 24	2024	4,81%	
Russia 25	2025	5,27%	
Russia 26	2026	5,27%	
Russia 27	2027	5,65%	
Russia 28	2028	5,65%	
Russia 29	2029	5,65%	
Russia 30	2030	6,05%	
Russia 31	2031	6,05%	
Russia 32	2032	6,05%	
INVESTMENT RISK		Escrow accounts	Escrow accounts
Moscow (Economy)		1,00%	0,50%
Moscow (Business)		1,50%	0,75%
Moscow Region		2,50%	1,25%
Other Regions (Population >= 1 M)		3,00%	1,50%
Other Regions (Population <1 M)		3,50%	1,75%
MANAGEMENT RISK		Escrow accounts	Escrow accounts
PIK's Share = 100%		0,50%	0,25%
PIK's Share < 100%		1,00%	0,50%
LIQUIDITY RISK		Escrow accounts	Escrow accounts
Moscow and MR, <10 ha	4 months	1,33%	1,33%
Moscow and MR, >=10 ha	9 months	2,96%	2,96%
Other Regions, < 10 ha	6 months	1,98%	1,98%
Other Regions, >= 10 ha	12 months	3,93%	3,93%
DEVELOPMENT STAGE		Escrow accounts	Escrow accounts
Buildins are not demolished		3,00%	1,50%
Zero-Stage (Free land plot, ready for construction to start)		2,00%	1,00%
Half of the construction is done		1,00%	0,50%
End of construction		0,00%	0,00%
DOCUMENTATION		Escrow accounts disabled	Escrow accounts enabled
agricultural sector		5,00%	5,00%
Investment agreement, city order		4,00%	4,00%
Land lease agreement		3,00%	1,50%
GPZU		2,00%	1,00%
Construction permit		1,00%	0,50%
Commissioning certificate		0,00%	0,00%

1.2. Land plots for commercial development

The Income Approach

The most commonly used method for analyzing fair value in the framework of the income approach is the discounted cash flow method. It is a financial modeling technique based on explicit assumptions about the expected income flows associated with property or business and the costs associated with the ability to make a profit. The market discount rate is applied to this cash flow forecast in order to establish the current value of cash flows. This net present value (NPV) is an indicator of fair value.

Below there are the key assumptions that have been used to model the cash flow using the discounted cash flow method.

Key assumptions

The financial model used for the analysis is based on certain assumptions. Below there is a list of assumptions that we have made during the analysis:

Income

Potential gross income (PGI) is the total potential income attributable to the real property at full occupancy before operating expenses are deducted. It may refer to the level of rental income prevailing as of the effective date of the appraisal or expected during the first full month or year of operation, or to the periodic income anticipated during the projection period.

Effective Gross Income (EGI) is the anticipated income from all operations of the real property adjusted for vacancy and collection losses. This adjustment covers losses incurred due to unoccupied space, turnover, and non-payment of rent by tenants.

Net operating income (NOI) is the actual or anticipated net income remaining after all operating expenses are deducted from effective gross income. Net operating income is customarily expressed as an annual amount. In certain income capitalization applications, a single year's net operating income may represent a steady stream of fixed income that is expected to continue for a number of years. In other applications, the income may represent the starting level of income that is expected to change in a prescribed pattern over the years. Still other applications may require that net operating income be estimated for each year of the analysis.

Operating expenses comprise three categories:

- Fixed expenses
- Variable expenses
- Replacement allowance.

Indexation

For the purposes of this analysis, we predict an increase in the rental rate, expenses in accordance with the following index:

Table

Long-Term Forecast for Russia

Annual percentage changes unless otherwise specified

	[illegible]	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	[illegible]
GDP	3.5	-1.7	0.2	1.7	2.4	1.4	-6.2	5.3	2.1	5.8	2.5	1.7	1.2	1.2	1.3	1.1
Consumption	1.4	-8.4	2.8	3.8	3.3	2.8	-7.3	7.8	2.8	1.6	1.7	1.7	1.8	1.8	1.8	1.4
Investment	8.7	-10.0	-0.6	-0.1	1.0	0.9	-11.8	2.8	11.1	4.8	1.8	0.8	0.5	0.6	1.1	1.1
Government Consumption	-0.1	-3.9	1.7	2.6	1.3	3.1	-2.7	1.9	0.8	0.7	0.7	0.8	1.0	1.1	1.1	0.7
Exports of Goods and Services	3.6	3.6	3.1	5.8	5.6	-2.3	-11.2	9.8	4.3	2.9	2.8	2.9	2.7	2.2	2.3	1.5
Imports of Goods and Services	-0.4	-22.8	-4.7	16.8	3.4	3.1	-20.9	9.4	8.8	3.3	2.4	2.6	2.9	2.9	2.9	2.3
Unemployment (%)	5.8	5.6	5.5	5.2	4.8	4.6	5.8	5.3	5.2	5.2	5.0	5.0	4.8	4.8	4.8	5.1
Consumer Prices, average	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Consumer Prices, EOP	7.3	14.5	5.7	2.8	3.9	3.4	4.5	5.8	3.9	3.8	3.7	3.8	4.0	3.8	3.7	3.8
Current Balance (% of GDP)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exchange Rate (vs US$), average	44.3	69.9	67.1	58.3	62.7	64.7	65.2	67.8	66.1	66.5	68.0	69.0	69.2	69.6	70.0	66.5
Exchange Rate (vs US$), EOP	47.3	72.9	60.7	57.6	69.5	61.9	67.2	67.8	68.3	68.7	68.8	69.1	69.4	69.8	70.3	68.1
General Government Balance (% of GDP)	-1.1	-3.4	-3.7	-1.5	2.9	1.9	-8.2	-4.1	-2.1	-1.4	-0.7	-0.9	-0.5	-0.3	-0.1	-1.3
Short-term Interest Rates (%)	8.6	14.0	11.2	8.4	7.7	7.0	5.6	4.8	5.8	6.2	6.2	6.2	6.2	6.2	6.2	6.1
Long-term Interest Rates (%)	8.8	11.2	8.5	7.8	8.6	7.8	5.7	4.9	5.9	6.2	6.2	6.2	6.2	6.2	6.2	6.1
Working Population	-0.5	-0.7	-0.8	-0.8	-0.9	-0.9	-0.8	-0.8	-0.8	-0.8	-0.8	-0.7	-0.6	-0.5	-0.5	-0.8
Labour Supply	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Participation Ratio (%)	76.6	76.0	76.6	77.8	77.8	77.6	78.1	78.6	78.8	79.3	79.6	79.8	80.0	80.1	80.2	79.2
Labour productivity	0.7	-3.0	0.1	1.8	2.2	2.2	-4.8	2.8	2.6	3.4	2.5	2.1	1.4	1.6	1.7	1.8
Employment	0.2	1.1	0.1	-0.1	0.3	-0.8	-1.7	0.7	-0.5	-0.4	-0.4	-0.4	-0.2	-0.4	-0.4	-0.4
Output gap (% of potential GDP)	-2.8	-1.8	-2.8	-2.1	-0.7	-0.1	-3.5	-5.7	-3.8	-1.8	-0.2	0.5	0.4	0.2	0.1	-1.3

Source: Oxford Economics

Development costs

In accordance with information provided to us by the Client development costs are estimated at the level of around 100,000 RUB per sq m of total building area net of VAT.

Brokers' fees on leasing

We assume that the Developer will use agents in leasing the retail space. Broker's fees on leasing are assumed to be at the level of 8% and have been applied as a cost in our DCF calculation.

Brokers' fees on sale

Broker's fees are assumed to be at the level of 1% and have been applied as a cost in our DCF calculation.

Discount rate

The discount rate in this paper was calculated by the build-up method. This method provides for the determination of the interest rate using the risk-free rate as the base rate, to which compensations for risk, low liquidity and investment management are added. The formula for the calculation is the following:

Rd= Rr/f + Rl +Rm + Ra

Where Rd – discount rate (capital gain);

Rr/f – risk-free rate;

Rl – low liquidity assumption;

Rm – management assumption (investment management);

Ra – additional risk assumption (risk of investing in real estate).

The risk-free rate

As a basis for the modelling of the discount rate, it is necessary to use the rate of return on investments with a minimum level of risk and maturity. In this paper, the value of the zero-coupon yield curve of government bonds was used as a risk-free rate. The value of the corresponding indicator at the date of evaluation – 6.66%.

Low liquidity assumption

Low liquidity assumption is calculated based on the terms of the object exposition. The correction for low liquidity is calculated by the formula:

$Rl = 1-1/(1+i)^n$

where:

i – rate with minimal risk;

n – term of exposition of the future construction object.

Liquidity is determined depending on the projected period of sale of property on the free market at fair value. Liquidity has the following gradations according to the terms of implementation:

The period of exposition is accepted at the level of 9 months

Management assumption (premium for investment management risk)

The investment management premium provides for an assumption to the risk-free rate, which is necessary because of the complexity of the management of the analyzed object. The value of this premium is most often calculated expertly or on the basis of risk ranking on a five-point scale:

- low value – 1%;
- below average – 2%;
- average value – 3%;
- above average – 4%;
- high value – 5%[1].

In the calculation we used average value, taking into account the characteristics of the object of analysis and market analysis.

Assumption for the risk of investing in real estate

Risk is the potential, numerically measurable possibility of loss. In general case risk is the possibility of occurrence of some adverse events involving a different kind of loss.

The assumption adopted in the basic rate set by the insurance company[2].

As a rule project risk is considered as the estimated deterioration in outcome indicators of the project efficiency, arising under the influence of uncertainty. The risk is due to the fact that the income from the project is random, not deterministic (i.e. unknown at the time of the decision to invest), as well as the amount of losses. When analyzing an investment project, you should take into account risk factors, identify as many types of risks as possible and try to minimize the overall risk of the project. If the project is accepted for execution after the evaluation, the enterprise faces the task of managing the identified risks. According to the results of the project, statistics are accumulated, which allows further more accurately determining the risks and working with them. If the uncertainty of the project is too high, the project should be revised, after which the risk valuation is made again.

The calculation of the discount rate

Indicator	Parameter
Risk-free rate (nominal)	6.66%
Compensation for low liquidity	4.72%
Management assumption	3.00%
Risk of investing in real estate assumption	3.00%
Discount rate	**17.40%**

According to the calculations in the table above, the discount rate for the analyzed Object will be 17.40%.

[1] E. N. Ivanova, «The valuation of real estate», Moscow, «KNORUS», 2008

[2] https://www.sravni.ru/enciklopediya/info/strakhovanie-zdanij-i-sooruzhenij/
https://www.kp.ru/guide/strakhovanie-imushchestva-juridicheskikh-lits.html

Exit yield

The exit yield applied in year of disposal of assets after the holding period in the DCF, assumes a hypothetical sale of the Property at this time through the application of an All-Risks Yield to the final year's income stream.

In assessing the exit yield to apply, we have had regard to current initial yields for the segment and type of Property represented by the subject property, market sentiment relating to anticipated yields in the short term for this type of property and the anticipated state of the property in 10 years. We have also had regard to the likely competition in the quality Retail segment in forthcoming years and the resultant and likely attractiveness of the Property to investors given an increase in supply of similar quality assets.

In conclusion, we have adopted an exit yield of 12.1% in valuing the Property.

1.3. Valuation of business

The main approaches are comparative, income and cost approaches.

When determining the value of an object using the income approach, the appraiser should make a step-by-step analysis and calculations according to the methodology of valuation, in particular:

- Choose the method (methods) of valuation of the object, linking (binding) the value of the object and the value of future cash flows or other projected financial indicators of the organization doing business. Calculation may be performed through projected cash flows or other performance indicators expected in terms of owners' investments (equity). Calculation may be carried out through the forecasted cash flows or other indicators of activity in the calculation of investments of all investors associated as of the date of valuation with the organization conducting business (invested capital), the value of equity is further determined by deducting the amount of liabilities of such organization from the received value (not previously taken into account in the formation of cash flows or other forecasted financial indicators of the organization conducting business);

- determine the duration of the period on which the forecast of cash flows or other financial indicators of the organization's activity (forecast period) will be built. The duration of the forecast period depends on the expected time of achievement by the organization conducting the business, stabilization of the results of activity or its termination. The evaluation report should contain a justification for the duration of the forecast period;

- on the basis of the analysis of information about the activity of the organization conducting business, which was conducted earlier during the representative period, to consider macroeconomic and industry trends and to make a forecast of cash flows or other projected financial indicators of the activity of such organization, used in the calculation according to the selected method of valuation of the object of valuation;

- determine the discount rate and/or capitalization rate corresponding to the selected method of evaluation of the object of evaluation.

- if one of the methods of valuation of the object of valuation, where discounting is used, was selected, determine the postforecast (terminal) value.

- Calculate the value of equity or invested capital of the business entity taking into account the fair value of non-operating assets and liabilities not previously used in cash flow formation or other financial performance indicators of the business entity selected under the income approach;

- to make a calculation of the value of the object of estimation.

Within the framework of the comparative approach, the appraiser determines the value of shares, units, shares in the authorized (share) capital, property complex on the basis of information on prices of transactions with shares, units, shares in the authorized (share) capital, property complexes of similar organizations, taking into account comparison of financial and production performance indicators of similar organizations and relevant indicators of the organization conducting business, as well as on the basis of price information on previous transactions with shares, units, shares in the authorized (share) capital, and property complexes of similar organizations.

When determining the value of the object of valuation using the comparative approach, the appraiser should make a step-by-step analysis and calculations according to the valuation methodology, in particular:

- Consider the position of the organization doing business in the industry and make a list of similar organizations;

- select multipliers (coefficients reflecting the ratio between the price and the performance of the organization), which will be used to calculate the value of the object of valuation. The choice of multipliers should be justified;

- carry out the calculation of the base (100 percent of equity capital or 100 percent of invested capital) to determine the multipliers by the organizations-analogues with the necessary adjustments;

- to calculate the values of multipliers on the basis of the information on the organizations-analogues. If the calculation is performed on the basis of information on two or more organizations-analogues, the appraiser should make a reasonable coordination of the obtained calculation results;

- calculate the value of own or invested capital of the organization conducting the business by multiplying the multiplier by the corresponding financial or production index of the organization conducting the business. If the calculation is performed using more than one multiplier, the appraiser should carry out a reasonable coordination of the obtained calculation results;

- if there is information about prices of transactions with shares, units, stakes in the authorized (share) capital of the organization conducting the business, the appraiser may perform the calculation on the basis of the above information without taking into account multipliers.

When valuing shares within the comparative approach, in addition to information on transaction prices, information on quotations of shares of the organization conducting the business and its peers can be used.

Under the cost approach, the appraiser determines the value of the object of valuation based on the value of the assets and liabilities owned by the organization, the leading business. Application of the cost approach is limited, and this approach is generally applied when profits and/or cash flows cannot be reliably determined, but reliable information about assets and liabilities of the organization conducting the business is available.

In the case of the cost approach, a specific method of evaluation of the object of evaluation is applied taking into account expectations regarding the prospects of the organization's activity (as operating or liquidated).

If there is a prerequisite for liquidation of an organization doing business, the value of the valuation object is determined as net proceeds received after the sale of assets of such organization, taking into account the repayment of existing debt and costs associated with the sale of assets and the termination of the organization doing business.

When determining the value of the object of valuation using the methods of valuation of the object of valuation of the cost approach, the appraiser should make a step-by-step analysis and calculations according to the methodology of valuation, including:

- examine and present in the report the composition of assets and liabilities of the organisation conducting the business;

- reveal specialized and non-specialized assets of the company doing business. A specialized asset is an asset that cannot be marketed separately from the business of which it is a part due to its unique character, purpose, design, configuration, composition, size, location and other properties. The valuator should analyze the specialized assets for signs of economic obsolescence;

- calculate the value of assets and liabilities and, if necessary, additional adjustments in accordance with the adopted methodology for their calculation;

- make a valuation of the object of valuation.

When determining the value of the object of valuation within the framework of each of the methods used to assess the object of valuation, the appraiser should identify and justify the need to make adjustments and their amount used in the calculations.

The choice of the approaches used in the valuation is made by the appraiser based on the analysis of the following factors:

- possibility of application of each of the approaches;
- evaluation goals and objectives;
- the expected use of the valuation results;
- assumptions;
- completeness and reliability of the initial information. Based on the analysis of these factors.

1.4. Valuation of brand

We calculate brand value using the Brande Finance Royalty Relief method which determines the value a company would be willing to pay to license its brand as if it did not own it. This approach involves estimating the future revenue attributable to a brand and calculating a royalty rate that would be charged for the use of the brand. The steps in this process are as follows:

- Calculate brand strength on a scale of 0 to 100 based using a balanced scorecard of a number of relevant attributes such as emotional connection, financial performance and sustainability, among others. This score is known as the Brand Strength Index.
- Determine the royalty rate range for the respective brand sectors. This is done by reviewing comparable licensing agreements sourced from Brand Finance's extensive database of license agreements and other online databases.
- Calculate royalty rate. The brand strength score is applied to the royalty rate range to arrive at a royalty rate. For example, if the royalty rate range in a brand's sector is 0-5% and a brand has a brand strength score of 80 out of 100, then an appropriate royalty rate for the use of this brand in the given sector will be 4%.
- Determine brand specific revenues estimating a proportion of parent company revenues attributable to each specific brand and industry sector.
- Determine forecast brand specific revenues using a function of historic revenues, equity analyst forecasts and economic growth rates.
- Apply the royalty rate to the forecast revenues to derive the implied royalty charge for use of the brand.
- The forecast royalties are discounted post tax to a net present value which represents current value of the future income attributable to the brand asset.

1.5. Conclusions

Subject to the contents of this report and based on current values, we are of the opinion that the Fair Value of real estate and business portfolio as at the date of valuation is fairly reflected in the sum of:

200,982,033,000 RUB

Including:

	Value, mln. RUB
General contract (100% share of ZHILSTROY-MO LLC (OGRN 1185027010002), 100% share of LLC "MEGASTROY-MO". (OGRN 1075015001819), 100% share of CITISTROY-MO LLC (OGRN 1167746755131), 57.76% share of LLC Stroy-Development (OGRN 1067761010525), 57.76% of LLC SR-Stroy (OGRN 1167746567053))	10,260

	Value, mln. RUB
Resource assets: housing maintenance (100 % share Samolet Service LLC)	3,057
Technology in real estate (36% share SKOR LLC (OGRN 1197847172511); 18% share Input Lab LLC (OGRN 1177746465698)	973
Land plots for commercial development (Land plots with cadastral number 50:20:0010516:1610, 50:20:0010516:1630, 50:20:0010516:3183, 50:20:0010516:3258, 50:20:0010516:3259, total area 17,924 sq.m)	632
Brand	9,211

Land Bank

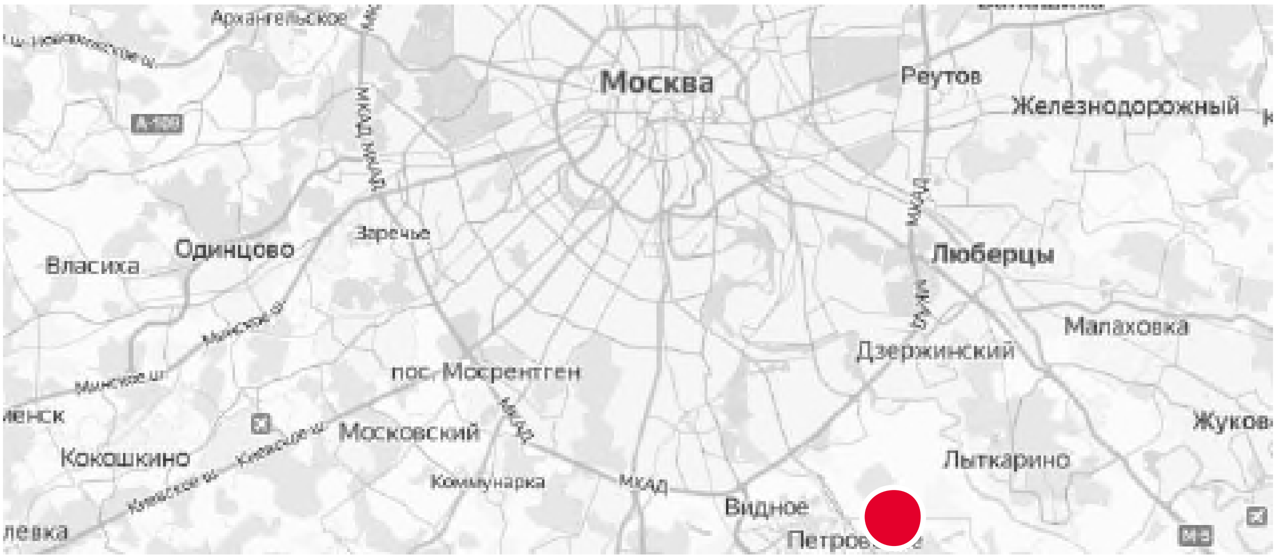
#	Project	Fair Value attributable to Samolet, excl. VAT, (RUB mm)
	Moscow region	
1	Prigorod Lesnoe	20,717
2	Putilkovo	19,245
3	Lyubertsy	3,396
4	Tomilino	13,124
5	Sputnik	24,784
6	Korobovo	4,245
7	Mytishchi	6,015
8	Zarechye	2,272
9	Yurlovo	2,148
10	Yam	2,337
11	Molzaninovo	8,607
12	Poyma	9,256
13	Saburovo	1,295
14	Bogdanikha	4,006
15	Balashikha	2,731
	Moscow (incl New Moscow)	
1	Ostafyevo	15,539
2	Nekrasovka	2,239
3	Rumyantsevo	2,449
4	Alkhimovo	5,259
5	Novodanilovskaya 8	2,324
6	Ryazanovskoye	5,849
7	Setun' Park	5,488
8	Novoe Vnukovo	6,236
9	Yerino	2,988
10	Esenino Park	4,302
	Total	**176,85**

D. Property and Business Descriptions

1.1. Land bank

1.1.1. Prigorod Lesnoye

Map



Source: yandex.ru/maps

Site Plan

Source: samolet.ru

Location:	Address: Misailovo Village, Dalniye Prudishchi Village, Molokovskoe Settlement, Leninskiy District, Moscow Region.

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	The Property is located in the southeast of Moscow within 4 km from MKAD. The residential complex is in 15 minutes' drive from Domodedovskaya metro station. The project has a convenient exit to Volodarskoye and Domodedovskoye highway. In the future, a high-speed highway with a convenient exit to Kashirskoye Highway and high-speed highway A-105 Moscow-Domodedovo Airport will be opened nearby. Also, additional routes of public transport and new highways are being developed.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 17 phases or 144 houses with a total area of 2,473,483 sqm, including: ▪ 2,441,723 sqm – residential area; ▪ 31,760 sqm – built-in commercial premises. Infrastructure includes: 131 children's' playgrounds, 11 schools and 16 kindergartens.
Land rights	Ownership (Progorod Lesnoe LLC)
Construction Completion Date:	2036
Unsold Area:	1,970,438 sqm
Current Stage:	Under construction (18% completed)
Samolet Share:	66.0%
Discount Rate:	12.5%
Average Price per sqm:	116,208 RUB
Remaining Construction Costs (excluding financial costs):	116,973,497,000 RUB
Land Area:	Land plot with a total area of 373.74 ha located in the southeast of Moscow
Fair value:	**31,389,340,000 RUB**
Fair value of Samolet share	**20,717 mln RUB**

1.1.2. Alkhimovo

Map

Source: yandex.ru/maps

Site Plan

Source: samolet.ru

Location:	Address: near Alkhimovo Village, Ryazanovskoye Settlement, New Moscow. The Property is located in the south of Moscow within 30 minutes' drive from MKAD.

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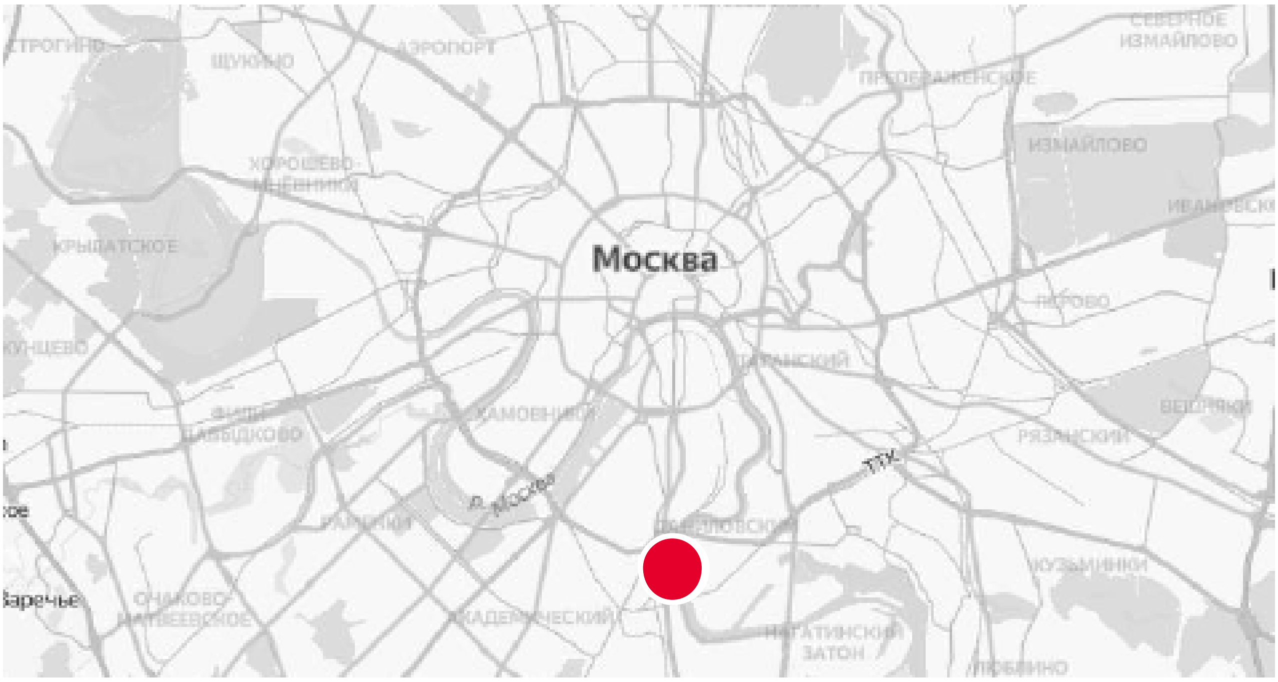
	Buninskaya Alley subway is in 15 minutes by car. The Property is located in 20 minutes on foot from "Silikatnaya" ground metro station (MCD-2). "Kurskaya" metro station can be reached in 55 minutes by electric train. Ryazanovskoe highway is in 2 minutes from the residential complex and exit to Varshavskoe highway is in 6 minutes from the Property. It takes approximately 23 minutes to get to MKAD without traffic jams. Alkhimovo is a part of New Moscow, which is actively developing. The construction of the highway "MKAD - Kommunarka - Ostafyevo" is already being completed, "Andreevskoye - Yakovlevo" and "Voskresenskoye - Karakashevo - Shcherbinka" roads are under construction. The plans include opening of "Ryazanovskoye" and "Ostafyevo" stations of Biryulevskaya metro line.
Project Description:	The completed development is expected to comprise approximately 245,000 square metres of total net sellable area including residential buildings with a total net sellable area of 237,235 square metres, commercial built-in premises with a total net sellable area of 7846 square metres and other non-residential space (such as 255 parking facilities), located on a 45-hectare land plot.
Land rights	Ownership (Specialized Developer Samolet-Alkhimovo LLC)
Construction Completion Date:	2025
Unsold Area:	187,497 sqm
Current Stage:	Under construction (8% completed)
Samolet Share:	70.2%
Discount Rate:	9.2%
Average Price per sqm:	144,486 RUB
Remaining Construction Costs (excluding financial costs):	13,146,684,000 RUB
Land Area:	Land plot with a total area of 44.6 ha located in the south of Moscow
Fair value:	**7,496,179,000 RUB**
Fair value of Samolet share	**5,259 mln RUB**

1.1.3. Novodanilovskaya, 8

Map



Source: yandex.ru/maps

Site Plan

Source: samolet.ru

Location:	Address: 9/1, Varshavskoe Highway, Moscow. The Property is located in the historical center of Moscow within 13 minutes' walk from "Tulskaya" metro station and 20 minutes' drive from the Kremlin. The Property has convenient exit to the TTK via Varshavskoye Highway.
Project Description:	As at the valuation date, the Property is under construction. The Property represents business-class residential complex with a total area of 36,055 sqm, including: ▪ 34,453 sqm – residential area; ▪ 354 sqm – built-in commercial premises; ▪ 1,194 sqm – storages; ▪ 255 parking lots.
Land rights	Lease (Specialized Developer DM APARTMENTS LLC)

Construction Completion Date:	2022
Unsold Area:	31,738 sqm
Current Stage:	Under construction (31% completed)
Samolet Share:	70.2%
Discount Rate:	7.9%
Average Price per sqm:	294,858 RUB
Remaining Construction Costs (excluding financial costs):	4,267,072,000 RUB
Land Area:	Land plot with a total area of 1.6 ha located in the Central Administrative District of Moscow
Fair value:	**3,312,399,000 RUB**
Fair value of Samolet share	**2,324 mln RUB**

1.1.4. Lubertsy

Map

Source: yandex.ru/maps

Site Plan

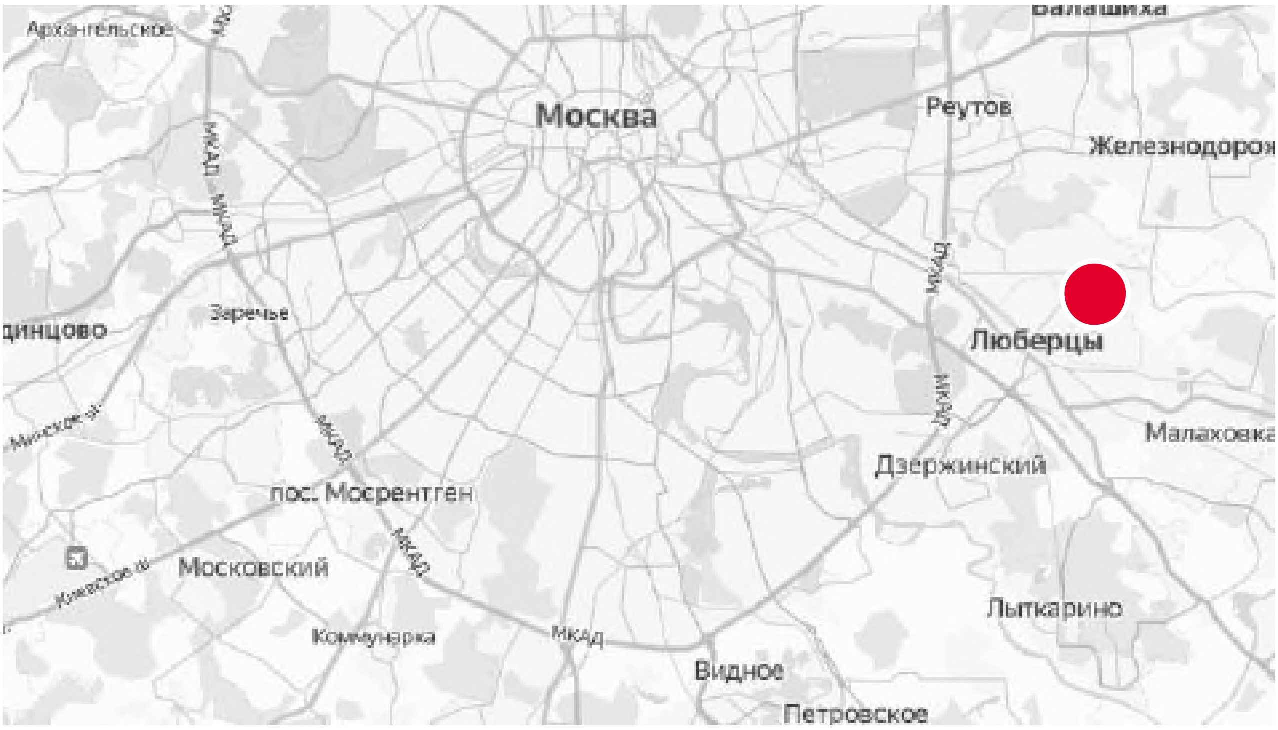
Source: samolet.ru

Location:	Address: Lubertsy, Moscow Region. The Property represents microdistrict with the area of 96.3 ha located on the shore of Chernoye Lake. The houses are located within 7.5 km from MKAD and in walking distance from metro stations and public transport stops. Transport access: ▪ 2 minutes on foot to bus stops; ▪ 15 minutes by car to MKAD;

	▪ 20 minutes to "Nekrasovka" metro station; ▪ 40 minutes by subway to the center of Moscow; ▪ 4 km to the railway station "Lyubertsy-1".
Project Description:	As at the valuation date, the Property is under construction. The Property represents residential complex with a total area of 811,344 sqm, including: ▪ 797,619 sqm – residential area; ▪ 13,726 sqm – built-in commercial premises. Infrastructure includes clinic with an ambulance station, police station, six kindergartens and five schools.
Land rights	Ownership (Samolet Development LLC)
Construction Completion Date:	2023
Unsold Area:	208,705 sqm
Current Stage:	Under construction (71% completed)
Samolet Share:	100%
Discount Rate:	11.2%
Average Price per sqm:	118,713 RUB
Remaining Construction Costs (excluding financial costs):	14,766,140,000 RUB
Land Area:	Land plot with a total area of 133.3 ha located within 7.5 km from MKAD
Fair value:	**3,312,399,000 RUB**
Fair value of Samolet	**3,312 mln RUB**

1.1.5. Nekrasovka

Map



Source: yandex.ru/maps

Site Plan

Source: samolet.ru

Location:	Address: Nekrasovka Settlement, Moscow. The Property is located in the south-east of Moscow, within walking distance from Nekrasovka station. "Nekrasovka" subway station is in eight minutes' walk from the residential complex, and Lukhmanovskaya - in half an hour. The Property is just 7.5 km away from Moscow Ring Road and is equipped with comfortable exits to Kosinskoye Highway and Oktyabrsky Avenue.

Project Description:	The development is expected to comprise approximately 148,000 square metres of total net sellable area including residential buildings with a total net sellable area of 139,500 square metres and commercial built-in premises with a total net sellable area of 8,500 square metres and other non-residential space (such as storages), located on an 11-hectare land plot.
Land rights	Ownership (Specialized Developer NEKRASOVKA-INVEST LLC)
Construction Completion Date:	2022
Unsold Area:	64,506 sqm
Current Stage:	Under construction (31% completed)
Samolet Share:	70.2%
Discount Rate:	8%
Average Price per sqm:	157,970 RUB
Remaining Construction Costs (excluding financial costs):	5,023,660,000 RUB
Land Area:	Land plot with a total area of 10.79 ha located within 5 km from MKAD
Fair value:	**3,190,626,000 RUB**
Fair value of Samolet	**2,239 mln RUB**

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1.1.6. Ostafyevo

Map

Source: yandex.ru/maps

Site Plan

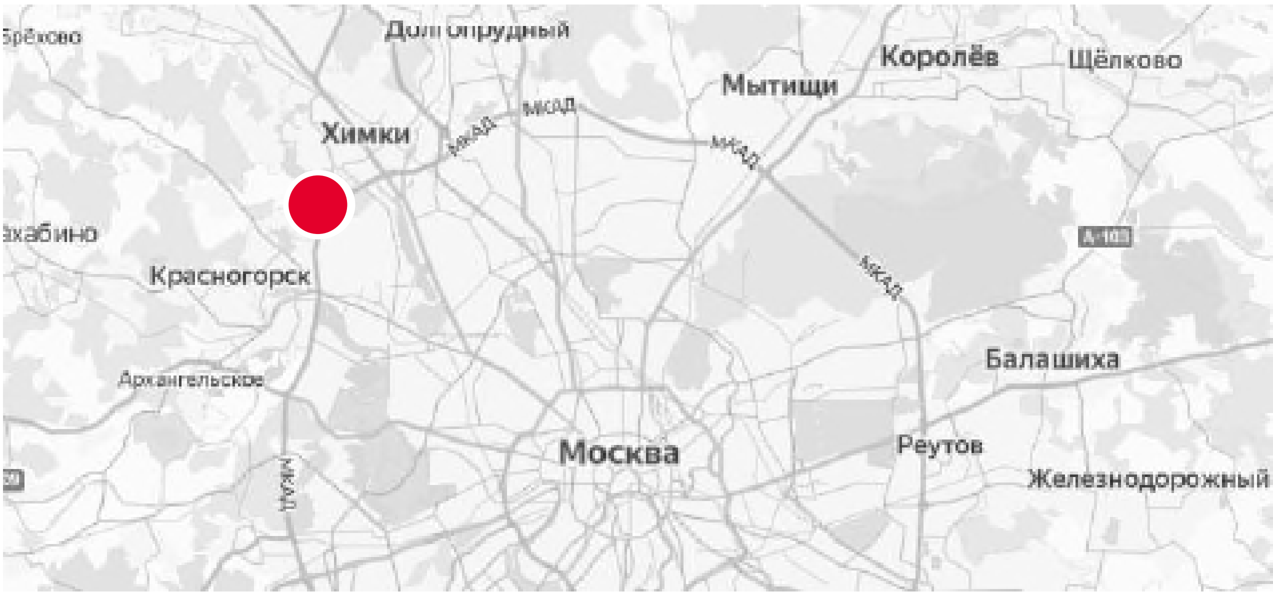
Source: samolet.ru

Location:	Address: Ostafyevo Village, Ryazanovskoye Settlement, New Moscow. The Property is located in New Moscow within 11 km from MKAD along Varshavskoye Highway. The Property has convenient car access, MKAD can be reached via Varshavskoye Highway in 16 minutes. Access by public transport is possible via "Buninskaya Alleya" metro station (10 minutes' drive, 7.2 km), "Shcherbinka" station of MCD-2 is in 2.8 km (30 minutes' walk, 5 minutes' drive).

Project Description:	Ostafyevo is the Group's first residential comfort class development project located in New Moscow, eight kilometres to the south-west of MKAD, in the vicinity of the Ostafyevo residential areas and is surrounded by pine forests, rivers and ponds. The completed development is expected to comprise approximately 672,606 square metres of total net sellable area including residential buildings with a total net sellable area of 619,283 square metres and commercial built-in premises with a total net sellable area of 53,423 square metres and other non-residential space (such as storages, 1,300 parking plots, five kindergartens and three schools), located on a 137-hectare land plot.
Land rights	Ownership (SR-Group LLC)
Construction Completion Date:	2025
Unsold Area:	507,858 sqm
Current Stage:	Under construction (33% completed)
Samolet Share:	57.8%
Discount Rate:	11%
Average Price per sqm:	141,926 RUB
Remaining Construction Costs (excluding financial costs):	27,143,795,000 RUB
Land Area:	Land plot with a total area of 137.3 ha located within 11 km from MKAD
Fair value	**26,902,528,000 RUB**
Fair value of Samolet share	**15,539 mln RUB**

1.1.7. Putilkovo

Map



Source: yandex.ru/maps

Site Plan

Source: samolet.ru

Location:	Address: Putilkovo, Moscow Region. The Property represents one of the largest residential complexes in the Moscow Region, located within 500 meters from MKAD, it has convenient exit to major highways - MKAD, Pyatnitskoye and Leningradskoye highways. "Planernya", "Skhodnenskaya", "Mitino" and "Pyatnitskoye Shosse" metro stations are in 10 minutes' drive.
Project Description:	As at the valuation date, the Property is under construction. The Property represents residential complex with a total area of 784,958 sqm, including: ▪ 750,660 sqm – residential area; ▪ 34,298 sqm – built-in commercial premises. Infrastructure: kindergartens, schools.
Land rights	Ownership, Lease (Samolet Putikovo LLC)

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Construction Completion Date:	2032
Unsold Area:	669,680 sqm
Current Stage:	Under construction (13% completed)
Samolet Share:	100%
Discount Rate:	12.4%
Average Price per sqm:	170,224 RUB
Remaining Construction Costs (excluding financial costs):	55,171,458,000 RUB
Land Area:	Land plot with a total area of 226.54 ha located within 500 m from MKAD
Fair value:	**19,245,481,000 RUB**
Fair value of Samolet share:	**19,245 mln RUB**

1.1.8. Tomilino

Map

Source: yandex.ru/maps

Site Plan

Source: samolet.ru

Location:	Address: Tomilino Village, Lyuberetskiy district, Moscow Region. The Property is located in Lyuberetskiy district of Moscow Region within 10 km from MKAD by Novoryazanskoye Highway.

	Transport access: ▪ 1 minute on foot to bus stops; ▪ 2 minutes by car to A-102 and Ryazanskoye Highway through own exit from the residential complex; ▪ 10 minutes from the houses to the metro station "Kotelniki"; ▪ 45 minutes to the center of Moscow; ▪ 10 km to the Moscow Ring Road.
Project Description:	As at the valuation date, the Property is under construction. The completed development is expected to consist of approximately 645,041 square metres of total net sellable area including 28 residential buildings with a total net sellable area of 625,242 square metres, commercial built-in premises with a total net sellable area of 19,799 square metres and other non-residential space (such as four kindergartens, 3 schools and 7,053 parking facilities), located on a 76-hectare land plot.
Land rights	Ownership (Samolet Tomilino LLC)
Construction Completion Date:	2025
Unsold Area:	428,042 sqm
Current Stage:	Under construction (41% completed)
Samolet Share:	100%
Discount Rate:	11.5%
Average Price per sqm:	107,849 RUB
Remaining Construction Costs (excluding financial costs):	24,859,318,000 RUB
Land Area:	Land plot with a total area of 75.88 ha located within 10 km from MKAD
Fair value:	**13,124,168,000 RUB**
Fair value of Samolet share:	**13,124 mln RUB**

1.1.9. Rumyantsevo

Map

Source: yandex.ru/maps

Location:	Address: Dudkino Village, Mosrentgen Settlement, Moscow The Property is located at the intersection of MKAD and Kievskoye Highway. The Property has convenient car access via adjacent major roads. "Rumyantsevo" and "Salarievo" metro stations are in close proximity to the property.
Project Description:	The Property represents residential complex with 160,000 sqm residential premises, the project comprises 3 phases.
Land rights	Lease (Specialized Developer Samolet-Dudkino LLC)
Construction Completion Date:	2025
Unsold Area:	160,000 sqm
Current Stage:	Initial stage, pre-construction activities (5% completed)
Samolet Share:	39.3%
Discount Rate:	9.8%
Average Price per sqm:	130,175 RUB
Remaining Construction Costs (excluding financial costs):	11,437,328,000 RUB
Land Area:	Land plot with a total area of 11.2 ha located at the intersection of MKAD and Kievskoye Highway
Fair value:	**6,233,489**
Fair value of Samolet share:	**2,449 mln RUB**

1.1.10. Zarechye

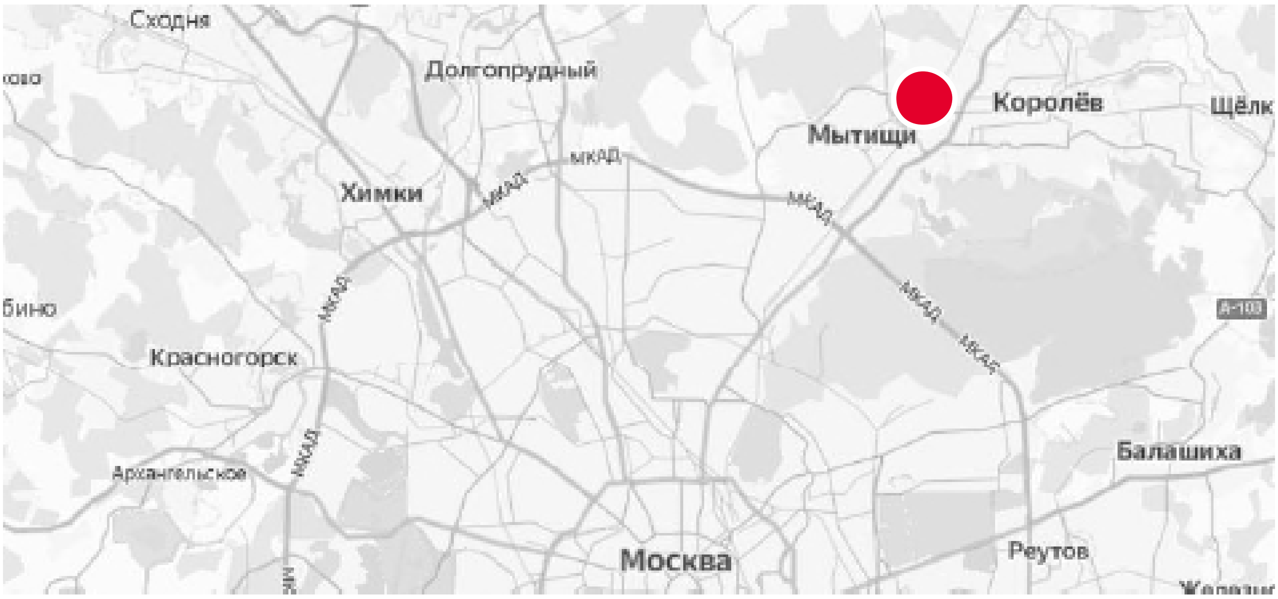
Map

Source: yandex.ru/maps

Location:	Address: Zarechye Village, Odintsovskiy District, Moscow Region The Property is located in the southwest of the Moscow Region, within 1 km from MKAD. "Ozernaya" and "Govorovo" metro stations are in close proximity to the Property and can be reached by public access. "Skolkovo" railway station of MCD-1 can be reached by car.
Project Description:	The Property represents residential complex with a total area of 75,898 sqm, including: ▪ 64,811 sqm – residential area; ▪ 6,329 sqm – built-in commercial premises; ▪ 4,758 sqm – storages; ▪ 1,215 – parking lots.
Land rights	Lease (Samolet -Zarechye LLC)
Construction Completion Date:	2024
Unsold Area:	71,140 sqm
Current Stage:	Construction not started (0% completed)
Samolet Share:	100%
Discount Rate:	10.4%
Average Price per sqm:	164,037 RUB
Remaining Construction Costs (excluding financial costs):	7,161,840,000 RUB
Land Area:	Land plot with a total area of 16.09 ha located within 1 km from MKAD
Fair value	**2,272,126,000 RUB**
Fair value of Samolet share:	**2,272 mln RUB**

1.1.11. Mytishchi

Map



Source: yandex.ru/maps

Location:	Address: Silikatnaya Street, Mytishchi, Moscow Region The Property is located in Moscow Region within 4.5 km to the north from MKAD. The nearest metro station "Babushkinskaya" is located within 30-40 minutes' drive. Railway station "Mytishchi" of Yaroslavskoye direction is located within 10 minutes' drive.
Project Description:	The Property represents residential complex with a total area of 340,734 sqm, including: ▪ 322,329 sqm – residential area; ▪ 18,404 sqm – built-in commercial premises.
Land rights	Lease (Specialized Developer Samolet Mytishchi LLC)
Construction Completion Date:	2030
Unsold Area:	340,734 sqm
Current Stage:	Construction not started (0% completed)
Samolet Share:	100%
Discount Rate:	11%
Average Price per sqm:	111,789 RUB
Remaining Construction Costs (excluding financial costs):	21,206,083,000 RUB
Land Area:	Land plot with a total area of 42.86 ha located within 4.5 km from MKAD
Fair value	**6,014,767,000 RUB**
Fair value of Samolet share:	**6,015 mln RUB**

1.1.12. Novoe Vnukovo

Map

Source: yandex.ru/maps

Location:	Address: Kokoshkino Settlement, Borovskoye highway, Novomoskovsky District, Moscow. The Property is located within 19 km west from MKAD. The future residential complex is in 20 minutes drive from Vnukovo airport and in 20 minutes from Rasskazovka metro station. The project has a convenient exit to Borovskoye highway and Kievskoye highway.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 10 phases with a total area of 620,867 sqm, including: ▪ 552,302 sqm – residential area; ▪ 68,564 sqm – built-in commercial premises.
Land rights	Ownership (Specialized Developer Sanino 1)
Construction Completion Date:	2031
Current Stage:	Under construction (6% completed)
Unsold Area:	620,867
Samolet Share:	35.1%
Discount Rate:	13.8%
Average Price per sqm:	130,475 RUB
Remaining Construction Costs (excluding financial costs):	43,636,635,000 RUB
Land Area:	Land plot with a total area of 79.87 ha located in the south-west of Moscow.
Fair value:	**17,775,832,000 RUB**
Fair value of Samolet Share	**6,236 mln RUB**

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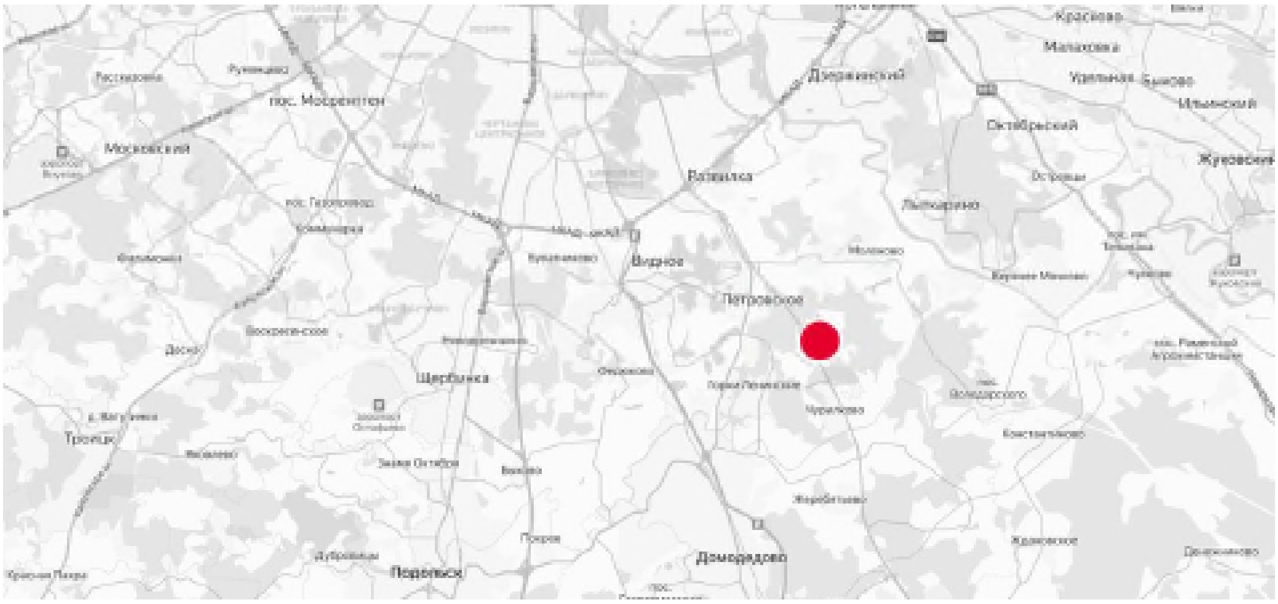
1.1.13. Korobovo

Map



Source: yandex.ru/maps

Location:	Address: near Korobovo Village, Molokovskoe Settlement, Leninskiy District, Moscow Region. The Property is located in the south-east of Moscow within 10 km from MKAD. The residential complex is in 15 minutes drive from Domodedovskaya metro station. Domodedovo Airport is located approximately 15 km of the Property. The project has a convenient exit to federal highway A-105 Moscow-Domodedovo Airport.
Project Description:	As at the valuation date, the Property is under design. The Project comprises 12 phases with a total residential area of 760,000 sqm.
Land rights	Ownership (Korobovo LLC)
Construction Completion Date:	2033
Current Stage:	Under design
Unsold Area:	760,000
Samolet Share:	66.0%
Discount Rate:	16.4%
Average Price per sqm:	103,685 RUB
Remaining Construction Costs (excluding financial costs):	45,852,797,000 RUB
Land Area:	Land plot with a total area of 132.71 ha located in the south-east of Moscow Region.
Fair value	**6,432,050,000 RUB**
Fair value of Samolet share:	**4,245 mln RUB**

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1.1.14. Molzhaninovo

Map

Source: yandex.ru/maps

Location:	Address: Molzhaninovsky District, Moscow. The Property is located within 10 km north-west from MKAD. The residential complex is in 20 minutes drive from Belomorskaya metro station. Domodedovo Airport is located approximately 9 km of the Property. The project has a convenient exit to Leningradskoyel highway.
Project Description:	As at the valuation date, the Property is under design. The Project comprises 14 phases with a total residential area of 934,056 sqm.
Land rights	Agreement on the procedure for interaction between individuals
Construction Completion Date:	2036
Current Stage:	Under design
Unsold Area:	934,056
Samolet Share:	70.2%
Discount Rate:	14.4%
Average Price per sqm:	132,239 RUB
Remaining Construction Costs (excluding financial costs):	67,467,615,000 RUB
Land Area:	Land plot with a total area of 136.4 ha located in the north-west of Moscow.
Fair value	**12,267,809,000 RUB**
Fair value of Samolet share:	**8,607 mln RUB**

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1.1.15. Bogdanikha

Map

Source: yandex.ru/maps

Location:	Address: near Bogdanikha Village, Leninskiy District, Moscow Region. The Property is located in the south-east of Moscow within 16 km from MKAD. The residential complex is in 30 minutes drive from Domodedovskaya metro station. Domodedovo Airport is located approximately 30 km of the Property. The project has a convenient exit to Volodarskoye highway.
Project Description:	As at the valuation date, the Property is under design. The Project comprises 9 phases with a total residential area of 600,000 sqm.
Land rights	An agreement on cooperation was signed on the project. The rights of the Group to the land in the process of registration
Construction Completion Date:	2032
Current Stage:	Under design
Unsold Area:	600,000
Samolet Share:	66.0%
Discount Rate:	14.9%
Average Price per sqm:	102,847 RUB
Remaining Construction Costs (excluding financial costs):	34,488,550,000 RUB
Land Area:	Land plot with a total area of 151 ha located in the south-east of Moscow Region.
Fair value	**6,069,178,000 RUB**
Fair value of Samolet share:	**4,005 mln RUB**

1.1.16. Setun Park

Map

Source: yandex.ru/maps

Site Plan

Source: Client Data

Location:	Address: 19, Bratyev Fonchenko Street, Ramenki District, Moscow.

	The Property is located in Western Administrative Okrug of Moscow. The nearest metro station "Minskaya" is located within 2 km distance from the Property and can be reached by public transport. The project has a convenient exit to Minskaya street, Generala Dorokhova Avenue and Third Ring Road.
Project Description:	As at the valuation date, the Property is under design. The Project comprises 3 phases with a total area of 176,380 sqm, including: ▪ 158,500 sqm – residential area; ▪ 17,325 sqm – built-in commercial premises; ▪ 554 sqm – storage premises; ▪ 462 – parking places. Infrastructure includes school and kindergarten.
Land rights	An agreement on cooperation was signed on the project. The rights of the Group to the land in the process of registration
Construction Completion Date:	2026
Current Stage:	Under design
Unsold Area:	176,380
Samolet Share:	70.2%
Discount Rate:	13.7%
Average Price per sqm:	321,439 RUB
Remaining Construction Costs (excluding financial costs):	32,850,147,000 RUB
Land Area:	Land plot with a total area of 8 ha located in Western Administrative Okrug of Moscow.
Fair value:	**7,821,650,000 RUB**
Fair value of Samolet share	**5,488 mln RUB**

1.1.17. Balashikha

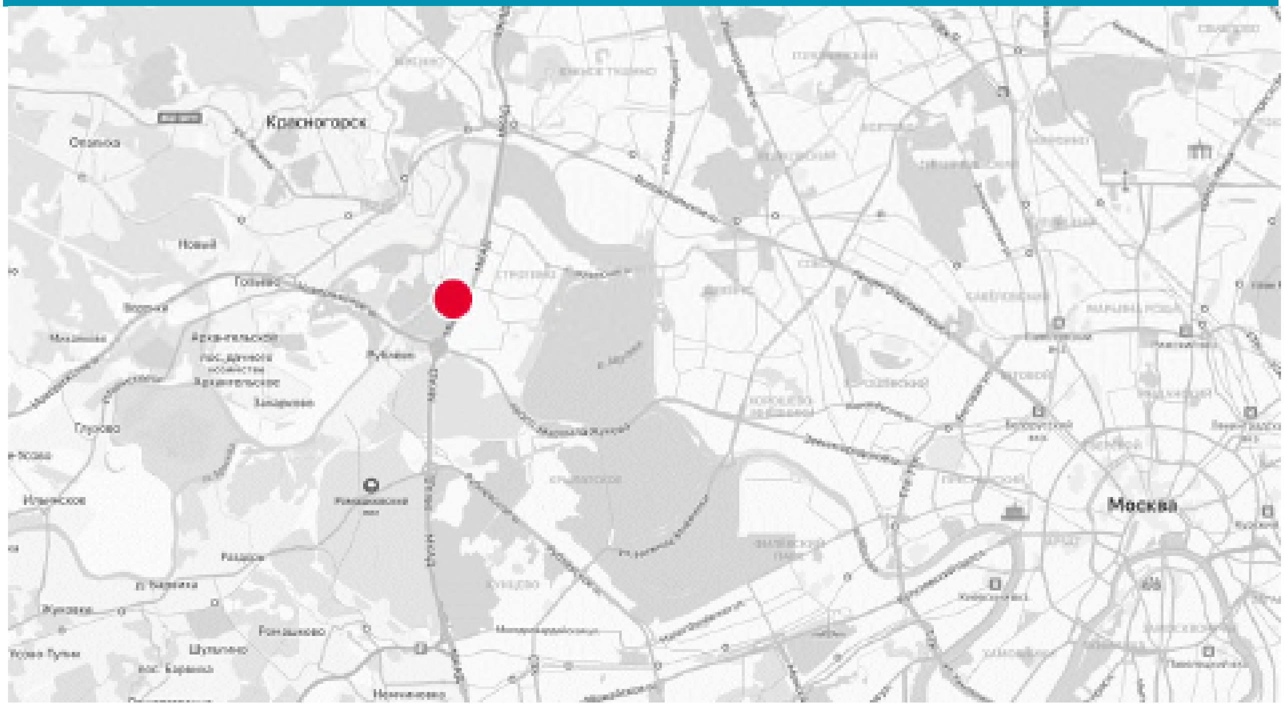
Map

Source: yandex.ru/maps

Location:	Address: 1B, Belyakova str, Balashikha, Moscow Region. The Property is located in the east of Moscow within 10 km from MKAD. The residential complex is in 20-30 minutes drive from Novogireevo metro station. The Property has a convenient exit to Lenina avenue, Entuziastov highway.
Project Description:	As at the valuation date, the Property is under design. The Project comprises 9 phases with a total residential area of 430,223 sqm, including: ▪ 404,118 sqm – residential area; ▪ 26,105 sqm – built-in commercial premises; ▪ 4,463 – parking places.
Land rights	An agreement on cooperation was signed on the project. The rights of the Group to the land in the process of registration
Construction Completion Date:	2032
Current Stage:	Under design
Unsold Area:	430,223
Samolet Share:	50.0%
Discount Rate:	14.9%
Average Price per sqm:	110,134 RUB
Remaining Construction Costs (excluding financial costs):	25,615,349,000 RUB
Land Area:	Land plot with a total area of 37 ha located in the east of Moscow Region.
Fair value:	**5,462,917,000 RUB**
Fair value of Samolet share	**2,731 mln RUB**

1.1.18. Sputnik

Map



Source: yandex.ru/maps

Site Plan

Source: samolet.ru

Location:	Sputnik is a business class development project located in the Moscow Region, 0.5 kilometres to the north-west of MKAD, in the vicinity of a woodland and a waterfront and has well-developed infrastructure and convenient railway and road access, including its proximity to Strogino metro station.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 12 phases with a total area of 620,359 sqm, including: ▪ 502,219 sqm – residential area; ▪ 114,317 sqm – built-in commercial premises. ▪ 3,823 sqm – storages; ▪ 4,697 parking lots.

Land rights	Ownership (Buhta Land LLC)
Construction Completion Date:	2027
Unsold Area:	423,552 sqm
Current Stage:	Under construction (41% completed)
Samolet Share:	100.0%
Discount Rate:	9.2%
Average Price per sqm:	151,135 RUB
Remaining Construction Costs (excluding financial costs):	29,560,422,000 RUB
Land Area:	Land plot with a total area of 21 ha located in Moscow Region
Fair value:	**24,783,921,000 RUB**
Fair value of Samolet share	**24,784 mln RUB**

1.1.19. Yam

Map

Source: yandex.ru/maps

Location:	Moscow region
Project Description:	As at the valuation date, the Property is under design. The Project comprises 6 phases with a total area of 363,370 sqm, including: ▪ 340,834 sqm – residential area; ▪ 22,536 sqm – built-in commercial premises.
Land rights	Land rights in the process of transferring to the ownership Group
Construction Completion Date:	2027
Unsold Area:	363,370 sqm

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Current Stage:	Under design
Samolet Share:	66.0%
Discount Rate:	11.3%
Average Price per sqm:	100,866 RUB
Remaining Construction Costs (excluding financial costs):	26,349,397,000 RUB
Land Area:	Land plot with a total area of 47.4 ha located in Moscow Region, south from MKAD
Fair value:	**3,541,205,000 RUB**
Fair value of Samolet share	**2,337 mln RUB**

1.1.20. Erino

Map

Source: yandex.ru/maps

Location:	Moscow region
Project Description:	As at the valuation date, the Property is under design. The Project comprises 12 phases with a total residential area of 543,000 sqm.
Land rights	As of the date of valuation, the site was transferred to the perimeter of the Group, as of the date of the report - the property of the Group
Construction Completion Date:	2031
Unsold Area:	543,000 sqm
Current Stage:	Under design
Samolet Share:	35.1%

Discount Rate:	18.8%
Average Price per sqm:	120,728 RUB
Remaining Construction Costs (excluding financial costs):	37,346,075,000 RUB
Land Area:	Land plot with a total area of 80 ha located in Moscow Region
Fair value:	**8,517,369,000 RUB**
Fair value of Samolet share	**2,988 mln RUB**

1.1.21. Ryazanovskoye

Map

Source: yandex.ru/maps

Location:	Moscow
Project Description:	As at the valuation date, the Property is under design. The Project comprises 16 phases with a total residential area of 1,619,000 sqm.
Land rights	Ownership (Specialized Developer Ryazanovskoye-1 LLC)
Construction Completion Date:	2039
Unsold Area:	1,619,000 sqm
Current Stage:	Under design
Samolet Share:	35.1%
Discount Rate:	19.4%
Average Price per sqm:	134,653 RUB
Remaining Construction Costs (excluding financial costs):	120,557,030,000 RUB
Land Area:	Land plot with a total area of 200 ha located in New Moscow, south-west/south from MKAD

Fair value:	**16,672,526,000 RUB**
Fair value of Samolet share	**5,849 mln RUB**

1.1.22. Esenino Park

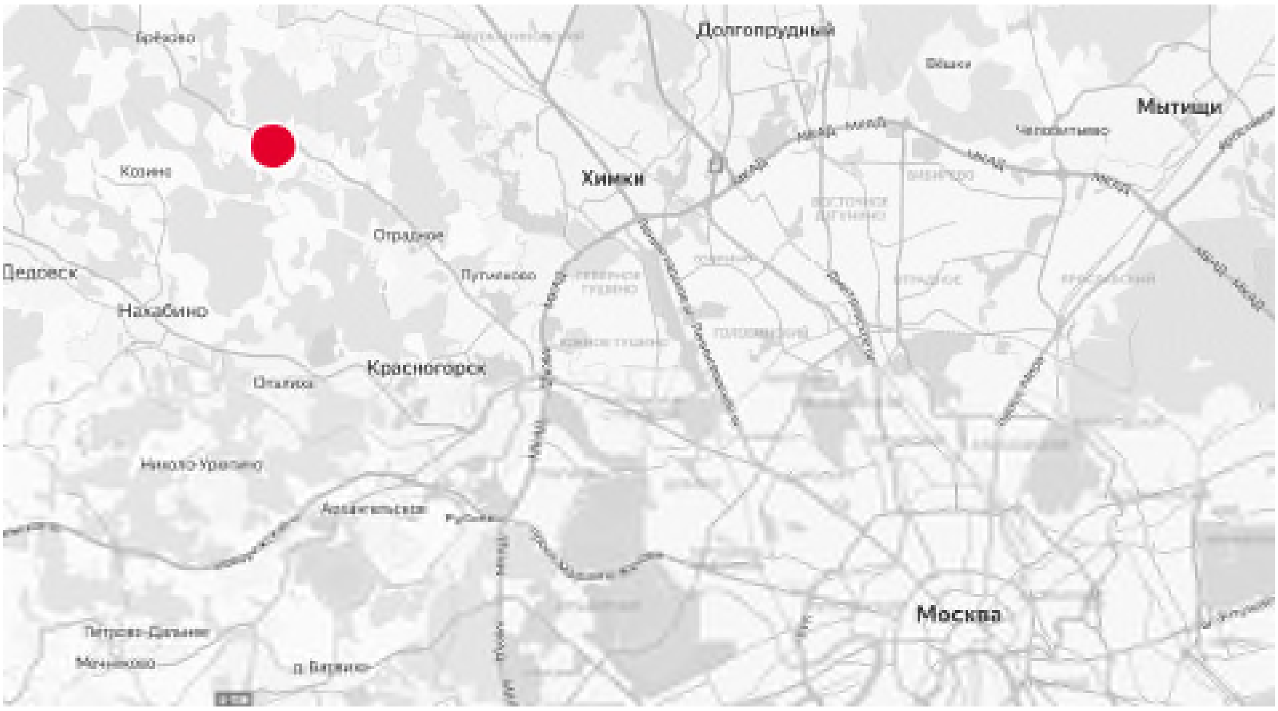
Map

Source: yandex.ru/maps

Location:	Moscow
Project Description:	As at the valuation date, the Property is under design. The Project comprises 18 phases with a total residential area of 1,300,000 sqm.
Land rights	An agreement on cooperation was signed on the project. The rights of the Group to the land in the process of registration
Construction Completion Date:	2041
Unsold Area:	1,300,000 sqm
Current Stage:	Under design
Samolet Share:	35.8%
Discount Rate:	19.4%
Average Price per sqm:	126,535 RUB
Remaining Construction Costs (excluding financial costs):	96,244,683,000 RUB
Land Area:	Land plot with a total area of 165.03 ha located in New Moscow, south-west from MKAD
Fair value:	**12,262,980,000 RUB**

1.1.23. Yurlovo

Map



Source: yandex.ru/maps

Location:	Moscow region
Project Description:	As at the valuation date, the Property is under design. The Project comprises 8 phases with a total residential area of 544,856 sqm.
Land rights	Ownership, Lease (Specialized Developer Samolet-Yurlovo LLC)
Construction Completion Date:	2028
Unsold Area:	544,856 sqm
Current Stage:	Under design
Samolet Share:	50.0%
Discount Rate:	18.6%
Average Price per sqm:	106,692RUB
Remaining Construction Costs (excluding financial costs):	42,377,624,000 RUB
Land Area:	Land plot with a total area of 107.89 ha located in New Moscow, south-west/south from MKAD
Fair value:	**4,296,546,000 RUB**
Fair value of Samolet share	**2,148 mln RUB**

1.1.24. Poyma

Map

Source: yandex.ru/maps

Location:	Moscow region
Project Description:	As at the valuation date, the Property is under design. The Project comprises 20 phases with a total residential area of 1,977,000 sqm.
Land rights	An agreement on cooperation was signed on the project. The rights of the Group to the land in the process of registration
Construction Completion Date:	2043
Unsold Area:	1,977,000 sqm
Current Stage:	Under design
Samolet Share:	66.0%
Discount Rate:	19.6%
Average Price per sqm:	124,931 RUB
Remaining Construction Costs (excluding financial costs):	134,074,407,000 RUB
Land Area:	Land plot with a total area of 300 ha located in Moscow Region
Fair value:	**14,023,587,000 RUB**
Fair value of Samolet share	**9,256 mln RUB**

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1.1.25. Saburovo

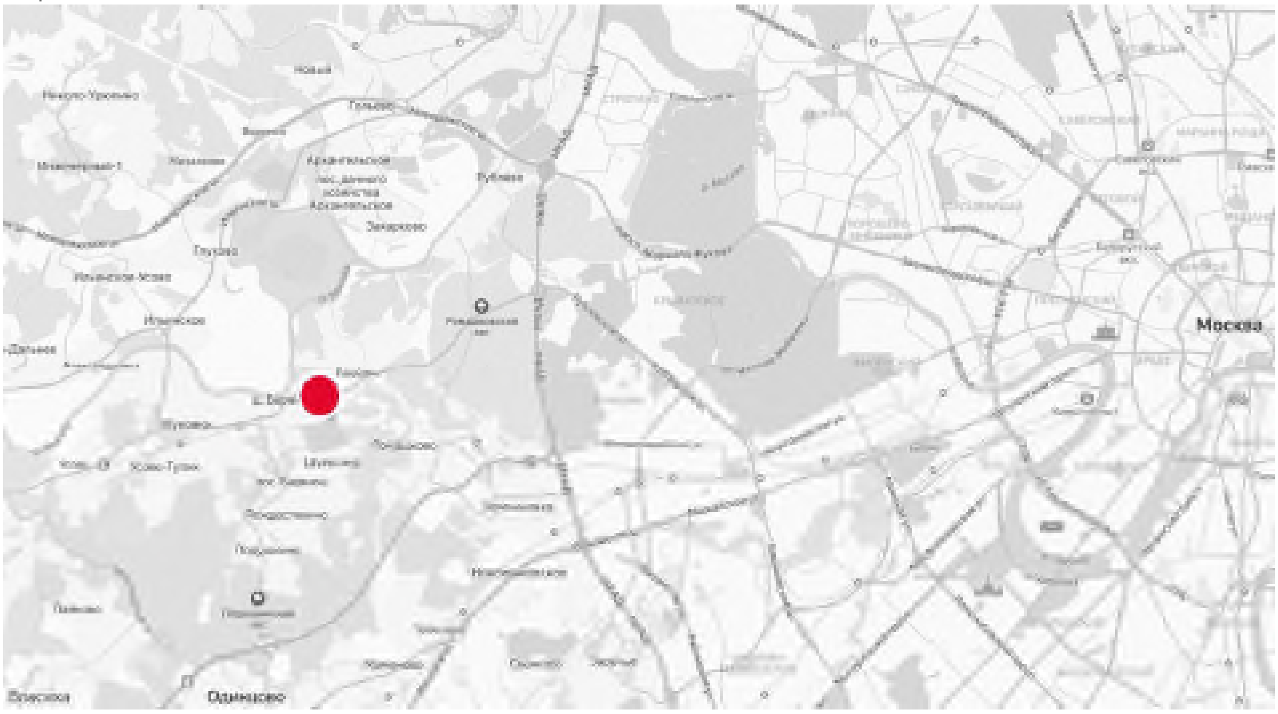
Map

Source: yandex.ru/maps

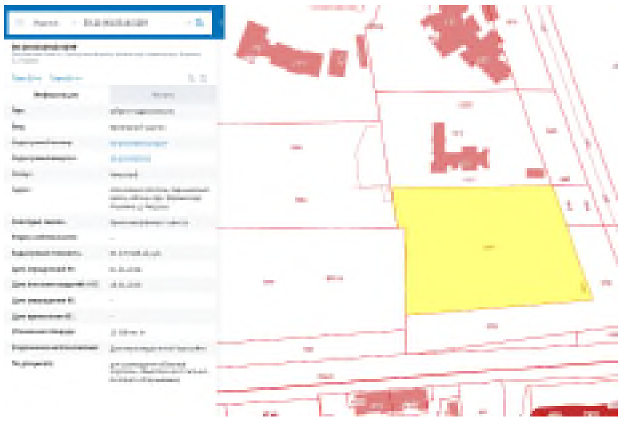
Location:	Moscow region
Project Description:	As at the valuation date, the Property is under design. The Project comprises 7 phases with a total residential area of 482,300 sqm.
Land rights	An agreement on cooperation was signed on the project. The rights of the Group to the land in the process of registration
Construction Completion Date:	2029
Unsold Area:	482,300 sqm
Current Stage:	Under design
Samolet Share:	50.0%
Discount Rate:	18.8%
Average Price per sqm:	102,175 RUB
Remaining Construction Costs (excluding financial costs):	37,492,345,000 RUB
Land Area:	Land plot with a total area of 107.89 ha located in New Moscow, south-west/south from MKAD
Fair value:	**2,589,350,000 RUB**
Fair value of Samolet share	**1,295 mln RUB**

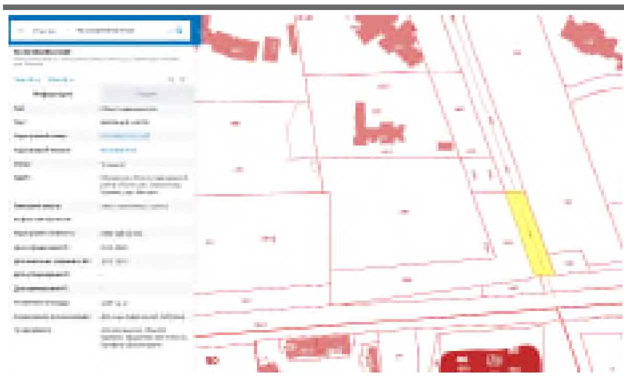
1.2. Land plots for commercial development

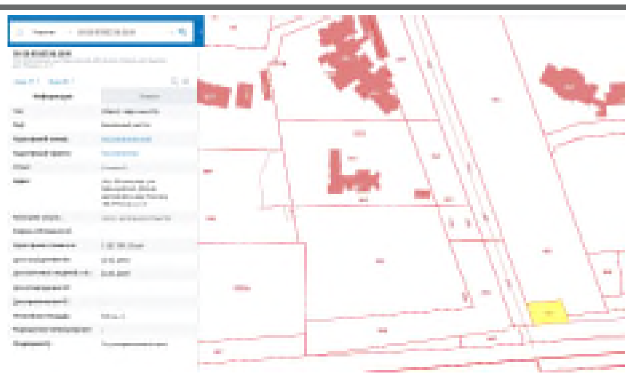
Map



Source: yandex.ru/maps







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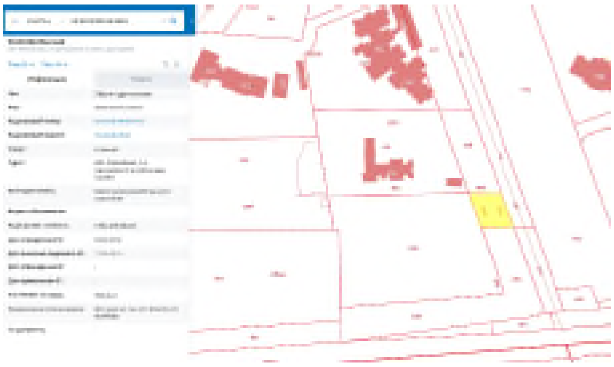


Source: https://pkk.rosreestr.ru/

Location:	Address: near Barvikha village, Zhukovka village, Razdory village, Odintsovskiy District, Moscow Region The Property is located in the west of Moscow within 7 km from MKAD. The Property has a convenient exit to Rublyovo-Uspenskoye highway. The property has excellent visibility from Rublyovo-Uspenskoye highway taking into account location on the first line of the highway.
Description:	The total area of land plots is 1.79 ha. According to the information supplied to us in respect of zoning, the property is currently zoned as settlement land, with permission for construction and operation of commercial real estate. The land plot with cadastral #50:20:0010516:1610 is currently zoned as agricultural land, with permission for personal subsidiary farming. According to the information provided by the Client, a shopping center with total area of 11,400 sq.m. will be built on the land plots.
GBA of the Property, sqm	11,400
GLA of the Property, sqm	8,005
Discount Rate:	17.4%
Exit yield:	12.1%
Construction Costs (including indication):	1,200,362,923
Fair value:	**631,800,000 RUB**

1.3. Business

Below is a description of the companies according Spark (www.spark-interfax.ru).

1.3.1. INPUT LAB LLC

Legal address	121357, g. Moskva, ul. Vereiskaya, d. 29 str. 134 etazh 3, kom. 19 · Biznes-tsentr «Vereyskaya Plaza 3»
OKOPF	Limited liability companies
Industry	Computer programming activities

Economic Activities , OKVED

62.01 Computer programming activities (Main - EGRPO GMC Rosstat, EGRUL, Financial Statements GMC Rosstat)

62.02	Computer consultancy activities
62.09	Other information technology and computer service activities
63.11	Data processing, hosting and related activities
63.11.1	Creating and using data bases and information resources
64.19	Other monetary intermediation

Shareholders

Name, description	Address	Share in charter capital, rubles	Share in charter capital, %	Date entered in EGRUL
Nikolishin Sergei Petrovich	—	3,492,000	29.25	14.01.2020
SAMOLET DVE STOLITSY, OOO	g. Sankt-Peterburg, naberezhnaya Petrogradskaya, d. 22 litera A pom. 35N	2,984,333	25.00	14.01.2020
Tolkachev Roman Aleksandrovich	—	2,326,000	19.49	14.01.2020
Trotsenko Roman Viktorovich	—	2,239,000	18.76	14.01.2020
Tolcheev Kirill Vladimirovich	—	896,000	7.51	14.01.2020

Balance sheet analysis

Name	Row code	2017	Percentage, %	2018	Growth, %	Percentage, %	2019	Growth, %	Percentage, %
Assets									
Intangible assets	1110			30,790		70.73	28,148	-8.58	25.65
Capital assets	1150	101	5.05	1,716	1 599.01	3.94	1,324	-22.84	1.21
LONG-TERM ASSETS	1100	101	5.05	32,507	32 085.15	74.68	29,472	-9.34	26.86
Accounts receivable	1230	149	7.45	434	191.28	1	374	-13.82	0.34
Cash and cash equivalents	1250	1,751	87.55	10,591	504.85	24.33	79,569	651.29	72.51
Other current assets	1260						317		0.29
CURRENT ASSETS	1200	1,900	95	11,025	480.26	25.33	80,260	627.98	73.14
TOTAL ASSETS	1600	2,000	100	43,531	2 076.55	100	109,732	152.08	100
Passive									
Charter capital	1310	10,000	500	10,000		22.97	11,937	19.37	10.88
Paid-in capital, asset revaluation	1350	3,060	153	67,058	2 091.44	154.05	199,822	197.98	182.1
Retained earnings for reporting year	1370	-13,861	-693.05	-33,658	-142.83	-77.32	-111,442	-231.1	-101.56
CAPITAL AND RESERVES	1300	-801	-40.05	43,400	5 518.23	99.7	100,317	131.15	91.42
Borrowed funds (short-term)	1510	1,500	75						
Accounts payable	1520	1,301	65.05	132	-89.85	0.3	9,414	7 031.82	8.58
CURRENT LIABILITIES	1500	2,801	140.05	132	-95.29	0.3	9,414	7 031.82	8.58
Total LIABILITIES	1700	2,000	100	43,531	2 076.55	100	109,732	152.08	100
Working capital		599	29.95	10,893	1 718.53	25.02	70,529	547.47	64.27
Net assets		-801	-40.05	43,399	5 518.1	99.7	100,318	131.15	91.42
Total Debt		2,801	140.05	132	-95.29	0.3	9,414	7 031.82	8.58

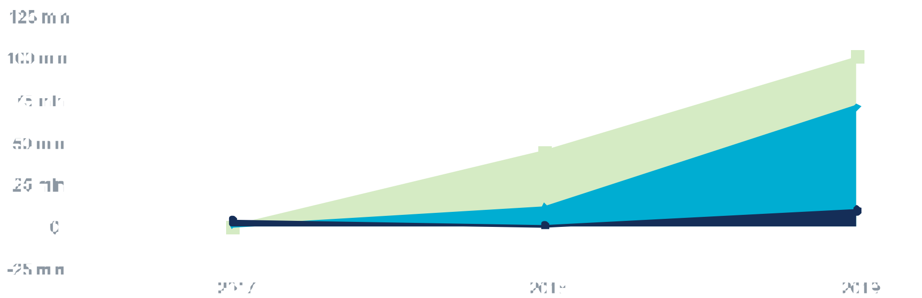
Statement of Financial Results analysis

Name	Row code	2017	Percentage, %	2018	Growth, %	2019	Growth, %
Revenues and expenses on ordinary activities							
Administrative expenses	2220	13,789		27,182	97.13	77,318	184.45
Operating profit (loss)	2200	-13,789		-27,182	-97.13	-77,318	-184.45
Operating income and expenses							
Other operating income	2340			8,014		6	-99.93
Other operating expenses	2350	72		630	775	472	-25.08
Pre-tax profit (loss)	2300	-13,861		-19,798	-42.83	-77,784	-292.89
Net profit	2400	-13 861		-19,798	-42.83	-77,784	-292.89

Name	Row code	2017	Percentage, %	2018	Growth, %	2019	Growth, %
EBIT		-13,861		-19,798	-42.83	-77,784	-292.89

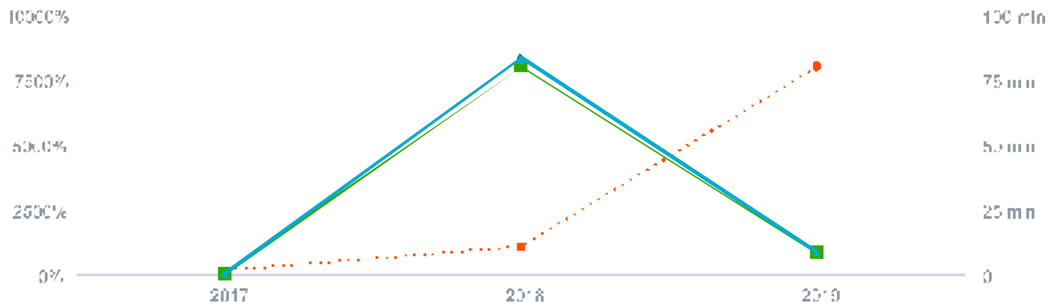
Coefficients calculation

Debt management



Name	2017	2018	Growth, %	2019	Growth, %
Total Debt, ₽	2,801,000	132,000	-95.29	9,414,000	7,031.82
Working capital, ₽	599,000	10,893,000	1,718.53	70,529,000	547.47
Equity, ₽	-801,000	43,400,000	5,518.23	100,317,000	131.15

Ratio



Name	2017	2018	Growth, %	2019	Growth, %
CURRENT ASSETS, ₽	1,900,000	11,025,000	480.26	80,260,000	627.98
Current ratio, %	67.83	8,352.27	12,213.53	852.56	-89.79
Cash ratio, %	62.51	8,023.48	12,735.51	845.22	-89.47
Quick ratio, %	67.83	8,352.27	12,213.53	852.56	-89.79

1.3.2. SKOR LLC

Legal address	197046, g. Sankt-Peterburg, naberezhnaya Petrogradskaya, d. 22 litera A pom. 34N, ofis N1
OKOPF	Limited liability companies
Industry	Buying and selling of own real estate

Economic Activities , OKVED

68.10	Buying and selling of own real estate (Main - EGRPO GMC Rosstat, EGRUL)
68.10.1	Presale preparation of own real estate
68.10.11	Presale preparation of own residential real estate

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68.10.12	Presale preparation of own non-residential real estate
68.10.2	Buying and selling of own real estate
68.10.21	Buying and selling of own residential real estate
68.10.22	Buying and selling of own non-residential buildings and premises
68.31	Real estate agencies
68.31.3	Consulting services for purchase and sale of real estate on a fee or contract basis
68.32	Management of real estate on a fee or contract basis
69.10	Legal activities

Shareholders

Name, description	Address	Share in charter capital, rubles	Share in charter capital, %	Date entered in EGRUL
SAMOLET SEVERO-ZAPAD, LLC	g. Sankt-Peterburg, naberezhnaya Petrogradskaya, d. 22 korp. litera A pom. 35N	5,100	51.00	22.08.2019
BIZNES-GRUPP, LLC	Tyumenskaya obl., g. Tyumen, ul. Belyaeva, d. 29 kv. 46	4,900	49.00	22.08.2019

SKOR was founded in July 2019 with the aim of performing trade-in on the real estate market. The company is engaged in buying properties at a discount to the market in order to resell them with a premium.

The main clients of SKOR are real estate owners who are interested in the urgent sale of their real estate and, therefore, are ready to make a deal at a discount. The average discount applied by the company at the moment is 8%.

The business model is structured as follows: the company attracts investments in the form of loans, the funds received are used to buy apartments (mainly in the secondary market). Then the purchased apartments are put on the market and resold at a premium. The margin received from the sale allows you to recoup the costs of maintaining the process, as well as to return investors their loans with a certain profitability.

1.3.3. Zhilstroy-MO LLC

Legal address	142714, Moskovskaya obl., Leninski raion, d. Misailovo, bulvar Literaturny (Prigorod Lesnoe Mkr.), d. 4 pom. 629
OKOPF	Limited liability companies
Industry	Owner/developer, general contractor activities

Economic Activities , OKVED

71.12.2	Owner/developer, general contractor activities (Main - EGRPO GMC Rosstat, EGRUL)
68.10.23	Buying and selling of land plots
68.20	Renting and operating of own or leased real estate
70.22	Business and other management consultancy activities
71.11	Architectural activities
71.11.1	Architectural activities associated with buildings and constructions
71.12	Engineering activities and related technical consultancy
71.12.1	Engineering and design services, construction project management, construction monitoring and field supervision

Shareholders

Name, description	Address	Share in charter capital, rubles	Share in charter capital, %	Date entered in EGRUL
GK SAMOLET, PAO	g. Moskva, ul. Ivana Franko, d. 8 etazh / kom. 19/31	10,000	100.00	02.08.2018

Balance sheet analysis

Name	Row code	2018	Percentage, %	2019	Growth, %	Percentage, %
Assets						
Capital assets	1150	4,099	1.93	13,917	239.52	0.88
other long-term investments	1180	148	0.07	632	327.03	0.04
Other long-term assets	1190	5				
LONG-TERM ASSETS	1100	4,252	2	14,549	242.17	0.92
Inventory	1210	34	0.02	328	864.71	0.02
VAT on inventory	1220			1,561		0.1
Accounts receivable	1230	206,812	97.51	1,570,174	659.23	98.83
Cash and cash equivalents	1250	836	0.39	1,597	91.03	0.1
Other current assets	1260	153	0.07	605	295.42	0.04
CURRENT ASSETS	1200	207,836	98	1,574,265	657.46	99.08
TOTAL ASSETS	1600	212,088	100	1,588,814	649.13	100
Passive						
Charter capital	1310	10		10		
Retained earnings for reporting year	1370	3,413	1.61	27,924	718.17	1.76
CAPITAL AND RESERVES	1300	3,423	1.61	27,934	716.07	1.76
Deferred tax liabilities	1420	21	0.01	101	380.95	0.01
LONG-TERM LIABILITIES	1400	21	0.01	101	380.95	0.01
Accounts payable	1520	207,902	98.03	1,557,617	649.21	98.04
CURRENT LIABILITIES	1500	208,644	98.38	1,560,779	648.06	98.24
Total LIABILITIES	1700	212,088	100	1,588,814	649.13	100
Working capital		-220	-0.1	14,482	6,682.73	0.91
Net assets		3,423	1.61	27,934	716.07	1.76
Total Debt		208,665	98.39	1,560,880	648.03	98.24

Statement of Financial Results analysis

Name	Row code	2018	Percentage, %	2019	Growth, %	Percentage, %
Revenues and expenses on ordinary activities						
Revenue	2110	465,451	100	5,254,888	1,028.99	100
Cost of sales	2120	456,101	97.99	5,196,711	1,039.38	98.89
Gross profit (loss)	2100	9,350	2.01	58,177	522.21	1.11
Administrative expenses	2220	5,325	1.14	36,303	581.75	0.69
Operating profit (loss)	2200	4,025	0.86	21,874	443.45	0.42
Operating income and expenses						
Interest income	2320			1,439		0.03
Interest expense	2330	6				
Other operating income	2340	28,476	6.12	10,730	-62.32	0.2
Other operating expenses	2350	28,221	6.06	2,791	-90.11	0.05
Pre-tax profit (loss)	2300	4,274	0.92	31,252	631.21	0.59
Net profit	2400	3,413	0.73	24,511	618.17	0.47

Name	Row code	2018	Percentage, %	2019	Growth, %	Percentage, %
EBIT		4,280	0.92	29,813	596.57	0.57

Coefficients calculation

Name	Value	Median by industry	Deviation from median by industry	Growth, %	Growth median by industry, %	Deviation from growth median by industry, %
Asset management						
Payables period (days)	62	106.85	-44.85		5.34	
Payables turnover	6	4.6	1.4		-7.03	
Days in Inventories, DII		20.2			6.67	
Inventories turnover	29,032.5	20.9	29,011.6		-6.64	
Collection period (days)	62	113	-51		13.54	
Receivables turnover	5.9	3.4	2.5		-11.52	
Days in Fixed assets	0.6	24.2	-23.6		-2.28	
Fixed assets Turnover	583.4	16.4	567		0.36	
Asset turnover period (days)	63	223	-160		10.67	
Total assets turnover	583.58	164.24	419.34		-9.72	
Gross profit-to-Assets	3.66	27.52	-23.86	-17.01	-1.28	-15.73
Share of working capital in Assets	0.85	35.72	-34.87	323.68		323.68
Accounts receivable -to-Assets	98.83	52.64	46.19	1.35	0.04	1.31
Debt management						
Debt-to-equity ratio	5,587.74	46.96	5,540.78	-8.34		-8.34
EBIT Interest Coverage Ratio		100			6.19	
Total Debt-to-Total Equity		7.65				
Net Debt-to-Total Equity	-5.72	-23.41	17.69	76.58	0.29	76.29
Total Debt-to-EBIT		18.52			7.48	
Long-term mobilization ratio	0.36	28.82	-28.46	-40.98		-40.98
Liquidity management						
Current ratio, %	100.86	152.45	-51.59	1.25		1.25
Share of short-term debt		100				
Quick ratio, %	100.84	133.12	-32.28	1.24		1.24
Cash ratio, %	0.1	29.23	-29.13	-75	-3.74	-71.27
Profitability						
Return on sales (ROS), %	0.47	4.77	-4.3	-35.62	-2.19	-33.44
Commercial and administrative expenses in revenue, %	0.69	27.88	-27.19	-39.47	0.23	-39.7
Gross profit margin, %	1.11	31.67	-30.56	-44.78		-44.78
Operating margin, %	0.42	9.17	-8.75	-51.16	-0.86	-50.31
Gross margin costs, %	1.12	22.88	-21.76	-45.37		-45.37
Gross profit margin selling and administrative expenses, %	160.25	120.88	39.38	-8.74	-3.06	-5.68
Margin costs, %	0.42	6.33	-5.91	-51.72	-0.38	-51.34
Share of cost in revenue	98.89	85.35	13.54	0.92	-0.09	1.01
Return On Assets, ROA %	2.72	3.53	-0.81		-9.7	
Return on equity (ROE), %	156.34	30.06	126.29		-27.23	

1.3.4. Megastroy MO LLC

Legal address	142714, Moskovskaya obl., Leninski raion, d. Misailovo, bulvar Literaturny (Prigorod Lesnoe Mkr.), d. 4 pom. 629
OKOPF	Limited liability companies
Industry	Construction of residential and non-residential buildings

Economic Activities , OKVED

41.20	Construction of residential and non-residential buildings (Main - EGRPO GMC Rosstat, EGRUL, Financial Statements GMC Rosstat)
42.11	Construction of roads and motorways
42.99	Construction of other civil engineering projects n.e.c.
43.91	Roofing activities
46.19	Agents involved in the wholesale of a variety of goods
46.90	Non-specialised wholesale trade
68.31	Real estate agencies
68.31.2	Intermediary services for renting of real estate on a fee or contract basis
68.31.22	Intermediary services for renting of non-residential real estate on a fee or contract basis
68.31.3	Consulting services for purchase and sale of real estate on a fee or contract basis
68.31.32	Consulting services for purchase and sale of non-residential real estate on a fee or contract basis
68.31.4	Consulting services for renting of real estate on a fee or contract basis
68.31.42	Consulting services for renting of non-residential real estate on a fee or contract basis
69.10	Legal activities
70.22	Business and other management consultancy activities

Shareholders

Name, description	Address	Share in charter capital, rubles	Share in charter capital, %	Date entered in EGRUL
GK SAMOLET, PAO	g. Moskva, ul. Ivana Franko, d. 8 etazh / kom. 19/31	10,286,000	100.00	24.04.2020

Balance sheet analysis

Name	Row code	2017	Growth, %	Percentage, %	2018	Growth, %	Percentage, %	2019	Growth, %	Percentage, %
Assets										
Capital assets	1150	16,326	183.39	1.37	13,303	-18.52	0.6	15,041	13.06	0.53
other long-term investments	1180	1,307	292.49	0.11	1,865	42.69	0.08	2,718	45.74	0.1
Other long-term assets	1190	1,501	-19.04	0.13	1,038	-30.85	0.05	694	-33.14	0.02
LONG-TERM ASSETS	1100	19,134	-68.51	1.6	16,206	-15.3	0.73	18,453	13.87	0.65
Inventory	1210	4,034	947.79	0.34	32,800	713.09	1.47	61,974	88.95	2.18
VAT on inventory	1220	3,643	3	0.31	6,205	70.33	0.28	16,378	163.95	0.58
Accounts receivable	1230	1,162,591	69.56	97.45	2,175,911	87.16	97.41	2,715,751	24.81	95.68
Short-term investments	1240							18,600		0.66
Cash and cash equivalents	1250	3,118	819.76	0.26	2,053	-34.16	0.09	6,123	198.25	0.22
Other current assets	1260	504	31.94	0.04	518	2.78	0.02	1,037	100.19	0.04
CURRENT ASSETS	1200	1,173,890	70.06	98.4	2,217,486	88.9	99.27	2,819,863	27.16	99.35
TOTAL ASSETS	1600	1,193,023	58.85	100	2,233,692	87.23	100	2,838,316	27.07	100
Passive										
Charter capital	1310	10,286		0.86	10,286		0.46	10,286		0.36
Paid-in capital, asset revaluation	1350	3,252		0.27	3,252		0.15	3,252		0.11
Retained earnings for reporting year	1370	40,944	266.13	3.43	86,461	111.17	3.87	124,661	44.18	4.39
CAPITAL AND RESERVES	1300	54,482	120.39	4.57	99,999	83.55	4.48	138,199	38.2	4.87
Deferred tax liabilities	1420	353	115.24	0.03	325	-7.93	0.01	353	8.62	0.01
LONG-TERM LIABILITIES	1400	353	115.24	0.03	325	-7.93	0.01	353	8.62	0.01
Accounts payable	1520	1,131,650	56.2	94.86	2,124,045	87.69	95.09	2,686,799	26.49	94.66
CURRENT LIABILITIES	1500	1,138,188	56.74	95.4	2,133,368	87.44	95.51	2,699,764	26.55	95.12
Total LIABILITIES	1700	1,193,023	58.85	100	2,233,692	87.23	100	2,838,316	27.07	100
Working capital		38,093	199.92	3.19	86,719	127.65	3.88	97,049	11.91	3.42

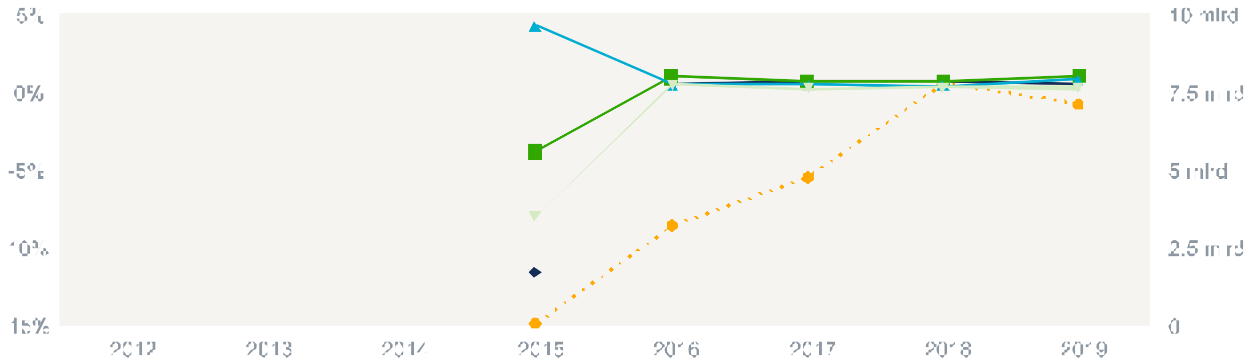
Name	Row code	2017	Growth, %	Percentage, %	2018	Growth, %	Percentage, %	2019	Growth, %	Percentage, %
Net assets		54,482	120.39	4.57	99,999	83.55	4.48	138,199	38.2	4.87
Total Debt		1,138,541	56.76	95.43	2,133,693	87.41	95.52	2,700,117	26.55	95.13

Statement of Financial Results analysis

Name	Row code	2017	Growth, %	Percentage, %	2018	Growth, %	Percentage, %	2019	Growth, %	Percentage, %
Revenues and expenses on ordinary activities										
Revenue	2110	4,740,012	49.21	100	7,768,615	63.89	100	7,103,545	-8.56	100
Cost of sales	2120	4,711,800	49.71	99.4	7,720,385	63.85	99.38	7,033,614	-8.9	99.02
Gross profit (loss)	2100	28,212	-4.25	0.6	48,230	70.96	0.62	69,931	44.99	0.98
Administrative expenses	2220	19,630	33.64	0.41	25,662	30.73	0.33	54,348	111.78	0.77
Operating profit (loss)	2200	8,582	-41.92	0.18	22,568	162.97	0.29	15,583	-30.95	0.22
Operating income and expenses										
Interest income	2320				485		0.01	2,255	364.95	0.03
Other operating income	2340	81,421	981.72	1.72	57,093	-29.88	0.73	401,989	604.1	5.66
Other operating expenses	2350	52,574	7,608.8	1.11	20,356	-61.28	0.26	371,059	1,722.85	5.22
Pre-tax profit (loss)	2300	37,429	73.12	0.79	59,790	59.74	0.77	48,768	-18.43	0.69
Profit tax and other similar compulsory payments	2410	8,453	131.27	0.18	14,858	75.77	0.19			
Net profit	2400	29,761	73.11	0.63	45,517	52.94	0.59	38,200	-16.08	0.54
EBIT		37,429	73.12	0.79	59,305	58.45	0.76	46,513	-21.57	0.65

Coefficients calculation

Profitability



Name	2017	Growth, %	2018	Growth, %	2019	Growth, %
Revenue, ₽	4,740,012,000	49.21	7,768,615,000	63.89	7,103,545,000	-8.56
Return on sales (ROS), %	0.63	16.67	0.59	-6.35	0.54	-8.47
Gross profit margin, %	0.6	-35.48	0.62	3.33	0.98	58.06
Commercial and administrative expenses in revenue, %	0.41	-10.87	0.33	-19.51	0.77	133.33
Operating margin, %	0.18	-61.7	0.29	61.11	0.22	-24.14

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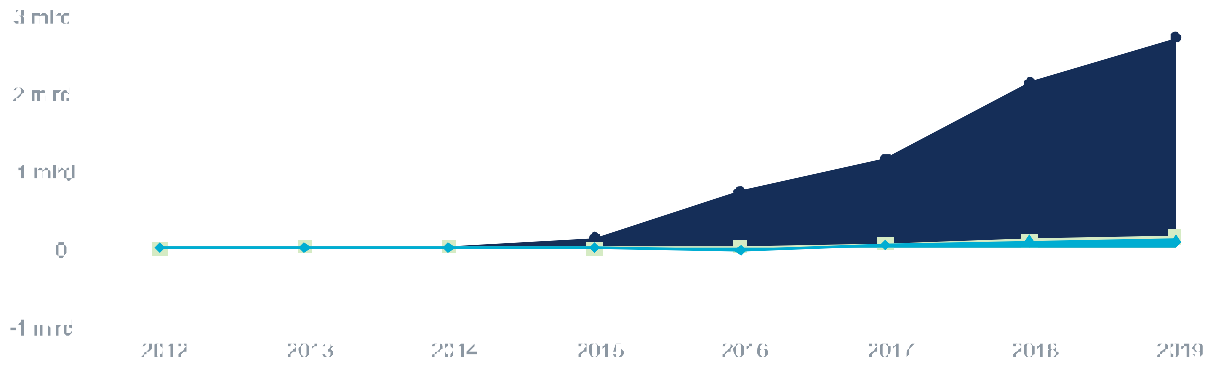
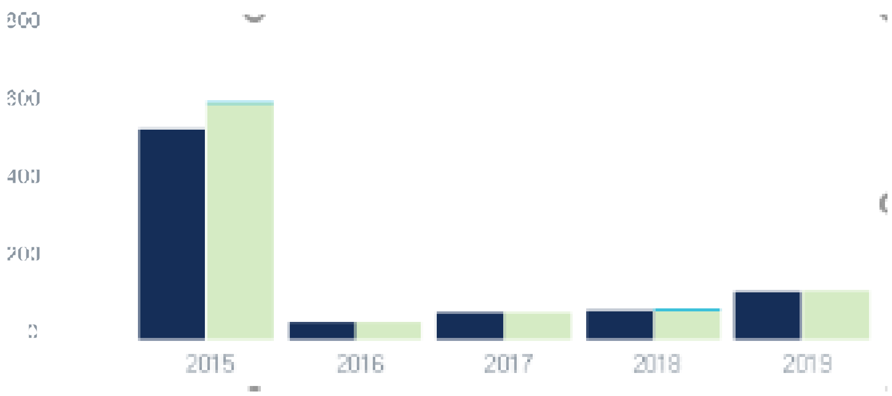
Debt management



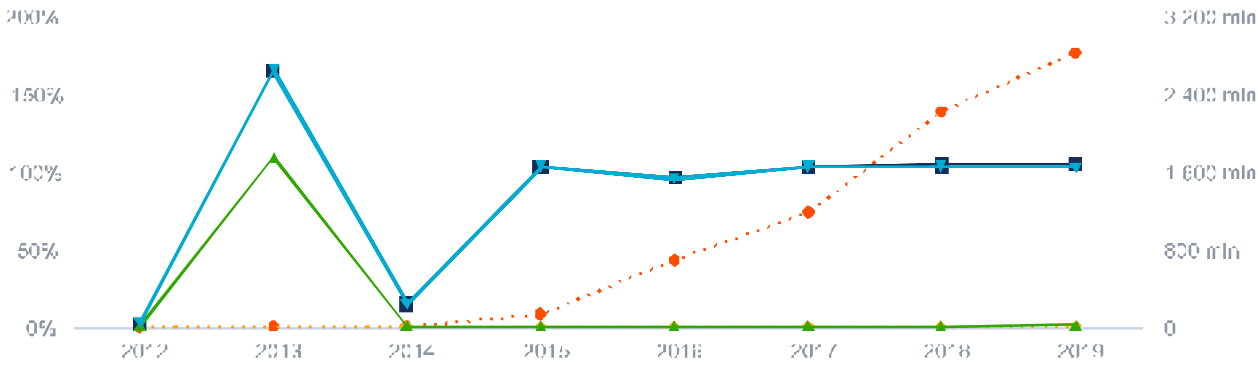
Name	2017	Growth, %	2018	Growth, %	2019	Growth, %
Total Debt, ₽	1,138,541,000	56.76	2,133,693,000	87.41	2,700,117,000	26.55
Working capital, ₽	38,093,000	199.92	86,719,000	127.65	97,049,000	11.91
Equity, ₽	54,482,000	120.39	99,999,000	83.55	138,199,000	38.2

Asset management



Name	2017	Growth, %	2018	Growth, %	2019	Growth, %
Payables period (days)	72	48.81	77	7.05	125	62.2
Days in Inventories, DII			1	350	2	166.67
Collection period (days)	71	54.35	78	9.86	126	61.54

Ratio



Name	2017	Growth, %	2018	Growth, %	2019	Growth, %
CURRENT ASSETS, ₽	1,173,890,000	70.06	2,217,486,000	88.9	2,819,863,000	27.16
LONG-TERM LIABILITIES, ₽	353,000	115.24	325,000	-7.93	353,000	8.62
Current ratio, %	103.14	8.5	103.94	0.78	104.45	0.49
Cash ratio, %	0.27	440	0.1	-62.96	0.92	820
Quick ratio, %	102.78	8.18	102.41	-0.36	102.15	-0.25

1.3.5. Sitistroy-MO LLC

Legal address	143441, Moskovskaya obl., g. Krasnogorsk, d. Putilkovo, zdanie "KONTORA-PROKHODNAYA" korp. AOZT "PTITSEFABRIKA ofis "KRASNOGORSKAYA"
OKOPF	Limited liability companies
Industry	Owner/developer, general contractor activities

Economic Activities , OKVED

71.12.2	Owner/developer, general contractor activities (Main - EGRPO GMC Rosstat, EGRUL, Financial Statements GMC Rosstat)
68.10.23	Buying and selling of land plots
68.20	Renting and operating of own or leased real estate
70.22	Business and other management consultancy activities
71.11	Architectural activities
71.11.1	Architectural activities associated with buildings and constructions
71.12	Engineering activities and related technical consultancy

71.12.1 Engineering and design services, construction project management, construction monitoring and field supervision

Shareholders

Name, description	Address	Share in charter capital, rubles	Share in charter capital, %	Date entered in EGRUL
GK SAMOLET, PAO	g. Moskva, ul. Ivana Franko, d. 8 etazh / kom. 19/31	10,000	100.00	10.08.2016

Balance sheet analysis

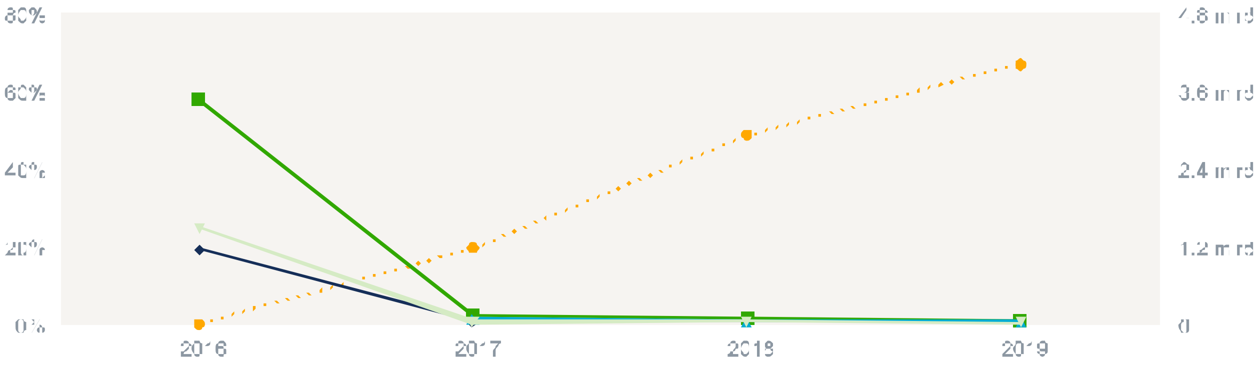
Name	Row code	2017	Growth, %	Percentage, %	2018	Growth, %	Percentage, %	2019	Growth, %	Percentage, %
Assets										
Capital assets	1150	23,075	970.77	6.6	19,585	-15.12	2.11	11,554	-41.01	0.79
other long-term investments	1180	407	747.92	0.12	636	56.27	0.07	890	39.94	0.06
Other long-term assets	1190	381		0.11	290	-23.88	0.03	198	-31.72	0.01
LONG-TERM ASSETS	1100	23,863	983.2	6.83	20,511	-14.05	2.21	12,643	-38.36	0.87
Inventory	1210	310	-5.49	0.09	3,195	930.65	0.34	3,388	6.04	0.23
VAT on inventory	1220	23	187.5	0.01	590	2,465.22	0.06	2,909	393.05	0.2
Accounts receivable	1230	324,878	1,119.37	92.95	900,270	177.11	97.15	1,423,098	58.07	97.48
Cash and cash equivalents	1250	202	296.08	0.06	1,619	701.49	0.17	17,334	970.66	1.19
Other current assets	1260	253	2,200	0.07	451	78.26	0.05	528	17.07	0.04
CURRENT ASSETS	1200	325,666	1,104.34	93.17	906,125	178.24	97.79	1,447,257	59.72	99.13
TOTAL ASSETS	1600	349,529	1,095.22	100	926,635	165.11	100	1,459,900	57.55	100
Passive										
Charter capital	1310	10			10			10		
Retained earnings for reporting year	1370	9,797	364.97	2.8	39,674	304.96	4.28	68,754	73.3	4.71
CAPITAL AND RESERVES	1300	9,807	363.25	2.81	39,684	304.65	4.28	68,764	73.28	4.71
Deferred tax liabilities	1420	447	396.67	0.13	364	-18.57	0.04	312	-14.29	0.02
LONG-TERM LIABILITIES	1400	447	-98.19	0.13	364	-18.57	0.04	312	-14.29	0.02
Accounts payable	1520	337,240	15,159.73	96.48	883,990	162.12	95.4	1,386,881	56.89	95
CURRENT LIABILITIES	1500	339,275	13,742.31	97.07	886,588	161.32	95.68	1,390,823	56.87	95.27
Total LIABILITIES	1700	349,529	1,095.22	100	926,635	165.11	100	1,459,900	57.55	100
Working capital		-11,850		-3.39	21,094	278.01	2.28	56,939	169.93	3.9
Net assets		9,807	363.25	2.81	39,683	304.64	4.28	68,765	73.29	4.71
Total Debt		339,722		97.19	886,952	161.08	95.72	1,391,135	56.84	95.29

Statement of Financial Results analysis

Name	Row code	2017	Growth, %	Percentage, %	2018	Growth, %	Percentage, %	2019	Growth, %	Percentage, %
Revenues and expenses on ordinary activities										
Revenue	2110	1,170,319	10,688.34	100	2,920,698	149.56	100	4,024,203	37.78	100
Cost of sales	2120	1,145,244	24,823.7	97.86	2,875,550	151.09	98.45	3,975,451	38.25	98.79
Gross profit (loss)	2100	25,075	301.01	2.14	45,148	80.05	1.55	48,752	7.98	1.21
Administrative expenses	2220	18,043	403.99	1.54	24,590	36.29	0.84	34,453	40.11	0.86
Operating profit (loss)	2200	7,032	163.08	0.6	20,558	192.35	0.7	14,299	-30.45	0.36
Operating income and expenses										
Interest expense	2330	240	823.08	0.02						
Other operating income	2340	8,563		0.73	31,792	271.27	1.09	29,454	-7.35	0.73
Other operating expenses	2350	5,671	43,523.08	0.48	14,263	151.51	0.49	7,100	-50.22	0.18
Pre-tax profit (loss)	2300	9,684	267.65	0.83	38,087	293.3	1.3	36,653	-3.77	0.91
Profit tax and other similar compulsory payments	2410	1,996	311.55	0.17	8,522	326.95	0.29	-7,573	-188.86	-0.19
Net profit	2400	7,690	264.97	0.66	29,877	288.52	1.02	29,080	-2.67	0.72
EBIT		9,924		0.85	38,087	283.79	1.3	36,653	-3.77	0.91

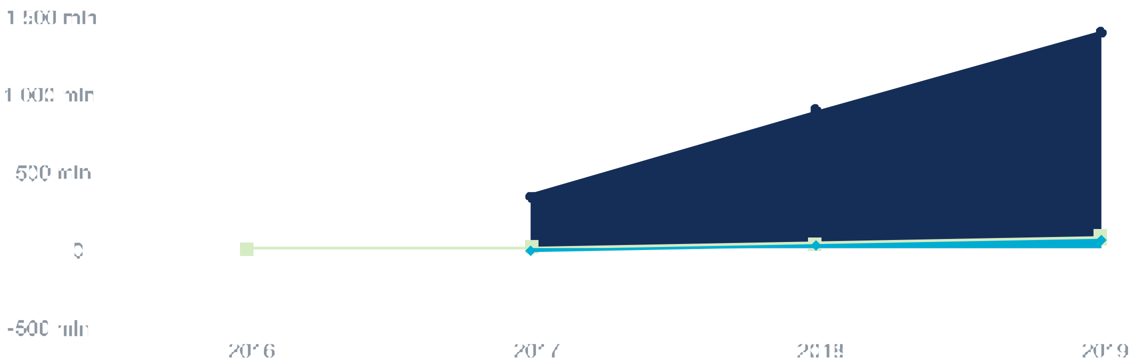
Coefficients calculation

Profitability



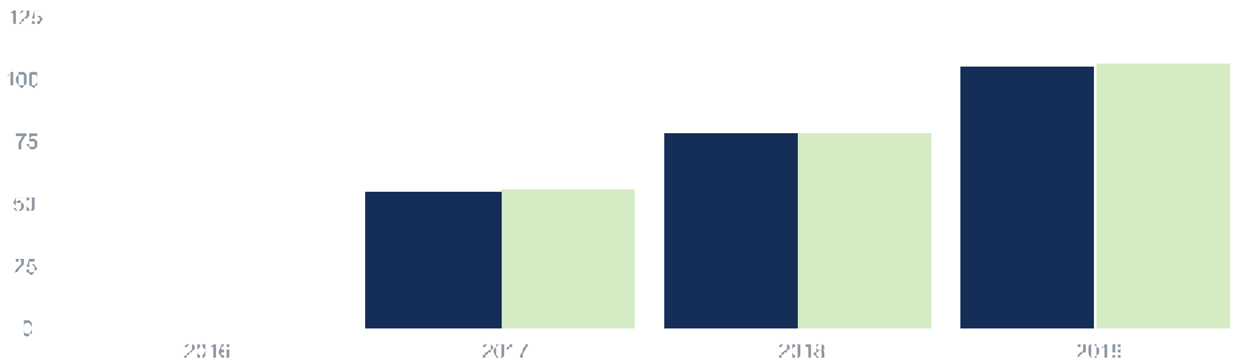
Name	2017	Growth, %	2018	Growth, %	2019	Growth, %
Revenue, ₽	1 170 319 000	10 688.34	2 920 698 000	149.56	4 024 203 000	37.78
Return on sales (ROS), %	0.66	-96.6	1.02	54.55	0.72	-29.41
Gross profit margin, %	2.14	-96.29	1.55	-27.57	1.21	-21.94
Commercial and administrative expenses in revenue, %	1.54		0.84	-45.45	0.86	2.38
Operating margin, %	0.6	-97.56	0.7	16.67	0.36	-48.57

Debt management



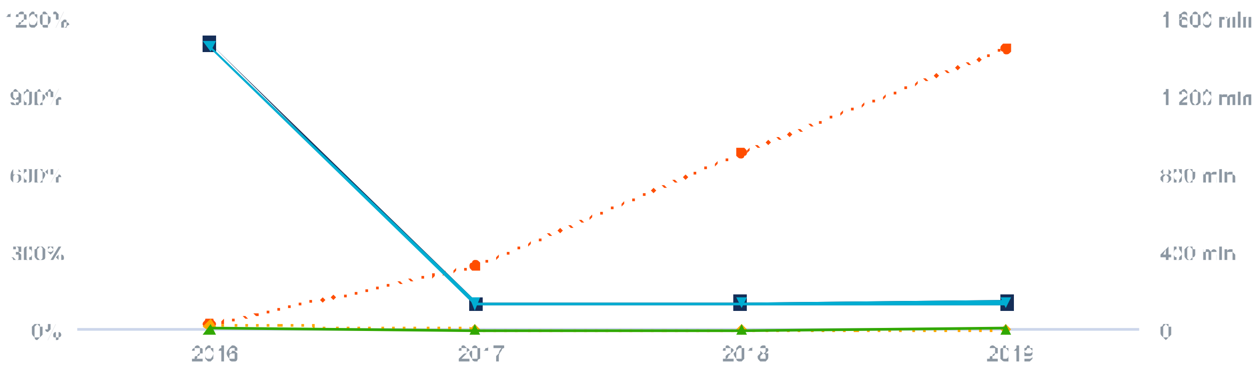
Name	2017	Growth. %	2018	Growth. %	2019	Growth. %
Total Debt, ₽	339,722,000		886,952,000	161.08	1,391,135,000	56.84
Working capital, ₽	-11,850,000		21,094,000	278.01	56,939,000	169.93
Equity, ₽	9,807,000	363.25	39,684,000	304.65	68,764,000	73.28

Asset management



Name	2017	2018	Growth, %	2019	Growth, %
Payables period (days)	54	78	43.3	104	34.5
Days in Inventories, DII			100		50
Collection period (days)	55	77	40	105	36.36

Ratio



Name	2017	Growth, %	2018	Growth, %	2019	Growth, %
CURRENT ASSETS, ₽	325,666,000	1,104.34	906,125,000	178.24	1,447,257,000	59.72
LONG-TERM LIABILITIES, ₽	447,000	-98.19	364,000	-18.57	312,000	-14.29
Current ratio, %	95.99	-91.3	102.2	6.47	104.06	1.82
Cash ratio, %	0.06	-97.12	0.18	200	1.25	594.44
Quick ratio, %	95.9	-91.2	101.84	6.19	103.81	1.93

1.3.6. STROI-DEVELOPMENT LLC

Legal address	121108, g. Moskva, ul. Ivana Franko, d. 8 etazh 12 kom. 22 · Biznes-tsentr «Kutuzoff Tower»
OKOPF	Limited liability companies
Industry	Construction of residential and non-residential buildings

Economic Activities , OKVED

41.2	Construction of residential and non-residential buildings (Main - EGRPO GMC Rosstat, EGRUL, Financial Statements GMC Rosstat)
41.20	Construction of residential and non-residential buildings
46.19	Agents involved in the wholesale of a variety of goods
46.90	Non-specialised wholesale trade
47.11	Retail sale in non-specialised stores with food, beverages or tobacco predominating
47.19	Other retail sale in non-specialised stores
47.9	Retail sale not in stores, stalls or markets
68.20	Renting and operating of own or leased real estate
68.31	Real estate agencies
82.99	Other business support service activities n.e.c.

Shareholders

Name, description	Address	Share in charter capital, rubles	Share in charter capital, %	Date entered in EGRUL
GK SAMOLET, PAO	g. Moskva, ul. Ivana Franko, d. 8 etazh / kom. 19/31	10,000	100.00	12.08.2015

Balance sheet analysis

Name	Row code	2017	Growth, %	Percentage, %	2018	Growth, %	Percentage, %	2019	Growth, %	Percentage, %
Assets										
Capital assets	1150	14 084	91.88	0.87	12 586	-10.64	0.67	4 438	-64.74	0.25
Long-term investments	1170	431		0.03	431		0.02	431		0.02
other long-term investments	1180	2,403	69.11	0.15	1,619	-32.63	0.09	1,213	-25.08	0.07
Other long-term assets	1190	1,216	-2.01	0.07	682	-43.91	0.04	339	-50.29	0.02
LONG-TERM ASSETS	1100	18,134	73.81	1.11	15,319	-15.52	0.81	6,421	-58.08	0.36
Inventory	1210	18,158	-45.8	1.12	21,168	16.58	1.12	18,522	-12.5	1.03
VAT on inventory	1220	137		0.01	442	222.63	0.02	2,594	486.88	0.14
Accounts receivable	1230	1,587,978	15.34	97.56	1,852,923	16.68	97.93	1,759,100	-5.06	98.2
Cash and cash equivalents	1250	2,224	-74.82	0.14	1,383	-37.81	0.07	3,778	173.17	0.21
Other current assets	1260	1,131	72.15	0.07	846	-25.2	0.04	938	10.87	0.05
CURRENT ASSETS	1200	1,609,628	13.37	98.89	1,876,762	16.6	99.19	1,784,932	-4.89	99.64
TOTAL ASSETS	1600	1,627,762	13.81	100	1,892,080	16.24	100	1,791,354	-5.32	100
Passive										
Charter capital	1310	10			10			10		
Retained earnings for reporting year	1370	107,392	114.57	6.6	156,450	45.68	8.27	189,424	21.08	10.57
CAPITAL AND RESERVES	1300	107,402	114.55	6.6	156,460	45.68	8.27	189,434	21.08	10.57
Deferred tax liabilities	1420	718	79.95	0.04	471	-34.4	0.02	157	-66.67	0.01
LONG-TERM LIABILITIES	1400	718	79.95	0.04	471	-34.4	0.02	157	-66.67	0.01
Borrowed funds (short-term)	1510							7,183		0.4
Accounts payable	1520	1,507,627	9.83	92.62	1,727,054	14.55	91.28	1,588,514	-8.02	88.68
CURRENT LIABILITIES	1500	1,519,642	10.14	93.36	1,735,150	14.18	91.71	1,601,763	-7.69	89.42

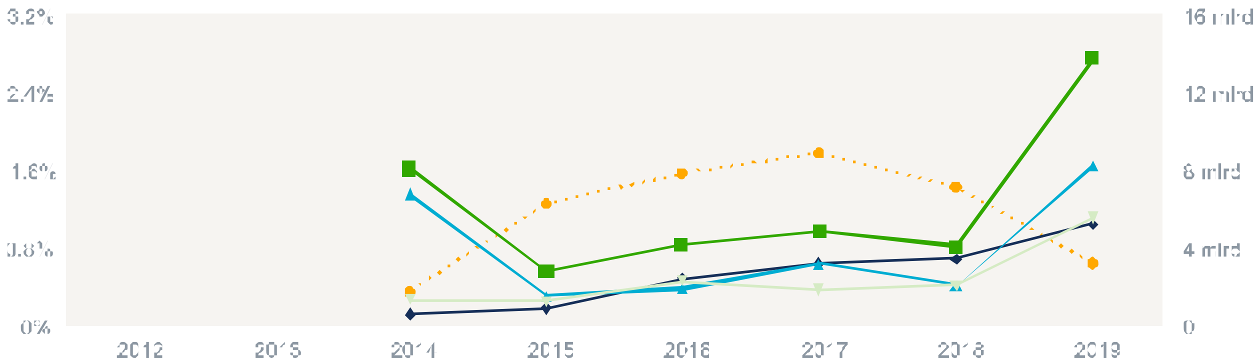
Name	Row code	2017	Growth, %	Percentage, %	2018	Growth, %	Percentage, %	2019	Growth, %	Percentage, %
Total LIABILITIES	1700	1,627,762	13.81	100	1,892,080	16.24	100	1,791,354	-5.32	100
Working capital		100,733	116.76	6.19	148,420	47.34	7.84	192,886	29.96	10.77
Net assets		107,402	114.55	6.6	156,459	45.68	8.27	189,434	21.08	10.57
Total Debt		1,520,360	10.16	93.4	1,735,621	14.16	91.73	1,601,920	-7.7	89.43

Statement of Financial Results analysis

Name	Row code	2017	Growth, %	Percentage, %	2018	Growth, %	Percentage, %	2019	Growth, %	Percentage, %
Revenues and expenses on ordinary activities										
Revenue	2110	8,901,641	13.4	100	7,126,211	-19.94	100	3,184,081	-55.32	100
Cost of sales	2120	8,813,969	13.24	99.02	7,067,633	-19.81	99.18	3,096,609	-56.19	97.25
Gross profit (loss)	2100	87,672	33.16	0.98	58,578	-33.19	0.82	87,472	49.33	2.75
Administrative expenses	2220	55,681	88.25	0.63	29,400	-47.2	0.41	52,533	78.68	1.65
Operating profit (loss)	2200	31,991	-11.78	0.36	29,178	-8.79	0.41	34,939	19.74	1.1
Operating income and expenses										
Interest income	2320							5 221		0.16
Interest expense	2330							183		0.01
Other operating income	2340	90,078	-56.18	1.01	76,098	-15.52	1.07	68,320	-10.22	2.15
Other operating expenses	2350	46,305	-76.1	0.52	44,647	-3.58	0.63	65,979	47.78	2.07
Pre-tax profit (loss)	2300	75,764	57.68	0.85	60,629	-19.98	0.85	42,318	-30.2	1.33
Profit tax and other similar compulsory payments	2410	18,355	69.95	0.21	11,035	-39.88	0.15			
Net profit	2400	57,342	52.53	0.64	49,058	-14.45	0.69	32,974	-32.79	1.04
EBIT		75,764	57.68	0.85	60,629	-19.98	0.85	37,280	-38.51	1.17

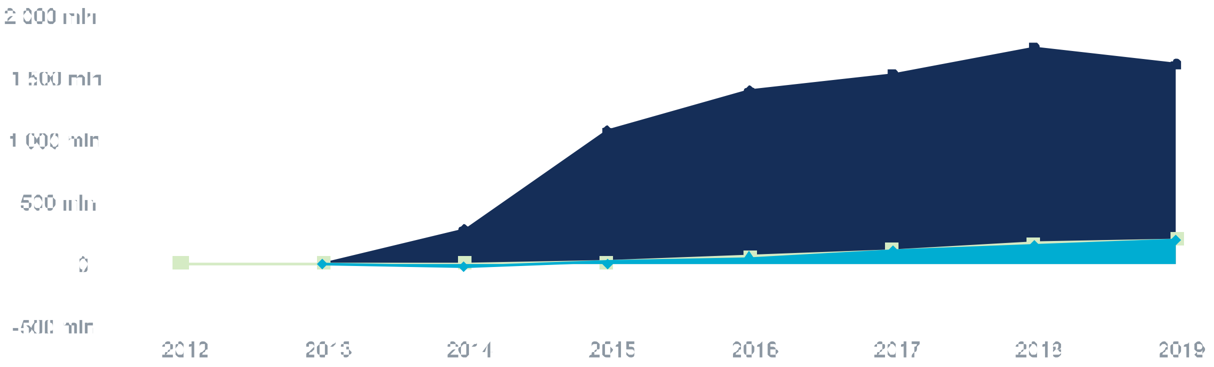
Coefficients calculation

Profitability



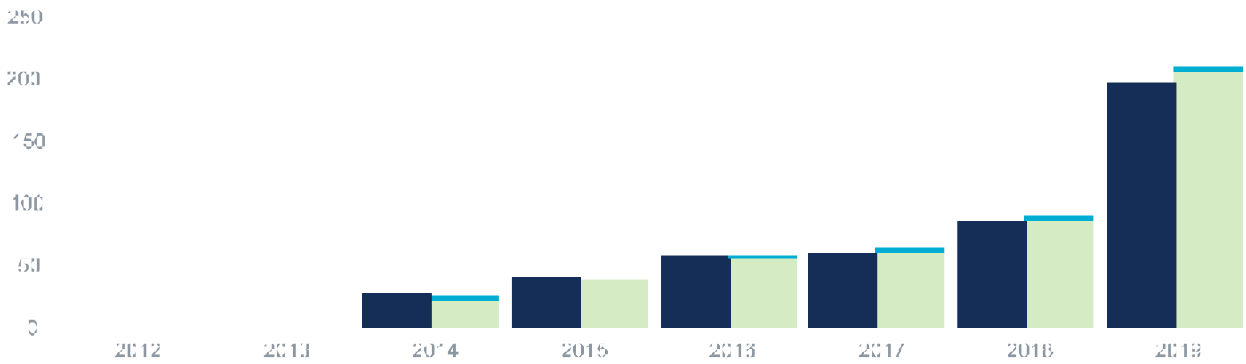
Name	2017	Growth, %	2018	Growth, %	2019	Growth, %
Revenue, P	8,901,641,000	13.4	7,126,211,000	-19.94	3,184,081,000	-55.32
Return on sales (ROS), %	0.64	33.33	0.69	7.81	1.04	50.72
Gross profit margin, %	0.98	16.67	0.82	-16.33	2.75	235.37
Commercial and administrative expenses in revenue, %	0.63	65.79	0.41	-34.92	1.65	302.44
Operating margin, %	0.36	-21.74	0.41	13.89	1.1	168.29

Debt management



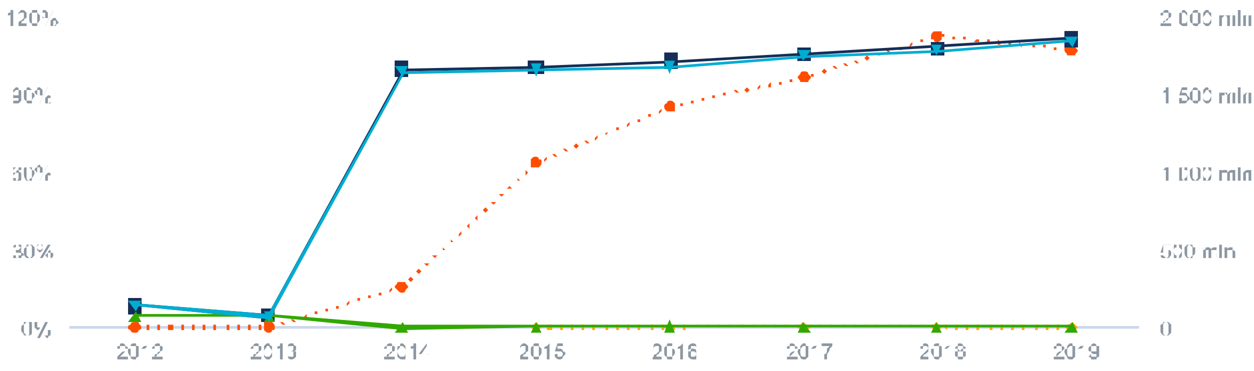
Name	2017	Growth, %	2018	Growth, %	2019	Growth, %
Total Debt, ₽	1,520,360,000	10.16	1,735,621,000	14.16	1,601,920,000	-7.7
Working capital, ₽	100,733,000	116.76	148,420,000	47.34	192,886,000	29.96
Equity, ₽	107,402,000	114.55	156,460,000	45.68	189,434,000	21.08

Asset management



Name	2017	Growth, %	2018	Growth, %	2019	Growth, %
Payables period (days)	60	4.78	84	40.06	195	133.93
Days in Inventories, DII	1	22.22	1	-9.09	2	130
Collection period (days)	61	8.93	88	44.26	207	135.23

Ratio



Name	2017	Growth, %	2018	Growth, %	2019	Growth, %
CURRENT ASSETS, ₽	1,609,628,000	13.37	1,876,762,000	16.6	1,784,932,000	-4.89
LONG-TERM LIABILITIES, ₽	718,000	79.95	471,000	-34.4	157,000	-66.67
Current ratio, %	105.92	2.93	108.16	2.11	111.44	3.03
Cash ratio, %	0.15	-76.56	0.08	-46.67	0.24	200
Quick ratio, %	104.73	4.24	106.94	2.11	110.28	3.12

1.3.7. SR-STROI LLC

Legal address	121108, g. Moskva, ul. Ivana Franko, d. 8 etazh 12 kom. 7 · Biznes-tsentr «Kutuzoff Tower»
OKOPF	Limited liability companies
Industry	Owner/developer, general contractor activities

Economic Activities, OKVED

71.12.2	Owner/developer, general contractor activities (Main - EGRPO GMC Rosstat, EGRUL, Financial Statements GMC Rosstat)
68.10.23	Buying and selling of land plots
68.20	Renting and operating of own or leased real estate
70.22	Business and other management consultancy activities
71.11	Architectural activities
71.11.1	Architectural activities associated with buildings and constructions

71.12 Engineering activities and related technical consultancy

71.12.1 Engineering and design services, construction project management, construction monitoring and field supervision

Shareholders

Name, description	Address	Date entered in EGRUL
GK SAMOLET, PAO	g. Moskva, ul. Ivana Franko, d. 8 etazh / kom. 19/31	12.07.2018

Balance sheet analysis

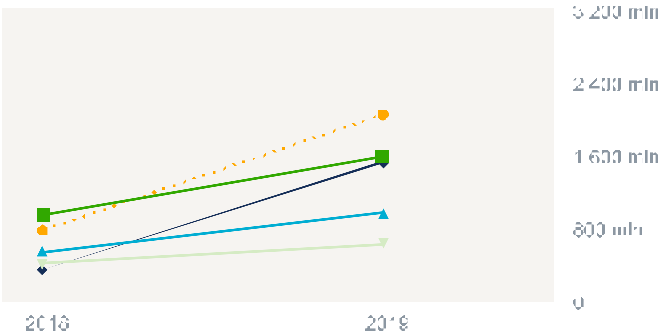
Name	Row code	2017	Growth, %	Percentage, %	2018	Growth, %	Percentage, %	2019	Growth, %	Percentage, %
Assets										
Capital assets	1150				10,247		4.22	19,819	93.41	0.89
other long-term investments	1180	67		62.62	289	331.34	0.12	696	140.83	0.03
Other long-term assets	1190				95		0.04	101	6.32	
LONG-TERM ASSETS	**1100**	**67**		**62.62**	**10,631**	**15,767.16**	**4.38**	**20,616**	**93.92**	**0.93**
Inventory	1210	3		2.8	854	28,366.67	0.35	17,182	1,911.94	0.78
VAT on inventory	1220	30		28.04	493	1,543.33	0.2	14,406	2,822.11	0.65
Accounts receivable	1230				228,757		94.2	1,374,571	500.89	62.02
Short-term investments	1240							780,000		35.19
Cash and cash equivalents	1250	8		7.48	1,795	22,337.5	0.74	9,296	417.88	0.42
Other current assets	1260				309		0.13	362	17.15	0.02
CURRENT ASSETS	**1200**	**40**		**37.38**	**232,208**	**580,420**	**95.62**	**2,195,816**	**845.62**	**99.07**
TOTAL ASSETS	**1600**	**107**		**100**	**242,839**	**226,852.34**	**100**	**2,216,432**	**812.72**	**100**
Passive										
Charter capital	1310	10		9.35	10			10		
Retained earnings for reporting year	1370	-270		-252.34	6,318	2,440	2.6	84,302	1,234.31	3.8
CAPITAL AND RESERVES	**1300**	**-260**		**-242.99**	**6,328**	**2,533.85**	**2.61**	**84,312**	**1,232.36**	**3.8**
Borrowed funds (long-term)	1410	170		158.88	12,610	7,317.65	5.19	794,947	6,204.1	35.87
Deferred tax liabilities	1420				306		0.13	342	11.76	0.02
LONG-TERM LIABILITIES	**1400**	**170**		**158.88**	**12,916**	**7,497.65**	**5.32**	**795,289**	**6,057.39**	**35.88**
Accounts payable	1520	194		181.31	222,487	114,584.02	91.62	1,333,690	499.45	60.17
CURRENT LIABILITIES	**1500**	**197**		**184.11**	**223,595**	**113,400**	**92.08**	**1,336,831**	**497.88**	**60.31**
Total LIABILITIES	**1700**	**107**		**100**	**242,839**	**226,852.34**	**100**	**2,216,432**	**812.72**	**100**
Working capital		-183		-171.03	8,919	4,973.77	3.67	67,359	655.23	3.04
Net assets		-260		-242.99	6,328	2,533.85	2.61	84,312	1,232.36	3.8
Total Debt		367		342.99	236,511	64,344.41	97.39	2,132,120	801.49	96.

Statement of Financial Results analysis

Name	Row code	2017	2018	Growth, %	Percentage, %	2019	Growth, %	Percentage, %
Revenues and expenses on ordinary activities								
Revenue	2110		775,886		100	2,051,502	164.41	100
Cost of sales	2120		757,694		97.66	1,970,331	160.04	96.04
Gross profit (loss)	2100		18,192		2.34	81,171	346.19	3.96
Administrative expenses	2220	319	10,350	3,144.51	1.33	49,468	377.95	2.41
Operating profit (loss)	**2200**	**-319**	**7,842**	**2,558.31**	**1.01**	**31,703**	**304.27**	**1.55**
Operating income and expenses								
Interest income	2320					47,408		2.31
Interest expense	2330		94		0.01	2,337	2,386.17	0.11
Other operating income	2340		1,311		0.17	28,104	2,043.71	1.37
Other operating expenses	2350	18	662	3,577.78	0.09	6,273	847.58	0.31
Pre-tax profit (loss)	**2300**	**-337**	**8,397**	**2,591.69**	**1.08**	**98,605**	**1,074.29**	**4.81**
Profit tax and other similar compulsory payments	2410		1,723		0.22	-20,622	-1,296.87	-1.01
Net profit	**2400**	**-270**	**6,589**	**2,540.37**	**0.85**	**77,983**	**1,083.53**	**3.8**
EBIT		-337	8,491	2,619.58	1.09	53,534	530.48	2.61

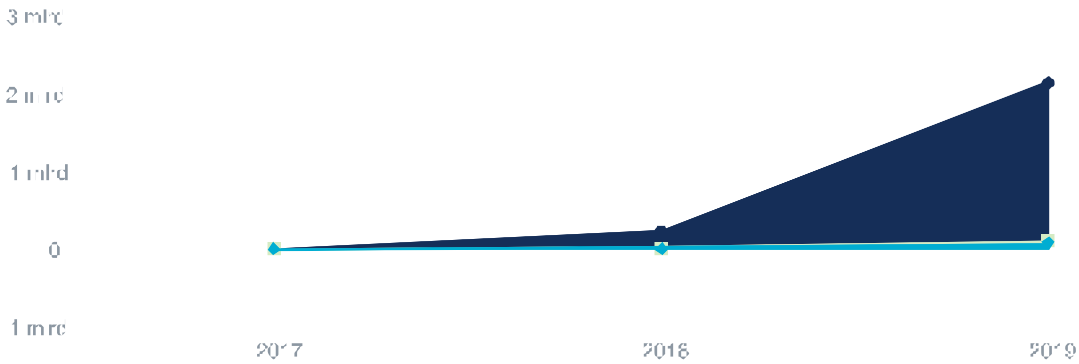
Coefficients calculation

Profitability



Name	2018	2019	Growth, %
Revenue, ₽	775,886 000	2,051,502,000	164.41
Return on sales (ROS), %	0.85	3.8	347.06
Gross profit margin, %	2.34	3.96	69.23
Commercial and administrative expenses in revenue, %	1.33	2.41	81.2
Operating margin, %	1.01	1.55	53.47

Debt management

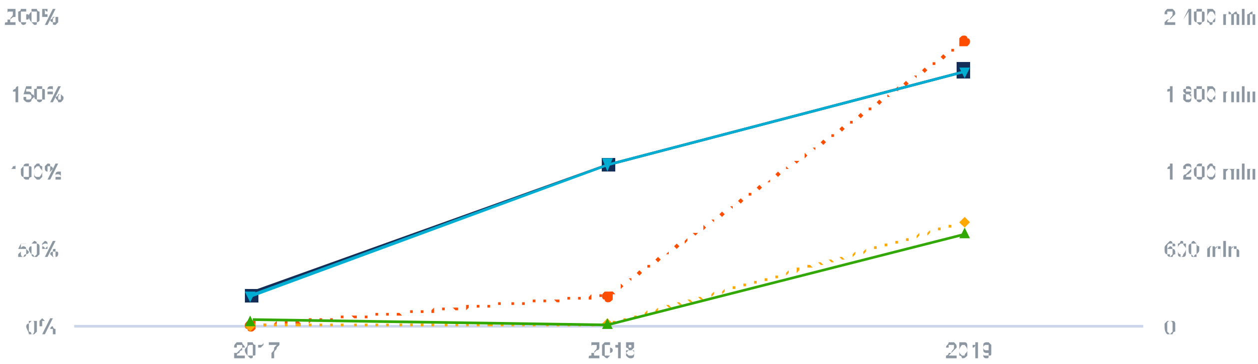


Name	2017	Growth, %	2018	Growth, %	2019	Growth, %
Total Debt, ₽	367 000		236,511,000	64,344.41	2,132,120,000	801.49
Working capital, ₽	-183 000		8,919,000	4,973.77	67,359,000	655.23
Equity, ₽	-260 000		6,328,000	2,533.85	84,312,000	1,232.36

Asset management

Name	2018	2019
Payables period (days)	54	144
Days in Inventories, DII		2
Collection period (days)	54	143

Ratio



Name	2017	2018	2019
CURRENT ASSETS, ₽	40,000	232,208,000	2,195,816,000
LONG-TERM LIABILITIES, ₽	170,000	12,916,000	795,289,000
Current ratio, %	20.3	103.85	164.26
Cash ratio, %	4.06	0.8	59.04
Quick ratio, %	19.29	103.47	162.97

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1.3.8. SAMOLET-SERVIS LLC

Legal address	121108, g. Moskva, ul. Ivana Franko, d. 8 etazh 6 kom. 44 · Biznes-tsentr «Kutuzoff Tower»
OKOPF	Limited liability companies
Industry	Management of real estate on a fee or contract basis

Economic Activities, OKVED

68.32 Management of real estate on a fee or contract basis (Main - EGRPO GMC Rosstat, EGRUL, Financial Statements GMC Rosstat)

68.32.1 Management of residential housing use on a fee or contract basis

68.32.2 Management of non-residential housing use on a fee or contract basis

Shareholders

Name, description	Address	Share in charter capital, rubles	Share in charter capital, %	Date entered in EGRUL
SAMOLET DVE STOLITSY, OOO	g. Sankt-Peterburg, naberezhnaya Petrogradskaya, d. 22 litera A pom. 35N	10,000	100.00	28.05.2020

Balance sheet analysis

Name	Row code	2017	Growth, %	Percentage, %	2018	Growth, %	Percentage, %	2019	Growth, %	Percentage, %
Assets										
Capital assets	1150	8,556	50.98	6.99	7,357	-14.01	3.81	8,140	10.64	3.73
other long-term investments	1180	497	52.45	0.41	841	69.22	0.44	2,229	165.04	1.02
Other long-term assets	1190	105	-13.93	0.09	8	-92.38		54	575	0.02
LONG-TERM ASSETS	1100	9,158	49.79	7.49	8,206	-10.4	4.24	10,423	27.02	4.77
Inventory	1210	758	-52.54	0.62	916	20.84	0.47	1,840	100.87	0.84
VAT on inventory	1220	12		0.01				254		0.12
Accounts receivable	1230	97,289	152.5	79.53	149,091	53.25	77.12	172,578	15.75	79.03
Cash and cash equivalents	1250	13,527	115.26	11.06	33,650	148.76	17.41	31,297	-6.99	14.33
Other current assets	1260	1,589	103.72	1.3	1,465	-7.8	0.76	1,976	34.88	0.9
CURRENT ASSETS	1200	113,175	139.82	92.51	185,122	63.57	95.76	207,945	12.33	95.23
TOTAL ASSETS	1600	122,333	129.49	100	193,328	58.03	100	218,368	12.95	100
Passive										
Charter capital	1310	10		0.01	10		0.01	10		
Paid-in capital, asset revaluation	1350	5,000		4.09	5,000		2.59	5,000		2.29
Retained earnings for reporting year	1370	13,928	197.1	11.39	37,448	168.87	19.37	80,442	114.81	36.84
CAPITAL AND RESERVES	1300	18,938	95.28	15.48	42,458	124.19	21.96	85,452	101.26	39.13
Borrowed funds (long-term)	1410	19,325	304.46	15.8						
Deferred tax liabilities	1420	32		0.03	140	337.5	0.07	828	491.43	0.38
LONG-TERM LIABILITIES	1400	19,357	305.13	15.82	140	-99.28	0.07	828	491.43	0.38
Accounts payable	1520	81,554	119.23	66.67	121,173	48.58	62.68	93,736	-22.64	42.93

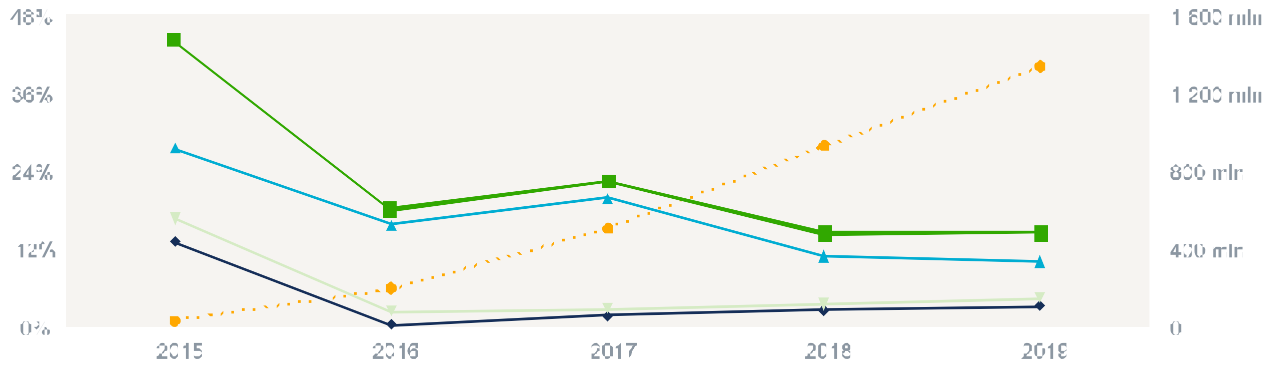
Deferred income	1530				25,350		13.11	29,961	18.19	13.72
CURRENT LIABILITIES	1500	84,038	116.43	68.7	150,730	79.36	77.97	132,088	-12.37	60.49
Total LIABILITIES	1700	122,333	129.49	100	193,328	58.03	100	218,368	12.95	100
Working capital		30,020	225.91	24.54	62,484	108.14	32.32	111,979	79.21	51.28
Net assets		18,938	95.28	15.48	67,808	258.05	35.07	115,413	70.21	52.85
Total Debt		103,395	137.1	84.52	150,870	45.92	78.04	132,916	-11.9	60.87

Statement of Financial Results analysis

Name	Row code	2017	Growth, %	Percentage, %	2018	Growth, %	Percentage, %	2019	Growth, %	Percentage, %
Revenues and expenses on ordinary activities										
Revenue	2110	504,136	161	100	928,022	84.08	100	1,334,653	43.82	100
Cost of sales	2120	390,448	146.78	77.45	794,636	103.52	85.63	1,141,787	43.69	85.55
Gross profit (loss)	2100	113,688	225.36	22.55	133,386	17.33	14.37	192,866	44.59	14.45
Administrative expenses	2220	99,856	227.99	19.81	100,992	1.14	10.88	134,698	33.37	10.09
Operating profit (loss)	2200	13,832	207.58	2.74	32,394	134.2	3.49	58,168	79.56	4.36
Operating income and expenses										
Other operating income	2340	66	43.48	0.01	24,618	37,200	2.65	5,021	-79.6	0.38
Other operating expenses	2350	1,888	-41.93	0.37	27,000	1,330.08	2.91	8,374	-68.99	0.63
Pre-tax profit (loss)	2300	12,010	829.57	2.38	30,012	149.89	3.23	54,815	82.64	4.11
Profit tax and other similar compulsory payments	2410	2,909	27.59	0.58	6,728	131.28	0.72	-11,821	-275.7	-0.89
Net profit	2400	9,240	2,148.18	1.83	23,521	154.56	2.53	42,994	82.79	3.22
EBIT		12,010	829.57	2.38	30,012	149.89	3.23	54,815	82.64	4.11

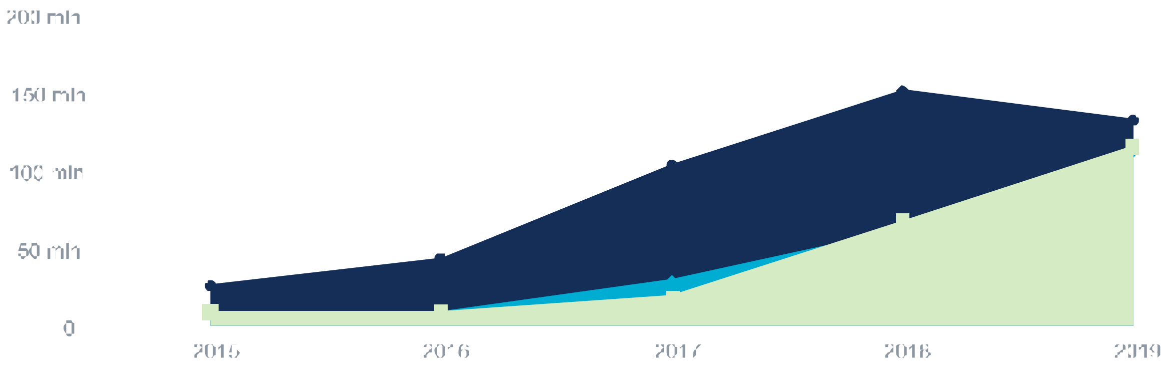
Coefficients calculation

Profitability



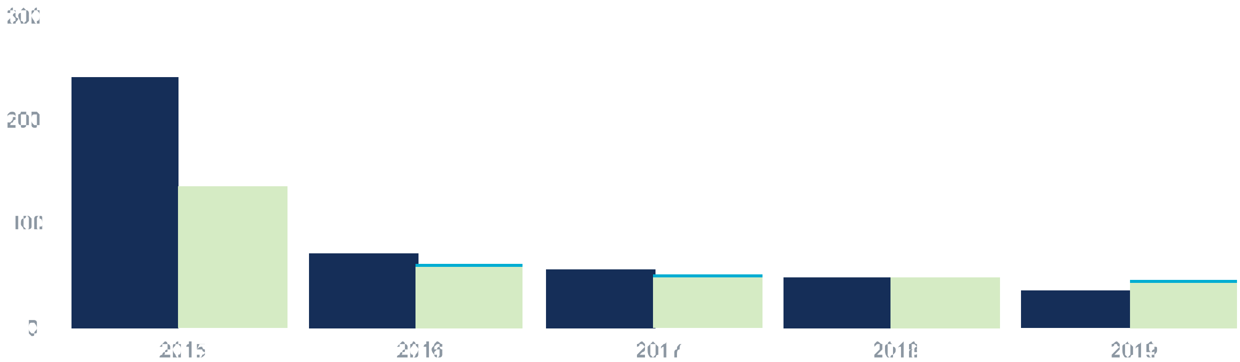
Name	2017	Growth, %	2018	Growth, %	2019	Growth, %
Revenue, ₽	504,136,000	161	928,022,000	84.08	1,334,653,000	43.82
Return on sales (ROS), %	1.83	771.43	2.53	38.25	3.22	27.27
Gross profit margin, %	22.55	24.65	14.37	-36.27	14.45	0.56
Commercial and administrative expenses in revenue, %	19.81	25.7	10.88	-45.08	10.09	-7.26
Operating margin, %	2.74	17.6	3.49	27.37	4.36	24.93

Debt management



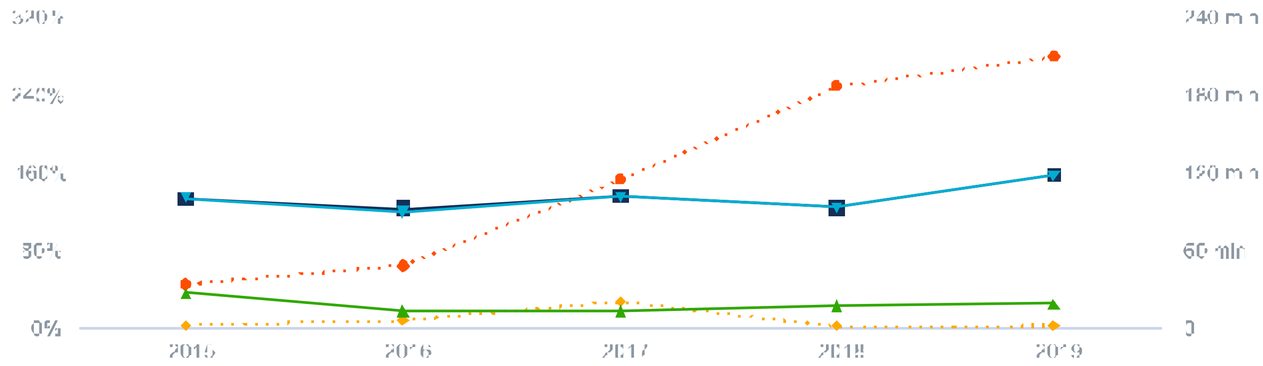
Name	2017	Growth, %	2018	Growth, %	2019	Growth, %
Total Debt, ₽	103,395,000	137.1	150,870,000	45.92	132,916,000	-11.9
Working capital, ₽	30,020,000	225.91	62,484,000	108.14	111,979,000	79.21
Equity, ₽	18,938,000	95.28	67,808,000	258.05	115,413,000	70.21

Asset management



Name	2017	Growth, %	2018	Growth, %	2019	Growth, %
Payables period (days)	56	-21.52	47	-16.12	34	-26.22
Days in Inventories, DII	1	-43.75		-66.67		33.33
Collection period (days)	49	-16.95	48	-2.04	44	-8.33

Ratio



Name	2017	Growth, %	2018	Growth, %	2019	Growth, %
CURRENT ASSETS, ₽	113,175,000	139.82	185,122,000	63.57	207,945,000	12.33
LONG-TERM LIABILITIES, ₽	19,357,000	305.13	140,000	-99.28	828,000	491.43
Current ratio, %	134.67	10.81	122.82	-8.8	157.43	28.18
Cash ratio, %	16.1	-0.49	22.32	38.63	23.69	6.14
Quick ratio, %	133.77	13.92	122.21	-8.64	156.04	27.68

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E. Appendices

Appendix I Valuer Documents

This Diploma

certifies that

Konstantin Lebedev

on the *20th* day of *June 2008*

was elected a Professional Member of

THE ROYAL INSTITUTION OF CHARTERED SURVEYORS

President

Register No. *1238172*

This Diploma is held from year to year subject to the provisions of the Bye-Laws of the Institution.

RICS VALUER REGISTRATION

This is to certify that

Ksenya Komarova

is an RICS Registered Valuer

Valid from: 22-May-2019

Membership no: 1278997

Richard Collins

EXECUTIVE DIRECTOR FOR THE PROFESSION

RICS

This certificate is held subject to RICS' bye-laws and scheme rules currently applicable and is not a certificate to practice.

VAL03

Appendix II Principal Terms and Conditions of Appointment as Valuers

1. PRELIMINARY

1.1. These terms and conditions (the "Terms of Business") shall apply to all valuation services (excluding agency services and other forms of professional services, to which separate terms will apply) provided by LLC "Cushman & Wakefield OOO", a limited liability company having its registered office at Gasheka str., bld. 6, Moscow, Russia, 125047 ("C&W", "we" or "us") to the client to whom a real estate valuation agreement (the "Agreement") is sent ("you"). They shall apply separately to each service subsequently provided to you.

1.2. The Terms of Business are to be read in conjunction with the relevant Agreement and general valuation principles ("Valuation Principles") attached thereto. In the event of any ambiguity or conflict between the relevant Agreement, the Valuation Principles and these Terms of Business, the provisions in the relevant Agreement shall prevail. These Terms of Business and the relevant Agreement may only be varied in writing by agreement between the parties. It is our practice to review and upgrade our Terms of Business frequently and new versions will be sent to you and agreed with you.

2. PERFORMANCE OF THE SERVICES

2.1. We undertake to use all reasonable skill and care in providing the services and advice described in the relevant Agreement, based on the instructions given by you (the "Services"). We will inform you if it becomes apparent that the Services need to be varied or external third party advice is required. Any variation is to be confirmed in writing and agreed between the parties.

2.2. We may need to appoint third party providers to perform all or part of the Services and we shall agree this with you in advance.

3. BASIS OF FEES

3.1. The basis of our fees for our Services is set out in the relevant Agreement.

3.2. You shall pay all applicable VAT in addition to any fees and disbursements at the applicable rate.

3.3. You shall pay our fees on completion of our Services (whether or not additional work is still to be carried out by third parties) or, where the fees are in relation to an ongoing instruction or an instruction of a duration of more than three months, at least quarterly in arrears upon submission by us of quarterly invoices. Payment is due within 10 working days of the invoice date.

3.4. Where valuations are undertaken for a lender for loan security purposes and it is agreed that a borrower will pay our fee, you shall remain primarily liable to pay our fee should such borrower fail to meet its liabilities to us in full. Payment of our fees is not conditional upon the loan being drawn down or any of the conditions of the loan being met.

3.5. If you do not dispute with us an invoice or any part thereof within 15 days of the date of such invoice, you shall be deemed to have accepted the invoice in its entirety.

3.6. If we are required by you to undertake any additional work in relation to an instruction, you shall pay additional fees based upon our usual rates. We will notify you of the amount of such additional fees.

3.7. Where there is a change to the stated purpose for which our valuation is being commissioned and in our sole opinion we deem this to result in an increase in our liability (for example a valuation for annual accounts being used for loan security purposes), we reserve the right to charge an additional fee.

3.8. If you subsequently request our invoice to be re-addressed to a party other than that originally agreed, we reserve the right to make an administration charge of $170. Payment will still be due within 10 working days of the original invoice date.

3.9. In the event that you withdraw our instructions prior to completion of a valuation, you shall be liable to pay us for a fair and reasonable proportion of our fees and any agreed disbursements. If we have sent you draft valuation figures, such fees shall be subject to 50% of the fee originally agreed between us and if we have sent you a draft valuation report, such fees shall be subject to 90% of the fee originally agreed between us.

3.10. We will advise you in advance if it is necessary or convenient to instruct a third party to provide advice or to act as an expert or arbitrator and provide an estimate of the likely cost.

3.11. Where we are instructed to provide Services to one of your subsidiaries or associated / related entities or should you subsequently request that another entity be substituted for you at a later stage and we are unable to seek or obtain payment of any outstanding monies for whatever reason, you shall remain primarily liable to pay those outstanding monies if the subsidiary, associated / related or other entity does not meet its liabilities in relation to payment for the Services provided by us.

4. INTEREST

You shall pay interest on the amount of any invoice for fees or other disbursements that remains unpaid for 10 working days after the date of the invoice in amount of 0,1 per cent for each day but no more than 10 per cent in total.

5. DISBURSEMENTS

You shall pay all disbursements incurred by us in the provision of the Services. Disbursements include, but are not limited to: travel and subsistence expenses at their actual cost.

6. INFORMATION RECEIVED FROM THE CLIENT

Where you provide us with any information on a property that is necessary or convenient to enable us to provide the Services properly, you acknowledge that we will rely on the accuracy, completeness and consistency of any information supplied by you or on your behalf and, unless specifically instructed otherwise in writing, we will not carry out any investigation to verify such information. We accept no liability for any inaccuracy or omission contained in information disclosed by you or on your behalf, whether prepared directly by you or by a third party, and whether or not supplied directly to us by that third party and you shall indemnify us should any such liability arise. If our valuation is required for the purpose of purchase or loan security, you accept that full investigation of the legal title and any leases is the responsibility of your lawyers.

7. CONFLICTS OF INTEREST AND ANTI CORRUPTION

7.1. We have conflict management procedures designed to prevent us acting for one client in a matter where there is or could be a conflict with the interest of another client for whom we are acting. If you are aware or become aware of a possible conflict of this type, please raise it immediately with us. If a conflict of this nature arises, then we will decide, taking account of legal constraints, relevant regulatory body rules and your and the other client's interests and wishes, whether we can continue to act for both parties (e.g. through the use of separate teams with appropriate Chinese Walls), for one only or for neither. Where we do not believe that any potential or actual conflict of interest can be managed appropriately, we will inform you and consult with you as soon as reasonably practicable.

7.2. You acknowledge that we may earn commissions, referral fees and may charge handling fees connected to the services that we perform and agree that we shall be entitled to retain them without specific disclosure to you. We will not accept any commissions or referral fees in circumstances where we are of the reasonable belief that they would compromise the independence of any advice that we provide to you.

7.3. We confirm that we will not, and will procure that our employees will not, knowingly engage in any activity which would constitute a breach of Russian anti-corruption legislation as well as the UK Bribery Act 2010 and that we have in place a compliance programme designed to ensure compliance with the terms of the UK Bribery Act 2010.

8. MANAGEMENT OF THE PROPERTY

We shall not be responsible for the management of the property nor have any other responsibility (such as maintenance or repair) in relation to the property. We shall not be liable for any damage that may occur while the property is unoccupied. The property shall be your sole responsibility.

9. TERMINATION BY NOTICE

9.1. Unless a fixed period has been agreed, either party may terminate the instruction by giving 14 days' notice in writing to the other party.

9.2. In the event of termination by notice, you shall be obliged to pay forthwith all the fees accrued in relation to the Services and work performed up to the date of termination (and any abort fee) plus any expenses or disbursements incurred by us or to which we are committed at the date of termination.

10. PROFESSIONAL LIABILITY

10.1. We shall not be liable to you in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the Services in respect of:

(i) any direct loss of profit;

(ii) any indirect, special or consequential loss whatsoever howsoever caused including without limitation (a) indirect loss of profit; (b) loss of business; (c) loss of goodwill; (d) loss of use of money; (e) loss of opportunity, and the parties agree that the sub-clauses of this clause shall be severable.

10.2. We shall not be liable to you in negligence for pure economic loss arising in connection with the performance or contemplated performance of the Services.

10.3. You acknowledge and agree that the exclusions contained in this clause 10 are reasonable in all the circumstances and that you have had the opportunity to take independent legal advice.

10.4. Where a third party has contributed to the losses, damages, costs, claims or expenses, we shall not be liable to make any contribution in respect of the liability of such third party.

10.5. Save in respect of third parties directly instructed by us and not on your behalf, we shall not be liable for the services or products provided by other third parties, nor shall we be required to inspect or supervise such third parties, irrespective of the third party services or products being incidental to or necessary for the provision of our Services to you.

10.6. Our total aggregate liability (including that of our members and employees) pursuant to the relevant Assignment under the Agreement shall be limited to an aggregate sum not exceeding USD 32 million as defined in the relevant Assignment to the Agreement. Nothing in these Terms of Business excludes or limits our liability: (i) for death or personal injury caused by our negligence; (ii) for any matter which it would be illegal for us to exclude or attempt to exclude our liability and (iii) for fraud or fraudulent misrepresentation.

10.7. We shall be released from our obligations to the extent that performance thereof is delayed, hindered or prevented by any circumstances beyond our reasonable control (examples being a strike, act of God or act of terrorism). On becoming aware of any circumstance which gives rise, or which is likely to give rise, to any failure or delay in the performance of our obligations, we will notify you by the most expeditious method then available.

10.8. To cover any liability that might be incurred by us, we confirm that we will maintain compulsory professional indemnity insurance.

10.9. Responsibility for our valuation extends only to the party(ies) to whom it is addressed. Third parties may rely on the valuation report as separately agreed between you and C&W. In the event of us being asked by you to readdress our report to another party or other parties or permit reliance upon it by another party or other parties, we will give consideration to doing so, to named parties, subject to the following minimum fees:

FIRST EXTENDED PARTY SECOND & SUBSEQUENT EXTENDED PARTIES

For the first USD1m of reported value 0.075% 0.025% per party

Thereafter 0.035% 0.015% per party

These fees are exclusive of VAT and expenses (including the cost of readdressing the report) and are subject to a minimum fee of $1,250. Should additional work be involved, over and above that undertaken to provide the initial report, we may make a further charge although we will agree this with you before commencing the work.

10.10. Where we consent in writing to reliance on our report by another party or other parties, we do so on the condition that (i) the other party or parties agree in writing to be bound by the Agreement and these Terms of Business as if it / they had been a party to the original Agreement between us, with such written agreement being provided to us, (ii) such other party pay the fees demanded as set out in clause 10.9 above (unless agreed otherwise in writing) and (iii) where you act on behalf of a syndicate or in relation to a securitisation, you agree that you are not entitled to pursue any greater claim on behalf of any other party than you would have been entitled to pursue on your own behalf had there been no syndication or securitisation.

10.11. Except in case when the valuation report is prepared in connection with the public offering and will, inter alia, be used in the offering memorandum, where you provide a copy of and / or permit another party or parties to rely upon our valuation report without obtaining our express written consent and fail to provide us with the written consent of any other party or parties who have received our report to be bound by the Agreement and Terms of Business (in accordance with clause 10.10 above), you agree to indemnify us for any and all liability which arises from the use of or reliance upon our report by such unauthorised party.

10.12. Notwithstanding clause 10.11, where a valuation report is prepared or where we consent to a valuation report being used for the purpose of a prospectus, offering (either directly or indirectly), or a circular to shareholders, you agree to indemnify us for any liability whatsoever that we may have to any parties that have not agreed with us in writing to be bound by these Terms of Business which exceeds our aggregate cap on liability (referred to at clause 10.6) arising from their use and / or reliance on the valuation report.

11. QUALITY OF SERVICE AND COMPLAINTS

11.1. All our valuation reports are signed by a Member of C&W whose responsibility it is to ensure that all relevant quality control procedures have been complied with. In particular, for valuations of properties with an individual value of $34m or over, the valuer is required to present and explain his methodology to another member of the Valuation & Advisory Team unconnected with the instruction and who is a Member of C&W.

11.2. If you wish to complain about the level or our service to you, in accordance with the requirements of the Royal Institution of Chartered Surveyors, we have a standard complaints procedure, a copy of which is available on request.

12. DATA PROTECTION

12.1. We (and any of our relevant international partnerships, group companies and affiliated organisations) are data controllers of all personal data collected during the provision of the Services. We shall use such personal data and information we obtain from other sources for providing the Services, for administration and customer services, for marketing and to analyse your preferences. We may keep such personal data for a reasonable period for these purposes. We may need to share personal data with our service providers and agents for these purposes. We may disclose personal data in order to comply with a legal or regulatory obligation and you may request, in writing and upon payment of a fee, a copy of the details held about you by us.

12.2. To help us to make credit decisions about you, to prevent fraud, to check identity and to prevent money laundering, we may search the files of credit reference agencies and we may also disclose details of how you conduct your account to such agencies.

12.3. We may share personal data within our international partnerships, group companies and affiliated organisations and with our business partners for marketing purposes, which may be to countries or jurisdictions which do not provide the same level of data protection as the country in which you are based, or we may send you and your employees information about other organisations' goods and services. We or any business partners may contact you and your employees, directly or via our agents, by mail, telephone, fax, email, SMS or other electronic messaging service with offers of goods and services or information that may be of interest. By providing us with your or your employees' personal data (whether that data is deemed sensitive or not) including fax numbers, telephone numbers or email addresses, you and your employees consent to being contacted by these methods for these purposes.

13. MONEY LAUNDERING REGULATIONS

In order to comply with all applicable money laundering legislation and regulation, we may be required to verify certain of your details and may ask you to assist us in complying with such requirements. Where such information is requested, you will provide such information promptly to enable us to provide our Services. We shall not be liable to you or any other parties for any delay in the performance or any failure to perform the Services which may be caused by our duty to comply with any such legal and regulatory requirements.

14. ELECTRONIC COMMUNICATIONS

We may communicate with each other by electronic mail, sometimes attaching electronic data. By consenting to this method of communication, we and you accept the inherent risks (including the security risks of interception of, or unauthorised access to, such communications, the risks of corruption of such communications and the risks of viruses or other harmful devices). In the event of a dispute, neither of us will challenge the legal evidential standing of an electronic document and our system shall be deemed to be the definitive record of electronic communications and documentation.

15. CONFIDENTIALITY

15.1. We owe you a duty of confidentiality. You agree that we may, when required by our insurers or other advisers, provide details to them of any engagement on which we act or have acted for you, and that we may also disclose confidential information relating to your affairs if required to do so for legal, regulatory or insurance purposes only.

15.2. Subject to clause 15.1, we both agree never to disclose sensitive details of transactions or our advice without the other's consent. Unless we are expressly bound by a duty of confidentiality which otherwise overrides this, we both shall be entitled to mention to third parties (e.g. in the course of presentations, speeches or pitches) and/or publish (e.g. in brochures, marketing or other written material) that we provide our services to you.

15.3. We shall provide the Services to you only for your sole use and for the stated purpose. We shall not be liable to any third party in respect of our Services. You shall not mention nor refer to our advice, in whole or in part, to any third party orally or in annual accounts or other document, circular or statement without our prior written approval. The giving of an approval shall be at our sole discretion.

15.4. We will not approve any mention of our advice unless it contains sufficient reference to all the special assumptions and/or limitations (if any) to which our advice is subject. Our approval is required whether or not we are referred to by name and whether or not our advice is combined with others.

16. INTELLECTUAL PROPERTY

All intellectual property rights (including copyrights) in the documents, materials, records, data and information in any form developed or provided to you by us or otherwise generated in the provision of our Services shall belong to us solely. You are granted an irrevocable, non-exclusive licence to use or copy such information contained in the Report being the intellectual rights for any purpose connected with the valuation results usage according to the Assignment under the

Agreement. The fees for the transfer of such rights is included into the fees under the corresponding Assignment and make 0,1% of the total fees.

17. ASSIGNMENT AND THIRD PARTY RIGHTS

17.1. Neither party shall be entitled to assign this contract or any rights and obligations arising from it without the prior written consent of the other, such consent not to be unreasonably withheld.

17.2. Except as expressly provided otherwise no term of the Agreement or these Terms of Business is intended to confer a benefit on or to be enforceable by any person who is not a party to the same.

18. GENERAL

18.1. If any provision of these Terms of Business is found by any court, tribunal or administrative body of competent jurisdiction to be wholly or partly illegal, invalid, void, voidable, unenforceable or unreasonable it shall to the extent of such illegality, invalidity, voidness, voidability, unenforceability or unreasonableness be deemed severable and the remaining provisions of these Terms of Business and the remainder of such provision shall continue in full force and effect.

18.2. Failure or delay by us in enforcing or partially enforcing any provision of these Terms of Business shall not be construed as a waiver of any of our rights under these Terms of Business.

18.3. No term of the relevant Agreement or these Terms of Business is intended to confer a benefit on or to be enforceable by any person who is not a party to the same.

18.4. The Agreement shall be governed by and be construed in accordance with legislation of the Russian Federation. Any dispute arising out or in connection with the services shall be submitted to the exclusive jurisdiction of the Arbitration Court of Moscow.

Where the Client is a legal entity established under the laws other than Russian any dispute, controversy or claim which may arise out of or in connection with the present contract (agreement), or the execution, breach, termination or invalidity thereof, shall be settled by the International Commercial Arbitration Court at the Chamber of Commerce and Industry of the Russian Federation in accordance with its Rules.

18.5. References to partners of LLC "Cushman & Wakefield OOO" are used to refer to a Member of LLC "Cushman & Wakefield OOO" or an employee or consultant with equivalent standing and qualifications. A list of the members of LLC "Cushman & Wakefield OOO" and of the non-members who are designated as "partners" is open to inspection at our registered office, 6th floor, Gasheka str., bld.6, Moscow, Russia, 125047.

Appendix III General Valuation Principles

1. PRELIMINARY

1.1. These general valuation principles (the "Valuation Principles") shall apply to all valuation instructions, other than agency services and other forms of professional services (to which separate terms will apply), provided by LLC "Cushman & Wakefield OOO", a limited liability company having its registered office at Gasheka str., bld. 6, Moscow, Russia, 125047 ("C&W", "we" or "us") to the client to whom a real estate valuation agreement (the "Agreement") is sent ("you"). They shall apply separately to each service subsequently provided to you.

1.2. The Valuation Principles are to be read in conjunction with the relevant Agreement and the Terms of Business attached thereto. In the event of any ambiguity or conflict between the relevant Agreement, the Terms of Business and these Valuation Principles, the provisions in the relevant Agreement shall prevail. These Valuation Principles may only be varied in writing by agreement between the parties. It is our practice to review and upgrade our Valuation Principles frequently and new versions will be sent to you and agreed with you.

2. VALUATION BASES

2.1. Unless we have said otherwise within the Agreement, the date of valuation will be the date of our inspection.

2.2. Unless we have said otherwise in the relevant Agreement, the valuation will be prepared in accordance with the RICS Valuation Professional Standards current at the date of the Agreement (the "Red Book") by valuers conforming to its requirements, acting as external valuer.

2.3. Each property will be valued on a basis appropriate to the purpose of the valuation, in accordance with the Red Book in part not contradictory to standards for valuation adopted in Russia. The basis of valuation that we will adopt for each property is specified in the relevant Agreement. Unless the definitions below contradict with the mandatory standards for valuation in Russia the definitions are as follows:

(i) Fair value

Fair value 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".

(ii) Market Rent

Market Rent is "the estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

(iii) Existing Use Value

Existing Use Value is "the estimated amount for which an asset 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 acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its fair value to differ from that needed to replace the remaining service potential at least cost".

(iv) Fair Value

Fair Value is "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction." In the context of International Accounting Standard (IAS) 17, the fair value of the leased asset of interest will normally be its fair value (see (i) above).

(v) Existing Use Value for Social Housing

Existing Use Value for Social Housing is "the estimated amount for which a property should exchange, on the date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had acted knowledgeably, prudently, and without compulsion, subject to the following special assumptions that the property will continue to be let by a body pursuant to delivery of a service for the existing use:

a) at the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor's ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements;

b) properties temporarily vacant pending re-letting would be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession; and

c) any subsequent sale would be subject to all of the above special assumptions."

(vi) Projected Fair value of Residential Property

Projected Fair value of Residential Property is "the estimated amount for which an asset is expected to exchange at a date, after the valuation date and specified by the valuer, 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".

2.4. When assessing either Existing Use Value, Fair Value or Fair value for balance sheet purposes, we will not include directly attributable acquisition or disposal costs in our valuation. Where you have asked us to reflect costs (as required under FRS15), they will be stated separately.

2.5. In the case of specialised properties (where valuation methods such as market comparison or an income (profits) test cannot be reliably applied), we may use Depreciated Replacement Cost ("DRC") as a method of estimating Value. The valuation using this method of a property in the private sector will include a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed. If the property is in the public sector, the valuation will include a statement that it is subject to the prospect and viability of the continued occupation and use. Any writing down of a valuation derived solely from the DRC method to reflect the profitability/viability of the entity in occupation is a matter for the occupier. If the valuation is being undertaken for inclusion in accounts prepared under International Financial Reporting Standards, our report will contain a statement that because of the specialised nature of the property, the value is estimated using a DRC method and is not based on the evidence of sales of similar assets in the market. If we consider that the value of the asset would be materially lower if the business ceased, the report will contain a statement to this effect.

3. GENERAL VALUATION ASSUMPTIONS

3.1. Unless otherwise agreed, we will provide the Services in relation to any property on the following assumptions:

(i) the property and any existing buildings are free from any defect whatsoever;

(ii) all buildings have been constructed having appropriate regard to existing ground conditions or that these would have no unusual effect on building costs, property values or viability of any development or existing buildings;

(iii) all the building services (such as lifts, electrical, gas, plumbing, heating, drainage and air conditioning installations and security systems) and property services (such as incoming mains, waste, drains, utility supplies, etc) are in good working order without any defect whatsoever;

(iv) roads and sewers serving the property have been adopted and that the property has all necessary rights of access over common estate roads, paths, corridors and stairways and to use common parking areas, loading areas and other facilities;

(v) there are no environmental matters (including but not limited to actual or potential land, air or water contamination, or by asbestos or any other harmful or hazardous substance) that would affect the property, any development or any existing buildings on the property in respect of which the Services are provided or any adjoining property, and that we shall not be responsible for any investigations into the existence of the same and that you are responsible for making such investigations;

(vi) any building, the building services and the property services comply with all applicable current regulations (including fire and health and safety regulations);

(vii) the property and any existing building comply with all planning and building regulations, have the benefit of appropriate planning consents or other statutory authorisation for the current use and no adverse planning conditions or restrictions apply (which includes, but is not limited to, threat of or actual compulsory purchase order);

(viii) appropriate insurance cover is, and will continue to be, available on commercially acceptable terms for any building incorporating types of construction or materials which may pose an increased fire or health and safety risk, or where there may be an increased risk of terrorism, flooding or a rising water table;

(ix) items of plant and machinery that usually comprise part of the property on an assumed sale are included in the property but items of plant and machinery that are associated with the process being carried on in the property or tenants trade fixtures and fittings are excluded from the property;

(x) in reflecting the development potential of any property, that all structures will be completed using good quality materials and first class workmanship;

(xi) any occupational leases are on full repairing and insuring terms, with no unusually onerous provisions or covenants that would affect value;

(xii) in respect of any lease renewals or rent reviews, all notices have been served validly within any time limits;

(xiii) vacant possession can be given of all accommodation which is unlet or occupied by the entity/borrower or its employees on service tenancies; and

(xiv) any mineral rights are excluded from the property.

4. VALUATION ASSUMPTIONS FOR PROPERTY VALUED HAVING REGARD TO TRADING POTENTIAL

4.1. Unless we have agreed otherwise, for trading related property (such as hotels, marinas and self storage properties where the property is trading and is expected to continue, we will value on the basis and assumption of a fully equipped operational entity, having regard to trading potential.

4.2. Where we are instructed to value a property having regard to its trading potential, we will take account of any trading information that either the operator has supplied to us or that we have obtained from our own enquiries. We will rely on this information being correct and complete and on there being no undisclosed matters that could affect our valuation. The valuation will be based on our opinion as to future trading potential and the level of fair maintainable turnover and fair maintainable operating profit likely to be achieved by a reasonably efficient operator.

4.3. Unless we have said otherwise in the relevant Agreement:

(i) the valuation will be made on the basis that each property will be sold as a whole including all fixtures, fittings, furnishings, equipment, stock and goodwill required to continue trading;

(ii) we will assume that the new owner will normally engage the existing staff and the new management will have the benefit of existing and future bookings or occupational agreements (which may be an important feature of the continuing operation), together with all existing statutory consents, operational permits and licences;

(iii) we will assume that all assets and equipment are fully owned by the operator and are not subject to separate finance leases or charges;

(iv) we will exclude any consumable items, stock in trade and working capital; and

(v) we will assume that all goodwill for the properties is tied to the land and buildings and does not represent personal goodwill to the operator.

5. STRUCTURE

5.1. We will not carry out a structural survey of any property nor will we test services. Further, no inspection will be made of the woodwork and other parts of the structures which are covered, unexposed or inaccessible. In the absence of information to the contrary, the valuation will be on the basis that the property is free from defect. However, the value will reflect the apparent general state of repair of the property noted during inspection, but we do not give any warranty as to the condition of the structure, foundations, soil and services. Our report should not be taken or interpreted as giving any opinion or warranty as to the structural condition or state of repair of the property, nor should such an opinion be implied.

5.2. If we give the age of a building in our report, this will be an estimate and for guidance only.

6. MEASUREMENTS

6.1. Where we are required to measure a property we will generally do so in accordance with the latest edition of the RICS Code of Measuring Practice. However, you should specifically note that the floor areas contained in any report we may publish are approximate and if measured by us will be within a 3% tolerance either way. In cases where the configuration of the floor plate is unusually irregular or is obstructed, this tolerance may be exceeded.

6.2. We will not be able to measure areas that we are unable to access. In these cases we may estimate floor areas from plans or by extrapolation. Where we are required to measure land or site areas, the areas will be approximate and will be measured from plans supplied. They will not be physically checked on site.

6.3. The areas we report will be appropriate for the valuation purpose, but should not be relied upon for any other purpose.

7. PLANNING AND STATUTORY REGULATIONS

7.1. Unless specifically instructed in writing to make formal searches with local planning authorities, we shall rely in the provision of our Services on the information provided informally by the local planning authority or its officers. We recommend that your lawyers be instructed to confirm the planning position relating to the property and review our comments on planning in the light of their findings.

7.2. We may consider the possibility of alternative uses being permitted. Unless otherwise notified by you in writing, we shall assume that the property and any existing buildings comply with all planning and building regulations existing uses have the benefit of appropriate planning consent or other statutory authorisation, and that no adverse planning conditions or restrictions apply.

8. VALUATION EXCLUSIONS

8.1. We will not inspect title deeds and we will therefore rely on the information supplied as being correct and complete. In the absence of information to the contrary, we will assume the absence of unusually onerous restrictions, covenants or other encumbrances and that the property has a good and marketable title. Where supplied with legal documentation, we will consider it but we will not take responsibility for the legal interpretation of it.

8.2. We will take into account any information that you provide concerning any tenants' improvements. Otherwise, if the extent of tenants' alterations or improvements cannot be confirmed, we will assume that the property was let with all alterations and improvements evident during our inspection (or, in the case of valuation without inspection, as described within the information that you provide).

8.3. Our valuation will take into account potential purchasers' likely opinion of the financial strength of tenants. However, we will not undertake any detailed investigations on the covenant strength of the tenants. Unless informed to the contrary by you, we will assume that there are no significant arrears and that the tenants are able to meet their obligations under their leases or agreements.

8.4. Any plans we provide to you indicating the site of a property are for identification only. We will rely on our inspection and information that you provide in outlining the extent of each property, but you should not rely upon our plans to define boundaries.

8.5. Where comparable evidence information is included in our report, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where we had reason to believe its general accuracy or where it was in accordance with expectation. In addition, we have not inspected comparable properties.

8.6. For a recently completed development property, we will not take account of any retentions or outstanding development costs. For a property in the course of development, we will reflect your advice on the stage of construction, the costs already incurred and those still to be spent at the date of valuation, and will have regard to any contractual liabilities.

8.7. We will not make any allowance in our Services for the existence of any mortgage or other financial encumbrance on or over the property nor take account of any leases between subsidiaries.

8.8. Any valuation figures provided will be exclusive of VAT whether or not the building has been elected.

8.9. We will not make any allowance in any valuation advice provided for the expenses of realisation or any taxation liability arising from the sale or development of the property.

8.10. Unless we have said otherwise in the Agreement, each property will be valued individually; in the case of a portfolio, we will assume that the properties would be marketed in an orderly way and not placed on the market at the same time.

8.11. The components of our valuation calculations (such as future rental values, cost allowances, or void periods) may only be appropriate as part of the valuation calculation. They should not be taken as a forecast or prediction of a future outcome. You should not rely on any component of the valuation calculation for any other purpose.

8.12. We will value in US Dollars. If we are to report to you in another currency, unless we have agreed otherwise we will adopt a conversion rate equivalent to the closing rate ("spot rate") on the date of valuation.

8.13. Our valuation does not make allowance either for the cost of transferring sale proceeds to another state, or for any restrictions on doing so.

8.14. In instances where we are instructed to provide an indication of current reinstatement costs for insurance purposes, this will be given solely as a guide without warranty. Formal estimates for insurance purposes can only be given by a building surveyor or other person with sufficient current experience of replacement costs. The property will not be inspected by a building surveyor or qualified building cost estimator and the guide will be based on costs obtained from generic building cost tables. You should not rely on it as the basis for insurance cover.

9. REGULATED PURPOSE VALUATIONS AND MONITORING

9.1. In circumstances where a valuation, although provided for a client, may also be of use to third parties, for instance the shareholders in a company (otherwise defined as a "Regulated Purpose Valuation" in the Red Book), we are required to state our policy on the rotation of the surveyor who prepares the valuation and the quality control procedures that are in place.

9.2. Irrespective of the purpose of the valuation, we will select the most appropriate surveyor for the valuation having regard to his/her expertise and the possible perception that independence and objectivity could be compromised where a valuer has held the responsibility for a particular client for a number of years. This may result in us rotating the surveyor responsible for repeat valuations for the same client although we will not do so without prior discussion with the client.

9.3. For all Regulated Purpose Valuations we are required by the Red Book to state all of the following in our report:

(i) the length of time the valuer continuously has been the signatory to valuations provided to you for the same purpose as the report, together with the length of time we have continuously been carrying out that valuation instruction for you;

(ii) the extent and duration of the relationship between you and us;

(iii) in relation to our preceding financial year the proportion of the total fees, if any, payable by you to our total fee income expressed as one of the following:

less than 5%; or

if more than 5%, an indication of the proportion within a range of 5 percentage points;

(iv) where, since the end of the last financial year, it is anticipated that there will be a material increase in the proportion of the fees payable, or likely to be payable, we shall include a further statement to that effect in addition to (iii) above.

9.4. The valuation may be subject to monitoring under the RICS's conduct and disciplinary regulations.

Appendix IV Sources of Information

In addition to information established by us, we have relied on the information obtained from you and / or your professional advisers, as listed below:

Information	Source / Author
Title information	The Client
Assets and Liabilities	The Client
Key indicators of the projects implemented by the Customer, including technical and economic indicators of the project (TEP), the schedule of implementation of residential and non-residential premises, sale prices, operating expenses, capital investments, the amount of implemented expenses	The Client

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PJSC “Samolet Group”

Condensed Consolidated Interim Financial Statements
for the six months ended 30 June 2020

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To the Shareholders and Board of Directors of PJSC Samolet Group

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of PJSC Samolet Group (the "Company") and its subsidiaries (the "Group") as at 30 June 2020, and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six - month period then ended, and notes to the condensed consolidated interim financial statements (the "condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Reviewed entity: PJSC Samolet Group

Registration No. in the Unified State Register of Legal Entities № 1167746590283

Moscow, Russia

Audit firm: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registration No. in the Unified State Register of Legal Entities 1027700125628

Member of the Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 12006020351

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements as at 30 June 2020 and for the six-month period then ended are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Fonareva S. B.

JSC "KPMG"
Moscow, Russia

23 September 2020

’000 RUB	Note	30 June 2020	31 December 2019
ASSETS			
Property, plant and equipment		744,887	736,720
Intangible assets		96,709	82,119
Investment property	13	990,859	978,441
Other investments	14	9,703,141	7,997,334
Advances for acquisition of land plots		559,732	459,322
Deferred tax assets		2,473,142	2,102,834
Other non-current assets		-	15,969
Non-current assets		**14,568,470**	**12,372,739**
Inventories	15	54,785,509	53,491,758
Prepayments		5,004,714	5,488,958
Other investments	14	390,632	328,884
Current income tax		252,674	276,834
Accounts receivable, including contract assets	16	4,141,347	2,265,320
VAT input		262,514	203,305
Cash and cash equivalents		8,108,043	4,012,350
Current assets		**72,945,433**	**66,067,409**
Total assets		**87,513,903**	**78,440,148**

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 12 to 30.

’000 RUB	**Note**	**30 June 2020**	**31 December 2019**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	1,500,010	1,500,010
Retained earnings		3,597,991	3,078,181
Total equity attributable to owners of the Company		**5,098,001**	**4,578,191**
Non-controlling interest		852,002	1,044,755
Total equity		**5,950,003**	**5,622,946**
Liabilities			
Loans and borrowings	18	16,284,281	12,230,812
Accounts payable	20	4,108,497	3,838,246
Long-term lease liabilities	24	463,172	552,939
Deferred tax liabilities		1,975,000	1,889,023
Non-current liabilities		**22,830,950**	**18,511,020**
Loans and borrowings	18	7,083,154	4,113,275
Accounts payable, including liabilities under contracts with customers	20	42,564,885	42,594,211
Long-term lease liabilities	24	588,938	637,358
Provisions	19	6,165,060	6,111,855
Current income tax		377,119	82,236
Non-controlling interests in limited liability companies		1,380,966	767,247
Deferred income	18	572,828	-
Current liabilities		**58,732,950**	**54,306,182**
Total liabilities		**81,563,900**	**72,817,202**
Total equity and liabilities		**87,513,903**	**78,440,148**

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 12 to 30.

'000 RUB	Note	For the six months ended 30 June 2020	2019
Revenue	7	22,675,944	23,414,592
Cost of sales		(16,994,472)	(18,784,326)
Gross profit		**5,681,472**	**4,630,266**
Distribution expenses	8	(1,245,044)	(1,133,825)
Administrative expenses	9	(1,205,061)	(1,643,812)
Other income		63,615	2,092,220
Share of profits of equity-accounted investees		42,017	-
Impairment of investment property	13	-	(264,581)
Other expenses		(600,412)	(898,593)
Operating results		**2,736,587**	**2,781,675**
Finance income	10	577,997	417,017
Finance costs	10	(2,351,752)	(2,388,285)
Net finance costs		**(1,773,755)**	**(1,971,268)**
Profit before tax		**962,832**	**810,407**
Income tax expense	12	(274,681)	(333,262)
Profit		**688,151**	**477,145**
Profit and total comprehensive income for the period		**688,151**	**477,145**
Profit and total comprehensive income attributable to:			
Owners of the Company		523,437	310
Non-controlling interests reported in equity and liabilities		164,714	476,835
		688,151	**477,145**

These condensed consolidated interim financial statements were approved by management on 23 September 2020 and were signed on its behalf by:

General Director

A.N. Elistratov

Managing Director

A.S. Pakhomenkov

The condensed consolidated interim statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 12 to 30.

'000 RUB	Note	Equity attributable to owners of the Company			Non-controlling interests	Total equity
		Share capital	Retained earnings	Total		
Balance at 1 January 2020		**1,500,010**	**3,078,181**	**4,578,191**	**1,044,755**	**5,622,946**
Profit and total comprehensive income for the period		-	523,437	**523,437**	164,714	**688,151**
Transactions with owners of the Company						
Effect from initial recognition of loans granted to related parties at fair value less income tax		-	(142,303)	**(142,303)**	1,013	**(141,290)**
Change in non-controlling interests without a change in control	25(c)	-	175,981	**175,981**	174,019	**350,000**
Effect from acquisition of subsidiaries from a related party	23	-	23,423	**23,423**	20,491	**43,914**
Effect from restructuring of subsidiaries		-	(60,728)	**(60,728)**	60,728	-
Increase in non-controlling interests within liabilities		-	-	-	(613,718)	**(613,718)**
Total transactions with owners of the Company		-	**(3,627)**	**(3,627)**	**(357,467)**	**(361,094)**
Balance at 30 June 2020		**1,500,010**	**3,597,991**	**5,098,001**	**852,002**	**5,950,003**

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 12 to 30.

’000 RUB	**Equity attributable to owners of the Company**				
	Share capital	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2019	**1,500,010**	**4,222,667**	**5,722,677**	**-**	**5,722 677**
Profit and total comprehensive income for the period	-	310	**310**	476,835	**477,145**
Transactions with owners of the Company					
Effect from initial recognition of loans granted to related parties at fair value less income tax	-	(57,907)	**(57,907)**	-	**(57,907)**
Dividends	-	(299,621)	**(299,621)**	(155,040)	**(454,661)**
Increase in non-controlling interests within liabilities	-	-	-	(321,795)	**(321,795)**
Total transactions with owners of the Company	**-**	**(357,528)**	**(357,528)**	**(476,835)**	**(834,363)**
Balance at 30 June 2019	**1,500,010**	**3,865,449**	**5,365,459**	**-**	**5,365,459**

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 12 to 30.

		For the six months ended 30 June	
'000 RUB	**Note**	**2020**	**2019**
Cash flows from operating activities			
Profit for the period		**688,151**	**477,145**
Adjustments for:			
Depreciation and amortization		128,319	185,942
Other income from participation in joint arrangements		-	(2,020,895)
Impairment of investment property	13	-	264,581
Finance income	10	(577,997)	(417,017)
Finance costs	10	2,351,752	2,388,285
Income tax expense	12	274,681	333,262
		2,864,906	**1,211 303**
Changes in:			
Inventories		(266,522)	(1,808,240)
Accounts receivable, including contract assets, prepayments and VAT input		(1,673,687)	(725,871)
Accounts payable, including liabilities under contracts with customers		(1,782,075)	(1,303,741)
Provisions		(82,924)	3,616,944
Cash flows (used in)/from operations before income taxes and interest paid		**(940,302)**	**990,395**
Income tax paid		(181,679)	(125,867)
Interest paid		(789,222)	(516,747)
Net cash (used in)/from operating activities		**(1,911,203)**	**347,781**

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 12 to 30.

		For the six months ended 30 June	
’000 RUB	**Note**	**2020**	**2019**
Cash flows from investing activities			
Acquisition of investments		(463,004)	-
Interest received		51	1,513
Loans granted		(1,209,715)	(2,225,949)
Cash received on the acquisition of subsidiaries		45,893	-
Acquisition of property, plant and equipment		(47,668)	(69,334)
Loans repaid		189,330	249,600
Net cash used in investing activities		**(1,485,113)**	**(2,044,170)**
Cash flows from financing activities			
Payments of lease liabilities		(170,622)	-
Proceeds from loans and borrowings		10,424,373	7,267,662
Repayment of borrowings		(2,919,444)	(1,355,164)
Payment by a related party for the acquisition of non-controlling interests	25(c)	350,000	-
Dividends paid		-	(557,042)
Net cash from financing activities		**7,684,307**	**5,355,456**
Net increase in cash and cash equivalents		4,287,991	3,659,067
Cash and cash equivalents at the beginning of period		4,012,350	2,976,545
Effect of exchange rate fluctuations on cash and cash equivalents		(192,298)	(99,467)
Cash and cash equivalents at the end of period		**8,108,043**	**6,536,145**

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 12 to 30.

1. Reporting entity

(a) Organization and operations

PJSC “Samolet Group” (LLC “Samolet Group of Companies” until 25 June 2018; JSC “Samolet Group” from 25 June till 19 October 2018) (hereinafter referred to as “the Company”) and its subsidiaries (hereinafter collectively referred to as “the Group”) comprise Russian limited liability companies as defined in the Civil Code of the Russian Federation. The Company was established on 22 December 2014, the Company’s registered address is 8, Ulitsa Ivana Franko, Moscow 121108.

At 30 June 2020 and 31 December 2019, the ultimate beneficiaries of the Group were individuals who had the power to direct the transactions of the Group at their own discretion and for their own benefit, however none of these individuals controlled more than 50% of the Company. Related party transactions are disclosed in Note 25.

The Group’s main line of business is the development of large-scale and complex urban areas. The Group operates in Moscow and Leningrad Regions.

(b) Russian 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 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.

In 2020, global markets and the Russian economy faced severe shocks and challenges induced by COVID-19 outbreak and declining oil prices, which resulted in a drop in quotes for many financial instruments and a depreciation of the Russian Rouble to other currencies. While a lockdown regime introduced in Q2 2020 and suspension of construction activities did not lead to significant fall in number of deals, they did cause delays in fulfilling construction schedules and, subsequently, to shortfall in target construction indicators for the six months ended 30 June 2020. Management believes that construction schedule delays are not material and target progress and volume of construction will be reached in the second half of 2020.

The condensed consolidated interim financial statements reflect management’s assessment of the impact of the Russian business environment, as well as events caused by pandemic and measures taken by the government to contain COVID-19 spread, on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

2. Basis of accounting

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2019. These condensed consolidated interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

(b) Functional currency

The functional currency of the Company is the Russian rouble (“RUB”), which is the currency in which these condensed consolidated interim financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand, except when otherwise indicated.

3. Use of estimates and judgments

Preparing the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Critical accounting judgments in applying accounting policies and key sources of estimation uncertainty do not significantly differ from those used in the preparation of the latest annual consolidated financial statements, except for an extension of deadlines for certain projects and rising costs which, however, did not result in the recognition of extra losses in these condensed consolidated interim financial statements.

4. Changes in significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the preparation of the latest annual financial statements.

The Group made certain reclassification adjustments to comparative information, including the presentation of bond issues by coupon announcement dates bearing the early redemption option, to align them with the presentation of information for the current period and as at the reporting date, assessed by management as not significant.

5. Operating segments

The Group’s construction projects are located mainly in Moscow and Moscow Region which are considered by management as a single geographic region. As at 30 June 2020, a development project in Leningrad Region was close to completion and accounted for much less than 10% of revenue. Revenue generated by Group companies from other activities for the six months ended 30 June 2020 is immaterial as well. None of the customers accounted for more than 10% of the total Group’s revenue.

6. Seasonality of operations

Given strong seasonal patterns in Moscow and Moscow Region, the progress of construction which affects the recognition of revenues from development projects slows down in January–February, which usually results in higher revenue for the second half of the year than for the first one.

7. Revenue

	For the six months ended 30 June	
’000 RUB	**2020**	**2019**
Sales revenue recognized at a point in time	996,587	35,245
Sales revenue recognized over time	21,018,821	22,795,204
Other revenue	599,077	418,563
Total revenue from contracts with customers	**22,614,485**	**23,249,012**
Rental income	61,459	165,580
	22,675,944	**23,414,592**

Revenue from real estate sales constitutes mainly revenue from the sale of residential spaces. The share of revenue from the sale of non-residential real estate amounts to less than 5% of the Group’s total revenue.

Liabilities under contracts with customers are represented by prepayments received under share participation agreements.

Sales revenue for the six months ended 30 June 2020 includes the amount of RUB 10,641,024 thousand recognised for contracts with customers in existence as at 31 December 2019 (six months ended 30 June 2019: RUB 8,319,622 thousand).

Within 12 months after 30 June 2020, the Group expects to recognize RUB 28,954,378 thousand (after 30 June 2019: RUB 14,627,787 thousand) of revenues from the total transaction price of RUB 43,134,410 thousand under existing share participation agreements that are outstanding (or partly outstanding) at the end of the reporting period. The Group expects to recognize the remaining contract liabilities as revenue within two years after the reporting date.

For the six months ended 30 June 2020, the Group recognized revenue in the amount of RUB 1,616,552 thousand from share participation agreements that were transferred as a consideration for the acquisition of land plots (six months ended 30 June 2019: RUB 1,494,341 thousand), which approximated their market value at the time agreements were concluded.

Sales revenue for the six months ended 30 June 2020 is presented inclusive of a significant financing component determined by reference to interest rates effective on the dates of concluding contracts with customers in the range from 9.5% to 11.5% (six months ended 30 June 2019: from 10.5% to 11%).

The transaction price for projects conducted using escrow accounts was adjusted for savings on interest expenses resulted from difference between the base and preferential interest rates applied (see Note 18). In the first half of 2020, savings on interest expenses recognized in revenue amounted to RUB 65,897 thousand.

In the first half of 2020, the amount of terminated real estate sales agreements without further purchases of other real estate properties was immaterial.

Revenue recognized over time is determined by reference to the stage of completion, with its estimation heavily depending on the amount of costs to complete the construction. However, these estimates may change due to uncertainty arising from the economic volatility and potential changes in projects.

8. Distribution expenses

	For the six months ended 30 June	
’000 RUB	**2020**	**2019**
Advertising expenses	680,517	683,385
Wages and salaries	309,252	232,657
Social contributions	69,250	59,820
Other	186,025	157,963
	1,245,044	**1,133,825**

9. Administrative expenses

	For the six months ended 30 June	
’000 RUB	**2020**	**2019**
Wages and salaries	550,329	905,007
Social contributions	128,430	173,692
Lease and amortization of the right of use asset	17,146	87,079
Advisory services	120,907	192,162
Other	388,249	285,872
	1,205,061	**1,643,812**

10. Finance income and costs

	For the six months ended 30 June	
’000 RUB **Finance income**	**2020**	**2019**
Interest income on loans	449,321	176,026
Interest income on deposits	64,590	96,231
Other	64,086	144,760
	577,997	**417,017**

	For the six months ended 30 June	
’000 RUB **Finance costs**	**2020**	**2019**
Foreign exchange losses	206,176	175,899
Interest expense	2,965,083	3,078,031
Effect from renegotiation of contractual terms for earlier payment	219,098	760,165
Impairment loss on financial assets measured at amortized cost	117,489	-
Other	14,690	-
Interest expense capitalized in inventories	(1,170,784)	(1,625,810)
	2,351,752	**2,388,285**

11. Employee benefits

	For the six months ended 30 June	
'000 RUB	**2020**	**2019**
Wages and salaries	1,689,612	1,638,783
Contributions to social funds	357,560	414,388
	2,047,172	**2,053,171**

12. Income tax

Income tax expense is recognised at an amount determined by multiplying the profit before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year.

	For the six months ended 30 June	
'000 RUB	**2020**	**2019**
Current income tax for the period	512,603	108,821
Origination and reversal of temporary differences	(237,922)	224,441
	274,681	**333,262**

13. Investment property

'000 RUB	**30 June 2020**	**30 June 2019**
Balance at the beginning of period	978,441	1,260,741
Depreciation for the period	(8,510)	(11,002)
Reclassification from inventories	20,928	55,643
Impairment	-	(264,581)
Balance at the end of period	**990,859**	**1,040,801**

Investment property consists of leased out infrastructure facilities in the amount of RUB 295,276 thousand (30 June 2019: RUB 386,848 thousand) and a land plot intended for the construction of a commercial property in the amount of RUB 695,583 thousand (30 June 2019: RUB 653,953 thousand).

In 2019, due to a change in the start date of preparing the project documentation, the Group amended the technical specifications for the construction and tested the asset for impairment. As a result an additional impairment loss in the amount of RUB 223,588 thousand was recognized based on the cash flow forecasts. At the moment the Group explores various selling options for this land plot, therefore the land plot was tested for impairment as at 30 June 2020 using the comparative method. The Group analyzed offers for close similar plots, adjusted them for individual specifications of the asset and concluded that its fair value did not significantly change and no additional impairment was identified as at 30 June 2020.

Fair values of the above investment property items categorized as Level 3 of the fair value hierarchy do not differ materially from their carrying amounts.

Sensitivity analysis

A 5% reduction in the base sales price of similar land plots while using the comparative method would have resulted in investment property impairment amounting to RUB 32 million. A 5% increase in the base sales price would have had approximately the equal but opposite effect on the value of investment property.

14. Other investments

'000 RUB	30 June 2020	31 December 2019
Non-current		
Loans measured at amortized cost	2,982,026	2,502,273
Loans measured at fair value through profit or loss	2,556,778	1,835,740
Investments in joint ventures	4,164,337	3,659,321
	9,703,141	**7,997,334**
Current		
Loans measured at amortized cost	357,164	304,672
Loans measured at fair value through profit or loss	33,468	24,212
	390,632	**328,884**

Other investments include loans issued to related parties and partners holding non-controlling interests or investments in joint ventures established for development projects implementation purposes.

Loans granted to related parties and partners in 2020 and 2019 were measured at fair value on initial recognition by reference to market interest rates, with the difference between the nominal value and the fair value recognized either in equity or in the cost of investment, respectively.

Loans issued to counterparties for the purposes of development projects were classified as measured at fair value; changes therein recognized in "Other finance income". Fair value was classified as Level 3 of the fair value hierarchy. To calculate the fair value of loans granted to finance development projects, discounted cash flow models of projects were used, which included significant assumptions such as project timeline and sales rates, discounted at 22% to 25%. In the first half of 2020, the fair value did not materially change.

As at 30 June 2020, the Group, via its subsidiary, held equity interests ranging from 49% to 56% in a number of joint ventures, and in none of these joint ventures the Group was able to control operations for the reason that relevant activities of such ventures represented the development of technical documentation and basic project parameters, including the selection of the general constructor, which were to be unanimously approved by the entities' owners. Accordingly, the Group classified its investments as investments in a joint venture. The Group's major investment is participation in the project to which the partner contributed land plots for a total of RUB 6,945 million. As at the reporting date, joint ventures involved in the project did not generate a material financial result due to the fact that sales had not started yet, therefore, the cost of investment did not change. The fair value of land plots was determined based on the future cash flow model using the following assumptions: project construction period – from 2020 to 2033 and a 23.75% discount rate. As at the reporting date, changes in project specifications did not result in the impairment of land plots.

The Group’s exposure to credit, currency and interest rate risks related to loans measured at amortized cost is disclosed in Note 22.

15. Inventories

’000 RUB	30 June 2020	31 December 2019
Construction in progress	34,327,708	34,877,997
Construction in progress at the stage of obtaining construction permits	19,149,319	17,842,185
Finished products and goods for resale	555,049	228,524
Other	753,433	543,052
	54,785,509	**53,491,758**

At 30 June 2020, construction in progress consisted of construction costs attributable to unsold real estate residential and commercial properties in the amount of RUB 13,413,573 thousand (31 December 2019: RUB 11,701,935 thousand) and the cost of land, right-of-use assets, infrastructure and landscaping expenses allocated to unsold properties and items for which share participation agreements had been concluded but contractual obligations were not fully satisfied. The Group expects that all real estate properties will be fully completed and sold to end customers within the next two years in accordance with the operating cycle.

The ‘Other’ line item includes insurance charges and agency fees capitalized with relation to contracts with customers. During six months ended 30 June 2020, the Group did not acquire land plots (six months ended 30 June 2019: RUB 2,753,114 thousand) for which respective consideration would be transferred in the form of share participation agreements for properties constructed by the Group.

During the six months ended 30 June 2020, interest expenses were capitalized by the Group in the cost of qualifying assets in the amount of RUB 1,170,784 thousand using the effective interest rate of 9.2% p.a. (six months ended 30 June 2019: RUB 1,625,810 thousand using the effective interest rate of 11.2% p.a.), and RUB 925,517 thousand (six months ended 30 June 2019: RUB 537,834 thousand) were written off to the cost of sales.

The Group used the discounted cash flow method for the determining net realizable value of its construction in progress in each project stage as at each reporting date. COVID-19 outbreak and suspenstion of construction works in the first half of 2020 resulted in immaterial delays in fulfilling construction schedules and increases of costs; which were reflected in the discounted cash flow models, prepared based on the following key assumptions:

- sales prices were forecasted based on market prices for properties with similar characteristics in Group projects;
- construction costs were forecasted based on the cost per square meter in actualized budgets and construction timeline for similar properties;
- cash flows in roubles were discounted at a pre-tax rate of 9%–25% (2019: 11%–26%), depending on the stage of completion and whether the required permits had been obtained.

Following the impairment testing, in the first half of 2020 no impairment was identified.

Management has determined the discount rate and the forecasted sales price as key assumptions subject to reasonable change.

The Group applies conservative approaches to projecting future sales prices when preparing its financial models. Current price growth rates exceed those incorporated in the financial models, witnessing of no impairment risk.

A 1 percentage point increase in the discount rate does not result in the impairment of construction in progress as at 30 June 2020.

16. Trade and other receivables, including contract assets

'000 RUB	30 June 2020	31 December 2019
Receivables due from related parties	206,215	256,014
Contract assets	1,743,283	40,674
Trade receivables	1,432,807	1,259,353
Other receivables	759,042	709,279
	4,141,347	**2,265,320**

Contract assets represent the Group's rights to receive funds under contracts with real estate customers allowing deferred payment and where construction progresses in advance of the payment schedule, or where sales are made using escrow accounts. At 30 June 2020, the Group was carrying out five projects using escrow arrangements. Cash balances on escrow accounts, not being part of the Group's assets, represent cash received by the authorized bank from account holders, that are participants in share participation agreements, to settle contract price. At 30 June 2020, the customer's funds placed on escrow accounts equaled RUB 7,533,169 thousand (31 December 2019: RUB 834,935 thousand).

Trade receivables include a financial asset in the amount of RUB 217,646 thousand recognized to account for benefit from applying preferential interest rates in borrowings when escrow accounts are used, in respect of contracts with customers in projects where cash under such bank loan facility is attracted later.

The Group's exposure to credit risk related to financial assets is disclosed in Note 22.

17. Capital and reserves

(a) Share capital

At 30 June 2020 and 31 December 2019, the Company's share capital comprised 60,000,400 ordinary shares with a par value of RUB 25 per share.

(b) Dividends

In the first half of 2019, the Group declared and paid dividends for Q1 2019 in the amount of RUB 5 per ordinary share, to a total of RUB 300 million.

In the first half of 2020, no dividends were paid.

18. Loans and borrowings

Key terms for raising financing

'000 RUB	Currency	Nominal interest rate	Year of maturity	Carrying amount as at 30 June 2020 Long-term	Carrying amount as at 30 June 2020 Short-term	Carrying amount as at 31 December 2019 Long-term	Carrying amount as at 31 December 2019 Short-term
Bonds	RUB	9.5%–12%	2020–2029	11,285,357	1,894,370	5,712,594	1,722,150
Secured bank borrowings (Note 18(a))	RUB	4.5%–12.71%	2021–2023	1,854,994	4,839,515	5,571,253	1,460,275
Bank borrowings	RUB	10.5%	2020	-	-	-	780,000
Bank borrowings (escrow)	RUB	Floating*	2021–2023	2,014,321	-	901,740	-
Loans from related parties	RUB	12%–13%	2023	982,000	-	-	-
Interest	RUB			147,619	349,269	45,225	150,850
Total loans and borrowings				**16,284,281**	**7,083,154**	**12,230,812**	**4,113,275**

* during the six months ended 30 June 2020, the Group continued obtaining credit facilities to finance construction using escrow accounts, at a floating interest rate, which is adjusted depending on the cash balances placed by customers on escrow accounts. The interest rate includes two components – a base rate ranging from 7.5% to 10.5% and a preferential rate ranging from 3.5% to 5% applied to the part covered by balances on escrow accounts. If balances on escrow accounts exceed the amount of borrowing, an additional discount is envisaged to reduce the rate on a pro rata basis to escrow balances, decreasing the interest rate, however not less than 0.1%. At 30 June 2020, the amount of such credit ficilities obtained, including interest accrued, amounted to RUB 2,073,358 thousand (31 December 2019: RUB 904,041 thousand).

Raising and repaying bank borrowings

In the first half of 2020, the Group raised bank financing using concessional lending for a total of RUB 1,600 million. The loan matures in one year and bears the interest rate of 5% p.a. The Group also obtained an interest rate subsidy granting the reduction of the interest rate to the CBR key rate for the period of 10–18 months in respect of previously attracted special-purpose borrowings amounting to RUB 5,206 million. The Group classified future interest savings as government grants in the amount of RUB 572,828 thousand which was recognized as deferred income as at 30 June 2020.

For most borrowings the lending banks are entitled to revise and change interest rates in line with the CBR key rate changes.

Issue and redemption of bonds

In Q1 2020, the Group placed an issued bond loan for a total of RUB 5,976 million for a 3-year term and at a coupon rate of 11% p.a.

(a) Security

As at 30 June 2020, the bank borrowings, including project financing, were secured by:

- right-of-use assets/title to land plots with a carrying amount of RUB 4,275,002 thousand (31 December 2019: RUB 4,231,084 thousand);
- property-related rights to residential properties under construction with a total carrying amount of RUB 18,645,268 thousand (31 December 2019: RUB 15,725,161 thousand);
- rights of claim under a loan agreement in the amount of RUB 625,859 thousand (31 December 2019: RUB 321,234 thousand);

- shares/interests in the Company and its subsidiaries.

19. Provisions

'000 RUB	30 June 2020	31 December 2019
Provision for costs to complete	5,723,500	5,782,674
Provision for litigation	363,075	250,696
Provision for tax risks	78,485	78,485
Total	**6,165,060**	**6,111,855**

20. Accounts payable, including liabilities under contracts with customers

'000 RUB	30 June 2020	31 December 2019
Non-current liabilities		
Payable for acquired land plots/ right-of-use assets	4,108,497	3,838,246
	4,108,497	**3,838,246**
Current liabilities		
Obligations under contracts with customers	35,857,330	36,953,766
Payable for acquired land plots/ right-of-use assets	1,348,497	854,999
Payable to suppliers	5,142,555	4,547,133
Other taxes payable	216,503	238,313
	42,564,885	**42,594,211**

21. 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 insurance policies for real estate properties, including construction-in-progress, and does not have a full professional indemnity against force majeure events which may occur with relation to buildings completed by construction during the period from the date of revenue recognition to the date of title registration by the customer or signing the act of acceptance for share participation agreements. The risk of losses due to force majeure events during the above-mentioned period rests with the Group.

On 25 December 2018 the Group started making insurance contributions to the Indemnification Fund for Co-Financed Construction, as stipulated by Federal Law No. 214-FZ.

Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets and other adverse events could have a material negative effect on the Group's operations and financial position.

(b) Litigation

The Group acts as a defendant in various litigation arising from violations of contractual obligations. Management believes the Group will be able to prevail in an action and, consequently, will not incur material losses that would exceed the amount of the provision (see Note 19) accrued for delays in commissioning deadlines for certain construction projects at the end of 2019 and the amount of impairment losses on advances recognized for litigations with contractors on prepaid work.

(c) Tax risks

The tax system in the Russian Federation continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Tax authorities have the right to impose severe fines, penalties and interest charges. A tax year generally 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. Currently the tax authorities are taking a more assertive and substance-based approach to their interpretation and enforcement of tax legislation resulting in a risk that some tax positions of the Group may be challenged. All these circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries.

The Russian transfer pricing rules are close to OECD guidelines, but have certain differences that create uncertainty in practical application of tax legislation in specific circumstances. A very limited number of publicly available transfer pricing court cases in Russia does not provide enough certainty as to the approach to applying transfer pricing rules in Russia. Current Russian transfer pricing legislation requires transfer pricing analysis for significant intra-group transactions. Starting from 2019, transfer pricing control, as a general rule, is applied to domestic transactions only, if both criteria are met: the parties apply different income tax rates, and the annual turnover of transactions between them exceeds RUB 1 billion. Russian tax authorities may review prices used in intra-group transactions, in addition to transfer pricing audits. They may assess additional taxes if they conclude that taxpayers have received unjustified tax benefits as a result of those transactions. The impact of any additional taxes assessed as a result of transfer pricing rules applied in intra-group transactions may be material to the condensed consolidated interim financial statements of the Group, however, the amount of such additional assessment cannot be reliably measured.

In addition, the Group purchases work and services from various suppliers who bear responsibility for being compliant with tax legislation. Current practice indicates that if the tax authorities file claims against suppliers due to their non-compliance with tax legislation, additional tax risks may arise for the Group. If the tax authorities prove the Group did not act with prudence while selecting suppliers and substantiate the legitimacy of their claims to purchases from these suppliers, additional taxes may be charged to the Group. Management has not provided for any amounts in respect of potential tax liabilities in these condensed consolidated interim financial statements, except for one of its suppliers (see Note 19), because it believes it is possible, but not probable, that an outflow of cash will be required to settle such liabilities. According to Group management, due to a diversity in approaches used to assess tax violations, it is impracticable to determine the financial consequences of potential tax liabilities which may arise as the result of transacting with such suppliers. However, these liabilities could be material.

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 tax authorities and courts, especially due to reform of the supreme courts that are resolving tax disputes, could differ and the effect on these condensed consolidated interim financial statements, if the tax authorities are successful in enforcing their interpretations, could be significant.

(d) Warranties

According to the effective Russian legislation, the Group is contractually responsible for the quality of construction works performed for a period of five years subsequent to the date when the property is commisioned, except for technological and engineering equipment. The warranty period for technological and engineering equipment is three years. Having analyzed the situation on the construction market in terms of warranty claims, management of the Group believes the amount of such claims will not be material. No provisions and/or contingent liabilities have been recognized in these condensed consolidated interim financial statements in relation to warranties for work performed.

22. Financial instruments

(a) Fair value

Fair values of financial assets and financial liabilities are attributable to Level 3 of the fair value hierarchy, except for bonds issued which are classified as Level 1.

As at 30 June 2020, the fair value of financial assets and liabilities did not differ materially from their carrying amount, except for land payables (Level 3) which fair value exceeded their carrying amount by approximately RUB 121 million (31 December 2019: exceeded the carrying amount by RUB 201 million) and bonds (Level 1) which quotes as at 30 June 2020 exceeded their carrying amount by RUB 74 million (31 December 2019: exceeded the carrying amount by RUB 355 million).

(b) Credit risk

Credit risk principally arises from the Group's financial assets measured at amortized cost. During the reporting period risk categories assigned to the Group's financial assets did not materially change.

For more information on the Group's exposure to credit risk and the expected credit losses from financial assets measured at amortized cost as at 30 June 2020 and 31 December 2019 see the table below:

30 June 2020 **'000 RUB**	**Level of risk**	**Equivalent of external credit rating**	**Gross carrying amount**	**Impairment provision**	**Carrying amount**
Financial assets					
Trade receivables from individuals	Low	-	893,939	-	893,939
Contract assets	Low	-	1,743,283	-	1,743,283
Trade receivables from legal entities	Moderate		307,491	(73,393)	234,098
Receivable from customers for housing and utility services	Moderate	-	331,937	(6,952)	324,985
Other receivables	Heightened	-	1,105,586	(160,544)	945,042
Loans granted measured at amortized cost	High	From CC to C	4,014,276	(675,086)	3,339,190
Cash and cash equivalents	Low	From BB- to BB+	8,108,043	-	8,108,043
Total financial assets			**16,504,555**	**(915,975)**	**15,588,580**

31 December 2019 **'000 RUB**	**Level of risk**	**Equivalent of external credit rating**	**Gross carrying amount**	**Impairment provision**	**Carrying amount**
Financial assets					
Trade receivables from individuals	Low	-	1,033,767	-	1,033,767
Contract assets	Low	-	40,674	-	40,674
Trade receivables from legal entities	Moderate	-	345,056	(28,611)	316,445
Other receivables	Heightened	-	962,398	(87,964)	874,434
Loans granted measured at amortized cost	High	From CC to C	3,395,613	(588,668)	2,806,945
Cash and cash equivalents	Low	From BB- to BB+	4,012,350	-	4,012,350
Total financial assets			**9,789,858**	**(705,243)**	**9,084,615**

Credit losses on receivables and contract assets, arising from sales of property objects are expected to be not material due to the fact that the majority of receivables is secured by the asset and cash accumulated by customers on escrow accounts opened with credit institutions with Ba2 to Baa3 ratings, according to Moody's.

Expected credit losses on receivables from housing and utility services are assessed using the loss matrix based on historical data. The majority of receivables are settled within one quarter after the reporting date.

Other receivables include settlements with contractors on services provided and other individually immaterial amounts for which expected credit losses are determined based on a loss history for the last three years. The Group analyzes key contractors' financial standing on a regular basis, and, where financial difficulties occur or litigations arise, reclassifies outstanding receivables to the high-risk category (none as at the reporting date), or default category, if litigation is initiated (immaterial as at the reporting dates).

During the reporting period the Group did not reclassify loans issued to those credit-impaired.

As at 30 June 2020, funds in the amount of RUB 5,656,386 thousand were deposited on special bank accounts (31 December 2019: RUB 3,125,434 thousand) being available solely for transactions in compliance with the requirements of Federal Law No. 214-FZ.

During the reporting period the movements in the provision for expected credit losses on financial assets measured at amortized cost were as follows:

	2020	**2019**
Provision for expected credit losses at 1 January	**705,244**	**349,218**
Reversal of provision for expected credit losses due to their settlement	(45,503)	(32,091)
Creation of provision	256,234	119,777
Provision for expected credit losses at 30 June	**915,975**	**436,904**

(c) Sureties and guarantees

As at 30 June 2020, the Group acted as a guarantor to a bank for related parties' borrowings amounting to a total of RUB 3.2 billion (31 December 2019: RUB 3.2 billion) and joint ventures' obligations amounting to RUB 150 million (31 December 2019: RUB 0 million). According to Group management, the probability of cash outflow to settle obligations under the above agreements is not high.

23. Acquisition and disposal of subsidiaries and non-controlling interests

In Q2 2020, the Group, via its subsidiary in which it owns 70.83%, acquired a 100% ownership in a number of companies engaged in the maintenance of multi-unit residential complexes from a related party. The acquisition price was paid by shares in the share capital of the above subsidiary, resulting in a non-controlling interest therein rising by 0.67%.

Identifiable assets acquired and liabilities assumed

The acquired subsidiaries are primarily engaged in the maintenance of multi-unit residential buildings previously developed by the Group. Given a small number of residential buildings maintained and a relatively low margin, the Group did not identify any intangible assets related to these subsidiaries' operations. The purchase price was initially allocated to the following identifiable assets and liabilities:

'000 RUB	Management companies – housing and public utilities
Non-current assets	**23,844**
Property, plant and equipment	11,049
Deferred tax assets	12,721
Other non-current assets	74
Current assets	**460,622**
Trade and other receivables	405,632
Cash and cash equivalents	45,893
Inventories	8,328
Other current assets	769
Non-current liabilities	**(2,636)**
Deferred tax liabilities	(1,676)
Other non-current liabilities	(960)
Current liabilities	**(437,916)**
Trade and other payables	(437,845)
Loans and borrowings	(71)
Net identifiable assets and liabilities and contingent liabilities	**43,914**
Effect from increase in non-controlling interests	**20,491**
Result of transaction reported in equity as a transaction with a shareholder	**23,423**

24. Leases

(a) Leases as lessee

The Group leases office space and land plots. The Group also leases equipment, classified as short-term lease and/or a lease of low-value items for which the Group decided not to recognize right-of-use assets and lease liabilities.

Information on leases is given futher.

(i) Right-of-use assets

Right-of-use assets for office leases that do not meet the definition of an investment property are reported in property, plant and equipment. Leased land plots on which construction will be performed are included in inventories to the extent the related payments are not variable lease payments that do not depend on a market index or rate.

’000 RUB	**Buildings (included in PPE)**	**Land plots (included in Inventories)**
6 months 2020		
Balance at 1 January 2020	**343,916**	**1,896,154**
Depreciation charges for the period	(89,019)	-
Write-off to cost	-	(1,897)
Balance at 30 June 2020	**254,897**	**1,894,257**

(ii) Long-term lease liabilities

				Carrying amount at 30 June 2020		**Carrying amount at 31 December 2019**	
’000 RUB	**Currency**	**Nominal interest rate**	**Year of maturity**	**Long-term**	**Short-term**	**Long-term**	**Short-term**
Long-term lease liabilities	RUB	9.5%–11.45%	2020–2025	463,172	588,938	552,939	637,358

’000 RUB	**30 June 2020**
Long-term lease liabilities at 1 January 2020	**1,190,297**
Interest expense	40,622
Payment	(170,622)
One-off discount	(8,187)
Balance at 30 June 2020	**1,052,110**

25. Related party transactions

(a) Parent company and ultimate controlling party

As at 30 June 2020 and 31 December 2019, the Group’s beneficiaries are several individuals, none of whom controls more than 50%.

(b) Transactions with key management personnel

Key management personnel remuneration for the six months ended 30 June 2020 amounted to RUB 106 million (six months ended 30 June 2019: RUB 323 million).

Remuneration of the Board of Directors for the six months ended 30 June 2020 amounted to RUB 38 million (six months ended 30 June 2019: RUB 42 million).

(c) Other related-party transactions

'000 RUB	Transaction value for the six months ended 30 June		Outstanding balance as at	
	2020	**2019**	**30 June 2020**	**31 December 2019**
Loans to other related parties measured at amortized cost	536,561	1,341,104	2,836,478	2,417,584
Loans to other related parties measured at fair value	28,504	5,050	765,784	650,266
Other revenue	1,897	14,730	357,188	276,987
Expenses and purchases	(418,152)	(360,472)	(186,320)	(225,019)
	148,810	**1,000,412**	**3,833,942**	**3,119,818**

In the first half of 2020, the Group granted unsecured loans to its related parties in the amount of RUB 659,045 thousand, with 1–4 years of maturity and a weighted-average nominal below-the-market interest rate of 4.85% as at 30 June 2020 (31 December 2019: 4.75%). The fair value was determined on initial recognition in the amount of RUB 565,064 thousand, with its effect allocated directly to equity, net of deferred income tax, as a transaction with parties acting on behalf of shareholders. Expected credit losses from these loans amounted to RUB 89,984 thousand.

For the six months ended 30 June 2020, finance income on loans to related parties, including interest accrued and changes in fair value, amounted to RUB 237,164 thousand (six months ended 30 June 2019: RUB 184,095 thousand).

In the first half of 2020, the Group acquired a 100% ownership in a number of companies engaged in the maintenance of multi-unit residential complexes from a related party. For more information on the acquisition see Note 23.

At 30 June 2020, the par value of bonds held by related parties equaled RUB 328,290 thousand (31 December 2019: RUB 519,576 thousand).

In the first half of 2020, one of the Group's related parties holding non-controlling interests in one of the subsidiaries acquired an additional 3.84% share in this subsidiary, with the consideration paid through a contribution in the amount of RUB 350 million to increase the additional paid-in capital. Transaction results are included directly in equity.

For information on sureties for related parties' obligations see Note 22(c).

(d) Transactions with joint ventures

'000 RUB	Transaction value for the six months ended 30 June		Outstanding balance as at	
	2020	**2019**	**30 June 2020**	**31 December 2019**
Loans to joint ventures measured at amortized cost	101,931	4,000	180,289	87,731
Loans to joint ventures measured at fair value	366,347	-	382,060	-
Loans from joint ventures	(1,026,217)	-	(1,026,217)	-
	(557,939)	**4,000**	**(463,868)**	**87,731**

In the first half of 2020, the Group issued unsecured loans to joint ventures in the amount of RUB 550,670 thousand, with 1–4 years of maturity and a weighted-average nominal below-the-market interest rate of 5.96% as at 30 June 2020 (31 December 2019: 4.38%). The fair value was determined on initial recognition in the amount of RUB 468,278 thousand. Expected credit losses from these loans amounted to RUB 18,805 thousand.

For the six months ended 30 June 2020, finance income on loans to joint ventures, including interest accrued and changes in fair value, amounted to RUB 25,228 thousand (six months ended 30 June 2019: RUB 2,396 thousand).

For information on guarantees for joint ventures' obligations see Note 22(c).

26. Transactions with partners participating in joint ventures and holding non-controlling interests

'000 RUB	30 June 2020	31 December 2019
Loans to partners measured at fair value	1,442,403	1,209,687
Loans to partners measured at amortized cost	322,423	296,294
Advances received	(193,000)	-
	1,571,826	**1,505,981**

In the first half of 2020, the Group did not issue new loans to partners (first half of 2019: RUB 700 million to partners holding non-controlling interests and shares in joint ventures). These loans bear a weighted-average nominal interest rate of 10.24% p.a. as at 30 June 2020 (31 December 2019: 11.66%)). Expected credit losses from loans measured at amortized cost amounted to RUB 64,930 thousand.

During 2020, the Group paid RUB 608 million to partners to further invest and acquire a land plot to be used in a joint venture project.

27. Subsequent events

In July–August 2020, the Group established a number of subsidiaries for future development projects. In August 2020, the Group issued a guarantee to a bank under a credit facility agreement for its related party engaged in development projects. The surety amounts to a maximum of RUB 525 million. According to Group management, the probability of cash outflow to settle obligations under the above agreement is low. In September 2020, at the general shareholders meeting a decision was made to register the additional share issue allowing the increase of share capital by means of placing additional 50,000,000 ordinary shares with a par value of RUB 25 each.

28. Non-IFRS measures

Adjusted EBITDA

'000 RUB	Note	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Profit and total comprehensive income for the period		688,151	477,145
Plus depreciation of property, plant and equipment		128,319	185,942
Plus finance costs	10	2,351,752	2,388,285
Minus finance income	10	(577,997)	(417,017)
Plus income tax expense	12	274,681	333,262
EBITDA		**2,864,906**	**2,967,617**
Plus capitalized interest expense included in the cost of sales	15	971,579	537,834
Plus impairment of investment property	13	-	264,581
Plus fines, penalties, interest, including the provision	21(b)	112,379	-
Adjusted EBITDA		**3,948,864**	**3,770,032**

Adjusted net debt, net of project financing

’000 RUB	Note	30 June 2020	31 December 2019
Loans and borrowings	18	23,367,435	16,344,087
Minus bank borrowings (escrow)	18	(2,073,358)	(904,041)
Minus cash and cash equivalents		(8,108,043)	(4,012,350)
Adjusted net debt, net of project financing		**13,186,034**	**11,427,696**

Adjusted net debt, less cash balances on the customers’ escrow accounts

’000 RUB	Note	30 June 2020	31 December 2019
Loans and borrowings	18	23,367,435	16,344,087
Cash and cash equivalents		(8,108,043)	(4,012,350)
Minus cash balances on the customers’ escrow accounts	16	(7,533,169)	(834,935)
Adjusted net debt, less cash balances on the customers’ escrow accounts		**7,726,223**	**11,496,802**

Samolet Group PJSC

Consolidated Financial Statements for the 2019 reporting year and Independent Auditors’ Report

Contents

Independent Auditors' Report

To the Shareholders and Board of Directors of PJSC Samolet Group

Opinion

We have audited the consolidated financial statements of PJSC Samolet Group (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 are independent of the Group in accordance with the independence requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation and with the International Code of Ethics for Professional Accountants (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the International Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Accuracy, Existence and Completeness of Revenue Recognition

Please refer Note 7 in the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group has applied IFRS 15 *Revenue from Contracts with Customers* since 2017. Revenue is recognized over time by measuring the progress towards complete satisfaction of performance obligations using the input method. Budgeting the construction costs necessary to assess the stage of completion, involves a high level of professional judgment and assumptions, and is subject to uncertainty due to economic volatility, changes in legislation, and the length of the Group's operating cycle. In addition, the calculations of revenue and significant financing component, as well as the allocation of general costs to the cost of real estate properties, are complex and have a material impact on the consolidated financial statements.	We analyzed the Group's accounting policy on revenue recognition and the methodology applied by management in its calculation. On a sample basis, we compared the components of the budgets serving the basis to determine the progress towards complete satisfaction of the performance obligation with the parameters of properties under construction as specified in the relevant construction permit documentation. We compared the cost of construction per square meter in the budgets of the selected projects to the cost of construction per square meter in completed projects, and critically assessed comments obtained for any significant deviations identified. We tested controls over the recognition of actual construction costs. Among other procedures, we reconciled, on a sample basis, costs incurred to supporting documentation. We tested the arithmetical accuracy in calculations of progress towards complete satisfaction of the performance obligations for selected groups of contracts per buildings in the projects. On a sample basis, we agreed input data in revenue calculations to contracts with customers. We compared the discount rates applied to the interest rates available to obtain financing, and tested, on a sample basis, the mathematical accuracy of significant financing component calculations.

	We tested the formation of the transaction price and the amounts recognized in revenue from sale of real estate for the reporting period, based on our own calculations, for selected buildings in various Group's projects.

Valuation of Inventories

Please refer Note 14 in the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group's inventories are material and amount to RUB 53,492 million as at 31 December 2019. They mainly comprise unsold real estate properties in the Group's projects, amounts of land plots, right-of-use assets and infrastructure construction costs not yet recognized in the cost of sales, as well as the cost of obtaining land plots and right-of-use assets at the stage of being prepared for construction. The Group management regularly analyzes inventories to identify items with carrying amounts in excess of their net realizable value as at the reporting date. For each project and land plot planned for construction, in order to determine net realizable value the Group management prepares, with assistance of an independent appraiser, the financial models using discounted future cash flows. Identifying inventory impairment and determining its amount involves the use of assumptions and significant professional judgment due to the substantial degree of uncertainty in cash flow forecasts.	We analyzed the financial models provided by the Group management, which serve as the basis for identifying projects where properties may be sold with losses, and also as the basis for calculating net realizable value. We engaged our own valuation specialists to test on a sample basis the financial models of projects prepared by management with the assistance of an independent appraiser, and also critically assessed key inputs used, including the following procedures: — on a sample basis, we compared the components of costs to complete the construction in the models to the parameters of the projects under construction, as specified in the relevant construction permit documentation and actualized budgets; — on a sample basis, we compared revised construction budgets with their previous versions at prior reporting dates, and obtained and critically assessed management's explanations of significant changes; — we critically analyzed the forecast overall costs per square meter in selected projects by comparing them against costs incurred in completed projects of the Group; — on a sample basis, we compared the forecast selling prices in on-going and completed projects to the actual prices offered by the Group and its competitors for similar properties, adjusted for the stage of completion, and also analyzed

	rates and timelines of sales. We also used our own models to test the accuracy of the models used by the Group to assess the inventories.

Provision for costs to complete

Please refer Note 20 in the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Due to the long operating cycle of the development project, a significant share of general project costs being part of the full cost of construction, may be incurred subsequent to performance obligations under customer contracts being satisfied and corresponding revenues are recognized. As construction of real estate properties progresses, the Group includes in construction costs expenditure incurred to construct social and other infrastructure that is not transferred to customers' joint ownership, based on a percentage of completion, and recognizes the respective provision for costs to complete, if these costs are incurred later. As at 31 December 2019, provision for costs to complete amounted to RUB 5,783 million. This provision is assessed at each reporting date based on actualized budgets and depends on the individual characteristics of the infrastructure facilities to be constructed and estimation of the cost and construction timeline, which inherently involve significant uncertainty. Accordingly, changes in estimates may significantly impact the provision's carrying amount and related items in the Group's consolidated financial statements.	We analyzed the Group's budgeting procedures to forecast costs to complete and the approach used to allocate general construction costs to properties developed and being sold by the Group. On a sample basis, we compared the components of the construction budgets with the characteristics of projects as set out in the relevant construction permit documentation and considered whether the cost of construction included infrastructure expenditures as specified in the construction permit documentation. We compared on a sample basis the revised budgets with their previous versions used to calculate the provision for costs to complete at prior reporting date, and critically assessed management's explanations for significant changes. We reconciled the budgeted cost of construction of significant infrastructure facilities to the actual cost of construction of similar objects in other Group projects. We tested the accrual of the provision based on the budgets prepared by management for selected infrastructure facilities.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 when it becomes available 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management 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, management 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 management 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.

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 scepticism 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 management.
- Conclude on the appropriateness of management's 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 fair presentation.
- Obtain sufficient 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 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 and safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of the most significance to 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 unless a law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

Акционерное общество • ОГРН 1027700125628 • Москва • КПМГ KPMG

Fonareva S.B.

JSC "KPMG"
Moscow, Russia

13 May 2020

’000 RUB	**Note**	**31 December 2019**	**31 December 2018 (restated)**
ASSETS			
Property, plant and equipment		736,720	159,226
Intangible assets		82,119	83,404
Investment property	12	978,441	1,260,741
Other investments	13	7,997,334	1,533,691
Prepayments	16	459,322	231,334
Deferred tax assets	11	2,102,834	1,202,014
Other non-current assets		15,969	-
Non-current assets		**12,372,739**	**4,470,410**
Inventories	14	53,491,758	48,098,334
Prepayments	16	5,488,958	4,915,790
Other investments	13	328,884	1,061,254
Current income tax		276,834	266,429
Trade and other receivables, including contract assets	15	2,265,320	1,648,876
VAT input		203,305	52,258
Cash and cash equivalents	17	4,012,350	2,976,545
Current assets		**66,067,409**	**59,019,486**
Total assets		**78,440,148**	**63,489,896**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 55.

’000 RUB	**Note**	**31 December 2019**	**31 December 2018 (restated)**
EQUITY AND LIABILITIES			
Equity			
Share capital	18	1,500,010	1,500,010
Retained earnings		3,078,181	3,752,698
Total equity attributable to owners of the Company		**4,578,191**	**5,252,708**
Non-controlling interest	25	1,044,755	-
Total equity		**5,622,946**	**5,252,708**
Liabilities			
Loans and borrowings	19	13,783,751	4,790,006
Trade and other payables	21	3,838,246	7,560,919
Deferred tax liabilities	11	1,889,023	1,115,115
Non-current liabilities		**19,511,020**	**13,466,040**
Loans and borrowings	19	3,750,633	508,385
Accounts payable, including liabilities under contracts with customers	21	42,594,211	40,867,237
Provisions	20	6,111,855	2,102,404
Current income tax		82,236	102,782
Non-controlling interest in limited liability companies	25	767,247	1,190,340
Current liabilities		**53,306,182**	**44,771,148**
Total liabilities		**72,817,202**	**58,237,188**
Total equity and liabilities		**78,440,148**	**63,489,896**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 55.

'000 RUB	Note	2019	2018 (restated)
Continuing operations			
Revenue	7	51,145,124	38,717,495
Cost of sales		(41,286,322)	(31,403,915)
Gross profit		**9,858,802**	**7,313,580**
Distribution expenses	8(a)	(2,464,719)	(1,990,537)
Administrative expenses	8(b)	(3,203,738)	(2,125,293)
Other income	8(c)	2,309,041	581,375
Share of profits of equity-accounted investees		10,363	-
Impairment of investment property	12	(223,588)	(689,000)
Other expenses	8(c)	(1 233 948)	(540,547)
Operating results		**5,052,213**	**2,549,578**
Finance income	9(a)	614,228	3,467,740
Finance costs	9(b)	(4 485 317)	(2,853,339)
Net finance costs		**(3 871 089)**	**614,401**
Profit before tax		**1,181,124**	**3 163 979**
Income tax expense	11	(316,823)	(745,704)
Profit from continuing operations		**864,301**	**2,418,275**
Discontinued operation			
Profit from a discontinued operation		-	23,931
Income and total comprehensive income for the year		**864,301**	**2,442,206**
Profit and total comprehensive income attributable to:			
Owners of the Company		(31 269)	1,582,481
Non-controlling interests		895 570	859,725
		864 301	**2,442,206**

These consolidated financial statements were approved by management on 13 May 2020 and were signed on its behalf by:

General Director
A.N. Elistratov

Managing Director
A.S. Pakhomenkov

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 55.

’000 RUB	Note	Equity attributable to owners of the Company			Non-controlling interests	Total equity
		Share capital	Retained earnings	Total		
Balance at 1 January 2018		**1,500,010**	**2,644,109**	**4,144,119**	-	**4,144,119**
Profit and total comprehensive income for the period		-	1,582,481	**1,582,481**	859,725	**2,442,206**
Gain on disposal of subsidiaries	26(a)	-	(23,467)	**(23,467)**	-	**(23,467)**
Acquisition of subsidiaries with non-controlling interests	26(c)	-	-	-	10,741	**10,741**
Acquisition of non-controlling interests without a change in control		-	-	-	(12,222)	**(12,222)**
Effect from initial recognition of loans issued to related parties at fair value less income tax		-	(348,424)	**(348,424)**	-	**(348,424)**
Dividends	18(b)		(102,001)	**(102,001)**	-	**(102,001)**
Increase in non-controlling interests within liabilities (restated)		-	-	-	(858,244)	**(858,244)**
Balance at 31 December 2018 (restated)		**1,500,010**	**3,752,698**	**5,252,708**	-	**5,252,708**
Balance at 1 January 2019 (restated)		**1,500,010**	**3,752,698**	**5,252,708**	-	**5,252,708**
Profit and total comprehensive income for the period		-	(31,269)	**(31,269)**	895,570	**864,301**
Increase in non-controlling interests within liabilities	25	-	-	-	(830,453)	**(830,453)**
Reduction in non-controlling interests within liabilities as a result of legal reorganization of subsidiaries	25	-	-	-	1,141,681	**1,141,681**
Transactions involving own stock		-	(117,809)	**(117,809)**	-	**(117,809)**
Acquisition of non-controlling interests without a change in control	25	-	(105,923)	**(105,923)**	-	**(105,923)**
Effect from initial recognition of loans issued to related parties at fair value less income tax		-	(119,997)	**(119,997)**	(7,003)	**(127,000)**
Dividends	18(b)	-	(299,621)	**(299,621)**	(155,040)	**(454,661)**
Other changes		-	102	**102**	-	**102**
Balance at 31 December 2019		**1,500,010**	**3 078 181**	**4 578 191**	**1 044 755**	**5 622 946**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 55.

’000 RUB	**Note**	**2019**	**2018 (restated)**
Cash flows from operating activities			
Profit for the year		**864,301**	**2,442,206**
Adjustments for:			
Depreciation and amortization		302,393	85,420
Other income from participation in joint arrangements	23	(2,004,872)	-
Impairment of investment property	12	223,588	689,000
Net finance income	9(a)	(614,228)	(3,467,740)
Net finance expenses	9(b)	4,485,317	2,853,339
Income tax expense	11	316,823	745,704
Cash flows from operations before changes in working capital and provisions		**3,573,322**	**3,347,929**
Decrease in inventories		1,624,069	3,571,878
Increase in accounts receivable, including contract assets, prepayments and VAT input		(1,748,975)	(3,665,798)
Decrease in accounts payable, including liabilities under contracts with customers		(10 108 068)	(303,583)
Increase/(decrease) in provisions		3 244 243	(905,689)
Cash flows (used in)/from operations before income taxes and interest paid		**(3,415,409)**	**2,044,737**
Income tax paid		(399,051)	(1,301,024)
Interest paid		(1,139,786)	(528,327)
Cash flows (used in)/from operations before income taxes and interest paid		**(4,954,246)**	**215,386**
Cash flows from investing activities			
Interest received	13	1,791	248,817
Cash received on the acquisition of subsidiaries	26	-	90,528
Cash outgoing on the disposal of subsidiaries	26	-	(15,105)
Acquisition of equity-accounted investees	23	(131,447)	-
Acquisition of property, plant and equipment and intangible assets		(271,033)	-
Proceeds from sale of property, plant and equipment and intangible assets		-	84,216
Provision of loans and payment for investments	13	(4,177,869)	(1,816,000)
Loans repaid	13	611,203	700,713
Net cash used in investing activities		**(3,967,355)**	**(706,831)**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 55.

'000 RUB	Note	2019	2018 (restated)
Cash flows from financing activities			
Payments of lease liabilities	27	(207,262)	-
Proceeds from loans and borrowings	19	21,757,804	1,000,000
Repayment of loans and borrowings	19	(10,683,598)	(866,894)
Redemption of treasury shares		(117,809)	-
Acquisition of non-controlling interests	25	(178,750)	-
Dividends paid	18	(557,042)	-
Net cash from financing activities		**10,013,343**	**133,106**
Net (increase)/decrease in cash and cash equivalents		1,091,742	(358,339)
Cash and cash equivalents at 1 January	17	2,976,545	3,310,340
Effect of exchange rate fluctuations on cash and cash equivalents		(55,937)	24,544
Cash and cash equivalents at 31 December	17	**4,012,350**	**2,976,545**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 55.

1 Reporting entity

(a) Organization and operations

Samolet Group PJSC (until 25 June 2018 Samolet Group LLC; from 25 June through 19 October 2018 Samolet Group JSC) (hereinafter the "Company") and its subsidiaries (hereinafter collectively referred to as "the Group") include Russian limited liability companies registered in accordance with the Civil Code of the Russian Federation. The Company was founded on 22 December 2014 and is located at 8 ulitsa Ivana Franko, Moscow, 121108.

The Group constructs residential areas in Moscow, Moscow and Leningrad Regions.

At 1 January 2018, the direct controlling company of the Group was Samolet Development Pte. Ltd., registered in Singapore.

At 31 December 2018, the Group's controlling shareholder was Mr. M.B. Kenin. At the reporting date, the ultimate beneficiaries of the Group were individuals who had the power to direct the transactions of the Group at their own discretion and for their own benefit, however none of these individuals controlled the Company.

Related party transactions are disclosed in Note 29.

(b) Russian 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 characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute 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 accounting

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

This is the first set of the Group's financial statements in which IFRS 16 *Leases* has been applied. Changes in significant accounting policies are described in Note 4.

(b) Functional and presentation currency

The functional currency of the Company is the Russian rouble ("RUB"), which is the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand, except when otherwise indicated.

(c) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for assets and liabilities accounted at fair value.

3 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 these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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 recognized in the consolidated financial statements is included in the following notes:

- Note 7 – Revenue;
- Note 14 – Inventories;
- Note 20 – Provisions;
- Note 26 – Acquisition and disposal of subsidiaries.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts within the next financial year is included in the following notes:

- Note 7 – Revenue;
- Note 11 – Income tax;
- Note 13 – Other investments;
- Note 14 – Inventories;
- Note 20 – Provisions;
- Note 28 – Contingencies.

Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Notes 14 and 22.

4 Changes in significant accounting policies

(a) IFRS 16 *Leases*

The Group initially applied IFRS 16 *Leases* on 1 January 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in the accounting policies are disclosed below.

Previously, the Group determined at contract inception whether an arrangement was or contained a lease in accordance with IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. Now the Group assesses whether the contract as a whole or its individual components constitute a lease agreement proceeding from the definition of a lease agreement. A contract contains a lease or has a lease component if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group uses the definition of a lease in IFRS 16 to assess whether the right to control the use of an identified asset is transferred under the contract.

On transition to IFRS 16, the Group elected to apply the practical expedient allowing the results of the previous assessment of transactions to identify leases not to be revised. The Group only applied IFRS 16 to those contracts that had previously been identified as leases. Contracts that had not been identified as leases in accordance with IAS 17 and IFRIC 4 were not reassessed for whether there was a lease under IFRS 16. Accordingly, the IFRS 16 lease definition was only applied to contracts entered into or amended on or after 1 January 2019.

A right-of-use asset at the transition date is determined as equal to the lease liability, adjusted for prepayments under lease contracts; therefore, there was no cumulative effect to be recognized in retained earnings on initial application.

The Group used the following practical expedients when applying IFRS 16 at the date of transition:

- lease contracts that expire within 12 months after the initial application date of IFRS 16 are recognized as short-term leases.

A. As a lessee

The Group's portfolio of lease contracts comprises primarily land plot lease contracts for residential real estate construction and office lease contracts. The following judgments were made when adopting the new standard and will be used in future for lease contracts recognition purposes:

- contracts for which the related lease payments increase annually in line with the basic rates and ratios that depend on the cadastral value, i.e. may be unilaterally changed by the lessor, are classified as variable and independent of the market index or rate and are recognized as accrued;
- a fee for changing the permitted use is treated as a lease payment and included in the calculation of the right-of-use-asset and lease liability when the amount payable on a deferred-payment basis is agreed;
- when the Group is reasonably certain it will exercise an option to repurchase the land plot covered by the lease contract, the repurchase price is included in the lease payment schedule. However, many contracts provide for an obligation to repurchase the land plot, and the Group is able to refrain from discharging the obligation with no significant impact on its financial performance or significant expenditure. For such contracts, the Group is of the opinion that reasonable certainty could only be reached when a decision is made to construct real estate properties on this land plot and the repurchase price is defined and agreed;
- the lease term used in calculations is that during which the Group may not terminate the contract unilaterally. The Group also takes into account its right to renew and terminate the contract early, and it is reasonably certain this right will be exercised, and also considers the period of construction on the respective land plots under lease;
- the Group has applied judgment to some lease contracts as a lessee to determine the lease term by reference to the period during which the contract is enforceable. The Group considers that enforceability of the lease is established not only by the written contract (including penalty clauses) in combination with applicable legislation related to renewal or termination rights, but also by economic disincentives for the lessee and/or the lessor that might create a "penalty" in the broader sense. This might result in the lease enforceability period going beyond the boundaries of the written contract because of the inclusion of an additional period which lasts until the "penalty" becomes insignificant for both parties. The Group's interpretation of the definition of "penalty" comprises, apart from "contractual penalty", also the cost of inseparable improvements to the leased asset that may be lost and are significant;
- the Group presents right-of-use assets in "property, plant and equipment" in the same line item as it presents underlying

assets of the same nature that it owns, and in inventories with respect to the leases of land plots under active construction;

- subsequent to initial recognition, right-of-use assets accounted within property, plant and equipment are depreciated on a straight-line basis, starting from lease commencement date till the end of the lease term. Right-of-use assets accounted within inventories are written off to the cost of sales based on percentage of completion with respect to units constructed under concluded contracts with customers.

B. As a lessor

At inception or on modification of a contract containing lease components, the Group allocates the consideration stipulated by the contract to each lease component on the basis of relative stand-alone prices.

In cases where the Group is the lessor, at a lease inception it determines whether each of the contracts is a finance lease or an operating lease.

In order to classify lease agreements, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is so, then the lease is a finance lease; otherwise, the contract is an operating lease. In making this assessment, the Group considers certain indicators, in particular whether the lease term constitutes a major part of the economic life of the asset.

In cases where the Group is an intermediate lessor, the main lease contract and the sublease contract are considered separately. The Group determines the classification of a sublease with reference to the right-to-use asset arising from the main lease, not on the basis of the underlying asset. If the main lease contract is short-term, to which the Group applies the exception described above, the sublease contract is classified as an operating lease.

If a contract contains a lease and non-lease components, the Group uses IFRS 15 to allocate the consideration under the contract.

The Group recognizes lease payments received under operating lease contracts as income on a straight-line basis over the lease term as part of "Other revenues".

The Group leases out its investment property and right-of-use assets as part of inventories. The Group has classified these leases as operating leases. Adoption of IFRS 16 did not have a material impact on these lease contracts.

C. Impacts on financial statements

The Group leases office space and land plots. For land plot leases, all current lease payments are based on cadastral values of each land plot. The Group has determined that these lease payments do not constitute fixed or variable payments that depend on the market index or rate and, consequently, are not to be included in the assessment of a lease liability. None of the land plots under lease on the date of the transition to IFRS 16 beared a change in the temporary permit for use of the leased plots. Payments made to amend the permitted use before the date of transition were not included in right-of-use assets for disclosure purposes, but were accounted within inventories. Liabilities regarding amendments to permitted use agreed after the transition date form an asset included in the right-of-use asset. On the transition to IFRS 16, purchase options for land plots where the construction was planned, but the buyout prices had not yet been determined and agreed, were presented in the amount of minimum fixed payments.

On the transition to IFRS 16, the Group recognized right-of-use assets and lease liabilities, without recognizing any effect on retained earnings. The impact on transition is summarized below.

'000 RUB	**1 January 2019**
Right-of-use assets presented in property, plant and equipment	474,350
Right-of-use assets presented in inventories	300,000
Lease liabilities	(774,350)

When measuring lease liabilities for leases that were previously classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 11.45%.

'000 RUB	**1 January 2019**
Amount of future lease payments on operating leases as at 31 December 2018	**860,256**
Effect of discounting using the incremental borrowing rate at 1 January 2019	(85,906)
Lease liabilities recognized at 1 January 2019	**774,350**

The right-of-use assets recognized in property, plant and equipment are depreciated in line with the lease contract term (3-4 years on average). During 2019, the Group recognized RUB 166,890 thousand in depreciation charges, predominantly in administrative expenses, and RUB 59,082 thousand in interest expense under these lease contracts.

Additionally, the Group recognized the right-of-use asset in inventories in the amount of penalties for not exercising an option to purchase the land plot, in cases where the buyout price was under negotiation and construction permit documentation was in the process of preparation.

(b) Provisions for construction of social and infrastructure facilities

In 2019 the Group revised its approach to presenting provisions for construction of social and infrastructure facilities and started presenting them on a gross basis with reference to types of facilities by buildings under construction. Comparative data was not restated, due to the lack of effect on the Group's profits for previous periods and the insignificant effect on decisions of users of the consolidated financial statements.

5 Changes in comparative data

(a) Reclassification of comparative data

The Group reclassified several items in comparative data, bringing their presentation in line with the approaches used in the preparation of the 2019 consolidated financial statements, including inventories, accounts receivable, prepayments, accounts payable, and provisions.

(b) Adjustment of non-controlling interests

In connection with the revision to the distribution of profit attributable to subsidiaries having the non-controlling interests, the Group restated non-controlling interests in limited liability companies for 2018 and adjusted the statement of comprehensive income for 2018, accordingly, as well as the balance of non-controlling interests at 31 December 2018, which was increased by RUB 469,969 thousand.

(c) Revision of the preliminary purchase price allocation in acquisition of subsidiaries

In the first half of 2019, the Group adjusted the preliminary purchase price allocation in the acquisition of Samolet Dve Stolitsy LLC to identifiable assets and liabilities by increasing provisions and inventories as at the acquisition date by RUB 674 million, and re-allocating the fair values of inventories among construction projects. As a result, the profits of the acquired entities for the second half of 2018 were reduced by RUB 700 million, thus resulting in the restatement of a non-controlling interest in the amount of RUB 162 million and the Group's retained earnings as at 31 December 2018 in the amount of RUB 538 million.

6 Operating segments

The Group does not identify various kinds of sales as reporting segments: commercial space and residential space, as well as geographical regions. Construction mainly takes place in a single geographic region. No single customer accounted for more than 10% of the Group's total revenue.

7 Revenue

'000 RUB	**2019**	**2018 (restated)**
Real estate sales revenue recognized at a point in time	1,352,416	1,532,699
Real estate sales revenue recognized over a period of time	49,151,941	36,831,537
Other revenue	393,316	217,513
Total revenue from contracts with customers	**50,897,673**	**38,581,749**
Rental income	247,451	135,746
	51,145,124	**38,717,495**

Real estate sales revenue recognized at a point in time constitutes revenue from the sale of real estate under sale and purchase contracts.

Revenues of RUB 21,528,151 thousand (2018: RUB 11,016,322 thousand) were recognized in 2019 with respect to obligations under contracts with customers outstanding as at 31 December 2018.

Revenues from real estate sales constitutes mainly revenues from the sale of residential spaces. The share of revenues from the sale of non-residential real estate amounts to less than 5% of the Group's total revenues.

Liabilities under contracts with customers are recognized for projects that are planned to be finalized within two years from the reporting date. Within 12 months after 31 December 2019, the Group expects to recognize revenue in the amount of RUB 31,101,140 thousand under contracts that are outstanding (or partly outstanding) at the end of the reporting period.

In 2019, the Group recognized revenue from apartments that were transferred as consideration for the acquisition of land plots in the amount of RUB 4,104,949 thousand (2018: RUB 2,345,405 thousand), which approximated their market value at the time when the contract was concluded.

Sales revenue for 2019 is presented inclusive of a significant financing component determined by reference to interest rates effective on the dates of concluding contracts with customers in the range from 10% to 11.5% (2018: from 10% to 13%).

Revenue recognized over time is determined by reference to the stage of completion, with its estimation heavily depending on the amount of costs to complete the construction. However, these estimates may change due to uncertainty arising from economic volatility and potential changes in projects.

8 Operating expenses

(a) Distribution expenses

'000 RUB	**2019**	**2018 (restated)**
Advertising expenses	1,483,651	1,335,580
Wages and salaries	493,720	265,621
Social contributions	113,556	69,648
Other expenses	373,792	319,688
	2,464,719	**1,990,537**

(b) Administrative expenses

'000 RUB	**2019**	**2018 (restated)**
Wages and salaries	1,427,494	1,106,790
Advisory services	525,562	185,195
Social contributions	315,562	235,955
Depreciation and amortization	192,702	42,574
Value-added tax	88,015	54,232
Rent	60,814	171,576
Utilities and operating expenses	41,700	89,269
Other administrative expenses	551,889	239,702
	3,203,738	**2,125,293**

(c) Other income and expenses

Other income in the amount of RUB 2,309,041 thousand represents mainly income from setting up a joint venture in the amount of RUB 2,004,872 thousand (Note 23(a)). Other income also includes the Group's income from fines, penalties, and late-payment interest in the amount of RUB 113,881 thousand.

Other expenses in the amount of RUB 1,233,948 thousand represent mainly provisions for advances to suppliers and contractors in the amount of RUB 725,852 thousand and the provision for litigation in the amount of RUB 250,696 thousand (Note 20).

9 Finance income and expenses

'000 RUB	**2019**	**2018 (restated)**
Finance income		
Interest income	304,162	320,688
Interest income on bank deposits	166,600	122,649
Effect from modification of financial liabilities	-	2,852,363
Other	143,466	172,040
	614,228	**3,467,740**
Finance expenses		
Foreign exchange expenses	157,011	15,818
Interest expense	6,070,373	4,977,091
Effect from the renegotiation of contractual terms for earlier payment	1,388.966	-
Impairment loss on financial assets measured at amortized cost	79,264	-
Other	187,546	308,919
Interest expense capitalized in inventories	(3,397,843)	(2,448,489)
	4,485,317	**2,853,339**

(a) Finance income

In 2018 and 2019, the Group's financial liabilities were materially modified and, as a result, old instruments were terminated and new ones recognized:

– in 2018 the Group negotiated new payment terms for certain land plots acquired in 2015-2016. As a result the contract price was reduced, and the maturity changed to 2019. The payment was made in 2019. A discount rate of 11% was used when recognizing the new financial instrument.

– also in 2018, the Group negotiated new payment terms for other land plots acquired in 2013, increasing their contract price and extending maturity from 2021 to 2029. A discount rate of 9.1% was used when recognizing the new financial instrument. In 2019 the Group made partial early payment for these land plots. The overall effect of the renegotiation and early payment was accounted within finance income.

(b) Finance expenses

Finance expenses include interest on debt financing, the net of exchange-rate differences, expenses on a significant financing component calculated in accordance with IFRS 15, and also the effect of renegotiating the contractual value of land plots.

Interest expenses include interest on loans and borrowings accrued in 2019 in the amount of RUB 1,172,826 thousand (2018: RUB 609,299 thousand).

In addition, in the first half of 2019 the Group negotiated new payment terms for the land plots acquired in 2016. As a result their contract price increased. A discount rate of 11.5% was used when recognizing the new instrument. The Group settled the liability in the second half of 2019.

Furthermore, the partial early payment for the land plots in 2019 led to a significant change in cash flow; the effect from this was presented within finance expenses.

10 Employee benefits

'000 RUB	**2019**	**2018 (restated)**
Wages and salaries	3,408,439	2,635,927
Contributions to social funds	817,836	640,822
	4,226,275	**3,276,749**

11 Income tax

(a) Amounts recognized in profit or loss

The Group's applicable tax rate is the income tax rate of 20% for Russian companies.

'000 RUB	2019	2018 (restated)
Current income tax		
Reporting year	(410,425)	(1,032,758)
	(410,425)	**(1,032,758)**
Deferred tax expense		
Origination and reversal of temporary differences	93,602	287,054
	93,602	**287,054**
	(316,823)	**(745,704)**

Reconciliation of effective tax rate:

	2019		2018 (restated)	
	'000 RUB	**%**	**'000 RUB**	**%**
Profit before tax	1,181,124	100%	3,163,979	100%
Income tax at the applicable tax rate	(236,225)	(20%)	(632,796)	(20%)
Non-deductible expenses	(54,680)	(5%)	(144,644)	(5%)
Provision for income tax	4,819	0%	166,765	5%
Unrecognized deferred tax asset on losses of the current year	(49,200)	(4%)	(152,569)	(5%)
Effect of a tax incentive	18,463	2%	17,540	1%
	(316,823)	**(27%)**	**(745,704)**	**(24%)**

The change in income tax provisions in 2018 includes the restoration of a previously accrued provision (in the amount of RUB 249,425 thousand on 1 January 2018) due to a change in the estimate of the amount of the probable outflow of funds and additional income tax expense in respect of settlements with counterparties.

(b) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

'000 RUB	Assets		Liabilities		Net	
	2019	**2018 (restated)**	**2019**	**2018 (restated)**	**2019**	**2018 (restated)**
Property, plant and equipment	205	-	(74,610)	(81,627)	(74,405)	(81,627)
Inventories	6,320,770	4,127,489	(272,568)	(9,617)	6,048,202	4,117,872
Trade and other payables	348,195	20,956	(7,312,920)	(5,102,980)	(6,964,725)	(5,082,024)
Trade and other receivables	200,160	-	(28,199)	-	171,961	-
Other investments	346,364	347,351	(401,056)	(227)	(54,692)	347,124
Tax loss carry-forwards	1,089,444	785,554	(1,974)	-	1,087,470	785,554
Tax assets/(liabilities)	8,305,138	5,281,350	(8,091,327)	(5,194,451)	213,811	86,899
Set-off of tax	(6,202,304)	(4,079,336)	6,202,304	4,079,336	-	-
Net tax assets/(liabilities)	**2,102,834**	**1,202,014**	**(1,889,023)**	**(1,115,115)**	**213,811**	**86,899**

(c) Movement in deferred tax balances

’000 RUB	1 January 2019 (restated)	Recognized in profit or loss	Recognized in equity	Acquisition of assets through the purchase of companies	31 December 2019
Property, plant and equipment	(81,627)	7,222	-	-	(74,405)
Inventories	4,117,872	1,930,330	-	-	6,048,202
Trade and other payables	(5,082,024)	(1,882,781)	-	80	(6,964,725)
Trade and other receivables	-	171,961	-	-	171,961
Other investments	347,124	(433,566)	31,750	-	(54,692)
Tax loss carry-forwards	785,554	300,436	-	1,480	1,087,470
	86,899	**93,602**	**31,750**	**1,560**	**213,811**

’000 RUB	1 January 2018 (restated)	Recognized in profit or loss	Effect of first use of IFRS 9	Recognized in equity	Acquisition of subsidiaries	31 December 2018 (restated)
Property, plant and equipment	(69,715)	(11,912)	-	-	-	(81,627)
Inventories	4,029,080	88,793	-	-	-	4,117,873
Trade and other payables	(5,271,183)	189,159	-	-	-	(5,082,024)
Other investments	291,393	(43,952)	36,113	63,568	-	347,122
Tax loss carry-forwards	695,226	64,966	-	-	25,363	785,555
	(325,199)	**287,054**	**36,113**	**63,568**	**25,363**	**86,899**

(d) Unrecognized deferred tax liabilities

At 31 December 2019, the Group had a deferred tax liability arising from temporary differences related to investments in subsidiaries in the amount of RUB 6,902,686 thousand (2018: RUB 6,317,932 thousand). This liability, however, was not recognized due to the fact that the Company controls the timing of reversal of the related taxable temporary differences, and management is satisfied that they will not reverse in the foreseeable future.

(e) Unrecognized deferred tax assets

Deferred tax assets in the amount of RUB 227,681 thousand as at 31 December 2019 (2018 RUB 178,481 thousand) were not recognized in respect of deductible temporary differences, because it is not likely that future taxable profit will be available against which the Group could utilize these tax benefits.

12 Investment property

’000 RUB	2019	2018
Balance at 1 January	**1,260,741**	**1,949,741**
Depreciation for the period	(36,776)	(44,031)
Reclassification to/from inventories	(21,936)	44,031
Impairment	(223,588)	(689,000)
Balance at 31 December	**978,441**	**1,260,741**

Investment property consists of leased out infrastructure facilities in the amount of RUB 282,858 thousand (31 December 2018: RUB 285,387 thousand) and a land plot intended for the construction of a commercial property in the amount of RUB 695,583 thousand (31 December 2018: RUB 975,354 thousand).

The land plot located in the Moscow Region was initially intended for construction of a shopping mall and its subsequent sale, however in 2017 the land plot was reclassified to investment property due to a change in business model to operate and lease out the property by the Group. In 2019, due to a change in the start date of preparing the project documentation, the Group amended the technical specifications for the construction and tested the asset for impairment. As a result, additional impairment loss in the amount of RUB 223,588 thousand (2018: RUB 689,000 thousand) was recognized based on the cash flow forecasts and assuming the expected commissioning in 2022. Fair values of the above investment property items are categorized as Level 3 of the fair value hierarchy and do not differ materially from their carrying amounts.

13 Other investments

’000 RUB	31 December 2019	31 December 2018
Non-current		
Measured at amortized cost	2,502,273	1,101,012
Measured at fair value through profit or loss	1,835,740	432,679
Investments in joint ventures and associates (Note 23(a))	3,659,321	-
	7,997,334	**1,533,691**
Current		
Measured at amortized cost	304,672	446,852
Measured at fair value through profit or loss	24,212	614,402
	328,884	**1,061,254**

Other investments include loans issued, mainly to related parties (Note 29). These loans are unsecured and bear a weighted-average nominal interest rate of 5% as at 31 December 2019 (31 December 2018: 2.5%). Loans issued were measured at fair value on initial recognition with reference to market interest rates, with the difference between the nominal value and fair value recognized in equity. Loans issued to counterparties for the purposes of development projects were classified as measured at fair value; changes therein during 2019 in the amount of RUB 85,468 thousand (2018: RUB 43,864 thousand) were recognized in “Other finance expenses”. Fair value was classified as Level 3 and was calculated using forecast cash flows discounted at rates of 10.39% – 23.75% (31 December 2018: 11.89% –17.34%).

The Group’s exposure to credit, currency and interest risks related to other investments is disclosed in Note 22.

14 Inventories

'000 RUB	**31 December 2019**	**31 December 2018 (restated)**
Construction-in-progress (a)	37,652,975	24,787,722
Construction-in-progress at the stage of obtaining construction permits (b)	15,067,207	22,470,878
Finished products and goods for resale	228,524	702,388
Other (d)	543,052	772,109
Impairment (c)	-	(634,763)
	53,491,758	**48,098,334**

(a) Construction in progress

At the end of 2019, construction in progress consisted of construction costs attributable to unsold real estate properties in the amount of RUB 11,701,935 thousand (31 December 2018: RUB 9,231,924 thousand) and the cost of land, right-of-use assets, and infrastructure expenses allocated to sold facilities, revenues for which are recognized over a period based on percentage of completion, in the amount related to the remaining scope of work. The Group expects that all real estate properties will be fully completed and sold to end customers within the next two years in accordance with the operating cycle.

(b) Construction-in-progress at the stage of obtaining construction permits

During 2016 and 2015, the Group purchased a number of land plots on a deferred-payment basis; related obligations were measured at their fair value upon initial recognition using discount rates of 15% and 18%, respectively, with the difference between the fair and nominal value allocated to land acquisition costs. The unwinding of the discount from the start of the active development of these plots is capitalized in the cost of qualified assets.

During 2019, land plots were acquired by the Group for RUB 2,753,114 thousand, with respective consideration transferred in the form of share participation agreements for properties constructed by the Group (2018: RUB 5,957,929 thousand).

During 2019 the Group capitalized interest costs in the amount of RUB 3,397,843 thousand (2018: RUB 2,448,489 thousand) in the cost of qualified assets and recognized in the cost of sales RUB 1,692,458 thousand (2018: RUB 1,035,728 thousand).

(c) Impairment

In 2017 the Group recognized impairment losses for two incomplete projects, where the net realizable value, as forecasted by management, was less than cumulative construction costs. At 31 December 2018, the negative income equaled RUB 634,763 thousand. At 31 December 2019, the projects were completed and no additional impairment of construction in progress was identified at 31 December 2019.

The Group used the discounted cash flow method for the valuation of the net realizable value of construction in progress for each project part as at each reporting date, using the following assumptions in the discounted cash flow method:

- Sales prices were forecasted based on market prices for properties with similar characteristics in Group projects;
- Construction costs were forecasted based on the cost per square meter in actualized budgets and construction timeline for similar properties;
- Cash flows in roubles were discounted at a pre-tax rate of 17% – 22% (2018: 16% – 23%).

(d) Other inventories

Other inventories include expenses on mandatory insurance of share participation agreements , capitalized as costs of concluding contracts with customers.

At 31 December 2019, certain inventories were pledged to secure loans (Note 19 (a)).

15 Trade and other receivables, including contract assets

’000 RUB	31 December 2019	31 December 2018
Receivables due from related parties	256,014	105,375
Contract assets	40,674	-
Trade receivables	1,259,353	968,688
Other receivables	709,279	574,813
	2,265,320	**1,648,876**

Contract assets represent the Group’s rights to receive funds under contracts with real estate customers allowing deferred payment where construction proceeds in advance of the payment schedule, or where sales are made using escrow accounts. At 31 December 2019, the Group was carrying out two projects using escrow arrangements.

Information on the Group’s exposure to credit and currency risks and on impairment losses related to trade and other receivables is disclosed in Note 22 (b).

16 Prepayments

’000 RUB	31 December 2019	31 December 2018
Non-current		
Prepayments to third parties	459,322	231,334
	459,322	**231,334**
Current		
Prepayments to third parties	6,257,837	4,956,717
Prepayments to related parties	20,973	23,073
Provisions for prepayments	(789,852)	(64,000)
	5,488,958	**4,915,790**

Prepayments consist mainly of payments made to suppliers and contractors to perform construction works. Non-current prepayments are security payments for the acquisition of land plots classified as advances due to the high degree of completion of the land plot acquisition transaction and future offsets of these payments against acquisition costs.

17 Cash and cash equivalents

’000 RUB	31 December 2019	31 December 2018
Bank balances (RUB)	4,012,350	2,375,407
Bank balances (USD)	-	601,138
Cash and cash equivalents in the statement of financial position and the statement of cash flows	**4,012,350**	**2,976,545**

Balance on escrow accounts (for reference)

’000 RUB	31 December 2019	31 December 2018
Cash balance at the end of the year	**834,935**	**-**

At 31 December 2019, RUB 3,215,434 thousand (31 December 2018: 1,829,542 thousand) was deposited on special bank accounts, being available solely for transactions in compliance with the requirements of Federal Law No. 214-FZ. The amount of funds in bank deposits was RUB 110,000 thousand at 31 December 2019 (2018: RUB 631,138 thousand).

The balance of funds on escrow accounts not accounted in the consolidated statement of financial position of the Group constitutes the funds received by the authorized bank from account holders that are participants in share participation agreements, (purchasers of real estate properties) to settle the purchase cost under such agreement.

Information on the Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 22.

18 Equity

(a) Issue of ordinary shares

Before 2018, the Company's share capital was registered in the amount of RUB 1.5 billion, and consists of the shareholdings of two participants (99.99% and 0.01%). In March 2018, as part of the reorganization of the Group, the general meeting of shareholders approved the issue of 60,000,400 ordinary shares at a price of RUB 25 per share, as a result of which the Company was re-registered from a limited liability company to a joint-stock company. At 31 December 2018 and 31 December 2019, the Company's share capital comprised 60,000,400 ordinary shares with a par value of RUB 25 per share.

(b) Dividends

On 27 December 2018, dividends of RUB 1.7 per ordinary share were declared for the first nine months of 2018, to a total amount of RUB 102,001 thousand; the dividends were paid out in 2019.

In the first half of 2019, the Group declared and paid dividends for Q1 2019 in the amount of RUB 5 per ordinary share, to a total of RUB 300 million.

The decision on the payment of dividends for 2019 will be made at the annual general meeting in summer 2020.

(c) Buyout of treasury shares

In the first half of 2019, the Group bought out and subsequently sold 87,600 treasury shares. The loss on the operation was RUB 118 million, and was presented in equity.

19 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Group's exposure to interest rate, currency and liquidity risks, refer to Note 22.

Key terms for raising financing

				Carrying amount as at 31 December 2019		Carrying amount as at 31 December 2018	
'000 RUB	**Currency**	**Nominal interest rate**	**Year of maturity**	**Non-current**	**Current**	**Non-current**	**Current**
Bonds	RUB	9.5% – 12%	2020–2029	6,712,594	722,150	4,790,006	-
Security for bank loans (Note 19 (a))	RUB	11.7% – 12.7%	2020–2023	5,571,253	1,460,275	-	-
Bank loans	RUB	10.5%	2020	-	780,000	-	-
Bank loans (escrow)	RUB	Floating*	2022–2023	904,041	-	-	-
Loans from third parties	RUB	12 - 16%	2019	-	-	-	415,020
Lease liabilities	RUB	9.5% – 11.45%	2020 – 2025	552,939	637,358	-	-
Interest	RUB			42,924	150,850	-	93,365
Total				**13,783,751**	**3,750,633**	**4,790,006**	**508,385**

* during 2019 the Group opened new credit facilities to finance the construction of residential buildings at a floating interest rate, adjusted depending on the balance on escrow accounts. The interest rate on the loans includes two components: a base rate of 9.5% and a preferential rate of 5% applied to the part covered by balances on escrow accounts. If the balances on escrow accounts exceeds the borrowing, the rate is limited.

Raising and repaying bank loans

During 2019 the Group raised project financing in the form of credit facilities and bank loans of RUB 8,781 million for the construction of residential areas, and also for the purchases of land plots. The repayment amounted to RUB 1,409 million.

Issue and redemption of bonds

In the second half of 2019 the Group placed three issues of bond loans and raised financing in the amount of RUB 280 million, RUB 500 million, and RUB 3 billion. The first two bonds mature in 2029 and the third - in 2022. The coupon rate for the bonds was established at the time of issue at 10.5%, 10.85%, and 12%, respectively. Coupons are paid quarterly. Bonds are redeemed on a one-time basis on maturity; the terms of the bonds stipulate the possibility of early redemption in whole or in part during the circulation period, at the issuer's discretion.

In May 2019, the Group redeemed part of the bonds issued in 2017, in the amount of RUB 625 million, in accordance with the redemption schedule. In December 2019, the Group also redeemed part of previously issued bonds in the amount of RUB 95.7 million in accordance with the redemption schedule.

In 2018 the Group issued bonds in the amount of RUB 500 million for a 10-year term at a coupon rate of 12%.

Loans repaid

In 2019 the Group repaid in full loans received from third parties and accrued interest in accordance with the contractual terms.

(a) Security

At 31 December 2019 and 31 December 2018 the bank borrowings were secured by:

• right-of-use assets/title to land plots with a carrying amount of RUB 4,231,084 thousand;

• property-related rights to residential properties under construction with a carrying amount of RUB 15,725,161 thousand;

• rights of claim under a loan agreement in the amount of RUB 321,234 thousand;

• shares/interests in the Company and its subsidiaries.

(b) Reconciliation of movements of liabilities to cash flows from financing activities

’000 RUB	Liabilities: Loans and Borrowings	Liabilities: Lease liabilities	Liabilities: Non-controlling interest	Liabilities: within accounts receivable	Retained earnings	Non-controlling interest	Total
Balance at 1 January 2019	**5,298,391**	**-**	**1,190,340**	**102,001**	**3,752,698**	**-**	**10,343,430**
Changes from financing cash flows							
Proceeds from borrowings	17,261,222	-	-	-	-	-	17,261,222
Proceeds from bonds	4,496,582	-	-	-	-	-	4,496,582
Acquisition of bonds	(1,092,283)	-	-	-	-	-	(1,092,283)
Redemption of bonds	(720,700)	-	-	-	-	-	(720,700)
Payments	(8,870,615)	(207,262)	-	-	-	-	(9,077,877)
Acquisition of treasury shares	-	-	-	-	(117,809)	-	(117,809)
Acquisition of non-controlling interests	-	-	-	-	(178,750)	-	(178,750)
Dividends paid	-	-	-	(557,042)	-	-	(557,042)
Total changes from financing cash flows	**11,074,206**	**(207,262)**	**-**	**(557,042)**	**(296,559)**	**-**	**10,013,343**
Other changes							
Related to liabilities							
Dividends declared	-	-	-	454,661	(299,621)	(155,040)	-
New lease agreement	-	1,339,804	-	-	-	-	1,339,804
Capitalized borrowing costs	(66,879)	-	-	-	-	-	(66,879)
Liabilities of new companies	5,330	-	-	-	-	-	5,330
Interest expense	1,172,826	57,755	-	-	-	-	1,230,581
Interest paid	(1,139,786)	-	-	-	-	-	(1,139,786)
Change in accounts payable in connection with the acquisition of non-controlling interests	-	-	(111,865)	38,935	72,930	-	-
Reduction in non-controlling interests in liabilities as a result of the legal reorganization of subsidiaries	-	-	(1,141,681)	-	-	1,141,681	-
Reclassification of non-controlling interest to liabilities	-	-	830,453	-	-	(830,453)	-
Effect from initial recognition of loans issued to related parties at fair value less income tax	-	-	-	-	(119,997)	(7,003)	(127,000)
Profit for the reporting period	-	-	-	-	(31,269)	895,570	864,301
Total other liability-related changes	**(28,509)**	**1,397,559**	**(423,093)**	**493,596**	**-**	**-**	**1,439,553**
Total other equity-related changes	**-**	**-**	**-**	**-**	**(377,957)**	**1,044,755**	**666,798**
Balance at 31 December 2019	**16,344,087**	**1,190,297**	**767,247**	**38,555**	**3,078,182**	**1,044,755**	**22,463,123**

	Liabilities				Equity		
’000 RUB	**Loans and Borrowings**	**Lease liabilities**	**Non-controlling interest**	**within accounts receivable**	**Retained earnings**	**Non-controlling interest**	**Total**
Balance at 1 January 2018	**4,358,614**	**-**	**332,096**	**-**	**2,644,109**	**-**	**7,334,819**
Changes from financing cash flows							
Proceeds from borrowings	500,000	-	-	-	-	-	500,000
Proceeds from bonds	500,000	-	-	-	-	-	500,000
Acquisition of bonds	-	-	-	-	-	-	-
Redemption of bonds	-	-	-	-	-	-	-
Payments	(866,894)	-	-	-	-	-	(866,894)
Acquisition of treasury shares	-	-	-	-	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Total changes from financing cash flows	**133,106**	**-**	**-**	**-**	**-**	**-**	**133,106**
Other changes							
Related to liabilities							
Dividends declared	-	-	-	102,001	(102,001)	-	-
Change in loans and borrowings as a result of the acquisition of subsidiaries	725,699	-	-	-	-	-	725,699
Interest expense	609,299	-	-	-	-	-	609,299
Interest paid	(528,327)	-	-	-	-	-	(528,327)
Change in accounts receivable in connection with the acquisition of non-controlling interests	-	-	10,741	-	-	-	10,741
Acquisition of non-controlling interests	-	-	(12,222)	-	-	-	(12,222)
Profit for the reporting period	-	-	859,725	-	1,210,590	-	2,070,315
Total other liability-related changes	**806,671**	**-**	**858,244**	**102,001**		**-**	**1,766,916**
Total other equity-related changes	**-**	**-**	**-**	**-**	**1,108,589**	**-**	**1,108,589**
Balance at 31 December 2018	**5,298,391**	**-**	**1,190,340**	**102,001**	**3,752,698**	**-**	**10,343,430**

20 Provisions

'000 RUB	Provision for completion of construction	Provisions for onerous contracts	Provisions for litigation	Provisions for tax risks	Total
Balance at 1 January 2018	**2,620,854**	**40,756**	**-**	**249,425**	**2,911,035**
Creation (reversal) of provision	1,353,721	45,000	-	(166,765)	1,231,956
Utilization of provision	(1,999,831)	(40,756)	-	-	(2,040,587)
Balance at 31 December 2018 (restated)	**1,974,744**	**45,000**	**-**	**82,660**	**2,102,404**
Creation (reversal) of provision	7,159,439	-	250,696	(4,175)	7,405,960
Utilization of provision	(3,351,509)	(45,000)	-	-	(3,396,509)
Balance at 31 December 2019	**5,782,674**	**-**	**250,696**	**78,485**	**6,111,855**

The amount of the provision for completion of construction represents the estimated future expenses the Group expects to incur in the course of building infrastructure and other social facilities, including public utilities, roads, schools, kindergartens, etc., attributable to apartment buildings under construction and available for sale pro rata to a percentage of completion. To a large extent, these estimates depend on the current development rules and norms, terms agreed on when obtaining the construction permits for the entire project, and prices on construction materials and labor. In 2019, several budgets to complete the construction were reassessed, which increased profits by approximately RUB 1,396,007 thousand.

21 Accounts payable, including liabilities under contracts with customers

'000 RUB	31 December 2019	31 December 2018
Non-current liabilities		
Payables to suppliers	-	973,576
Payables for acquired land plots	3,838,246	6,587,343
	3,838,246	**7,560,919**
Current liabilities		
Liabilities under contracts with customers	36,953,766	31,799,936
Payables for acquired land plots	854,999	7,052,059
Payables to suppliers	4,547,133	1,795,713
Other taxes payable	238,313	219,529
	42,594,211	**40,867,237**

Long-term accounts payable to suppliers as at 31 December 2018 comprise warranty retentions from subcontracting entities to ensure the quality of their construction work. As at 31 June 2019, all accounts payable were classified as short-term.

Liabilities under contracts consist of advance payments received from customers under share participation agreements and accrued amounts of the significant financing component.

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 22(b).

22 Fair values and risk management

(a) Measurement of fair values

Financial assets at 31 December 2018 and 31 December 2019 consisted of cash and equivalents, loans issued, and trade receivables, which were classified in the category of financial assets measured at amortized cost, except for certain loans that were assigned to the category of assets measured at fair value through profit and loss. The fair value of the Group's financial assets (classed as Level 3) is determined based on the present value of the expected payment, using a discount rate adjusted for the risk of each counterparty as at the reporting date.

The fair value of the Group's financial assets measured at amortized cost is determined exclusively for disclosure purposes and does not differ materially from the carrying amount at 31 December 2018 and 31 December 2019.

As at 30 December 2019, the fair value of financial liabilities did not differ materially from their carrying amount, except for land payables (Level 3) whose fair value exceeded their carrying amount by approximately RUB 201 million (31 December 2018: exceeded the carrying amount by RUB 300 million) and bonds (Level 1) whose quotes as at 30 December 2019 exceeded their carrying amount by RUB 355 million (31 December 2018: below the carrying amount by 213 million).

(b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

(i) Risk management framework

Group Management has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and comply with established limits.

(ii) 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. The maximum exposure to credit risk at the reporting date was:

'000 RUB	**31 December 2019**	**31 December 2018**
Other investments measured at fair value	1,859,952	1,047,081
Other investments measured at amortized cost	2,806,945	1,547,864
Trade receivables, including contract assets	1,390,886	968,688
Other receivables	874,434	680,188
Cash and cash equivalents	4,012,350	2,976,545
Total	**10,944,567**	**7,220,366**

Other investments measured at amortized cost

The Group issues loans primarily to its related parties (Note 29), and such loans are to be repaid within the deadlines agreed with the Group owners. For these counterparties, the Group estimates the expected credit losses on an individual basis, proceeding from an assessment of the financial position of the counterparty and the probability of possible losses, and guarantees of Group shareholders made to management.

Trade receivables

The majority of receivables under contracts with customers represents deferrals on share participation agreements, security for which can be considered the real estate properties under construction; accordingly, the Group believes that there are no expected credit losses.

Other receivables

The expected level of credit losses is calculated for other receivables on the basis of the age of overdue debt and actual losses over the past two years. As at the reporting date, there were no overdue debts older than 45 days.

Cash and cash equivalents

As at 31 December 2019 cash and cash equivalents were placed mainly in banks: Sberbank of Russia, Sovcombank, Loko Bank, and PromSvyazBank. The Group assesses expected credit losses on the basis of external credit ratings.

The table below provides information on the Group's exposure to credit risk and the expected credit losses from financial assets measured at amortized cost as at 31 December and 1 January 2019:

31 December 2018 '000 RUB	**Risk level**	**Equivalent of external credit rating**	**Gross carrying amount**	**Provision for impairment**	**Carrying amount**
Financial assets					
Trade receivables	Low	-	968,688	-	968,688
Other receivables	-	-	710,410	(30,222)	680,188
Other investments	High	From CC to C	1,866,860	(318,996)	1,547,864
Cash and cash equivalents	Low	From BB- to BB+	2,976,545	-	2,976,545
Total financial assets			**6,522,503**	**(349,218)**	**6,173,285**

31 December 2019 '000 RUB	**Risk level**	**Equivalent of external credit rating**	**Gross carrying amount**	**Provision for impairment**	**Carrying amount**
Financial assets					
Trade and other receivables, including contract assets	Low	-	1,419,497	(28,611)	1,390,886
Other receivables	-	-	962,398	(87,964)	874,434
Other investments	High	From CC to C	3,395,613	(588,668)	2,806,945
Cash and cash equivalents	Low	From BB- to BB+	4,012,350	-	4,012,350
Total financial assets			**9,789,858**	**(705,243)**	**9,084,615**

The following table provides information about the exposure to credit risk and expected credit losses for trade and other receivables and assets under contracts with individually non-material customers:

31 December 2019, '000 RUB	**Gross carrying amount**	**Provisions for impairment**	**Credit-impaired**
Current (not overdue)	2,209,103	-	None
Overdue	172,792	(116,575)	None
	2,381,895	**(116,575)**	

The Group has no credit-impaired financial assets.

During the reporting period, the following movements took place in the provision for impairment of financial assets measured at amortized cost:

'000 RUB	**2019**	**2018**
Provisions for expected credit losses at 1 January	**349,218**	**236,917**
Reversal of provision for expected credit losses due to their settlement	(81,527)	(114,232)
Creation of provisions	437,553	226,533
Provisions for expected credit losses at 31 December	**705,244**	**349,218**

Guarantees and warranty servicing

The Group considers that financial guarantee contracts entered into by the Group to guarantee the indebtedness of other parties are insurance arrangements, and accounts for them as such. Following this approach, the Group treats the guarantee contract as a contingent liability until it becomes probable that the Group will be required to make a payment under the guarantee.

The Company's policy is to provide financial guarantees only to related parties. As at 31 December 2019, the Group acted as a guarantor to a bank for the obligations of a related party in a total amount of RUB 3.2 billion. The Group assesses that the likelihood of an outflow of funds under these contracts is not high.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties 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.

The Group intends to settle its financial liabilities by means of the cash it receives from the sale of apartments to individuals.

The following are the remaining contractual maturities of financial liabilities at the reporting date. Amounts are shown gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

31 December 2018		**Contractual cash flows**				
'000 RUB	**Carrying amount**	**Total**	**0-6 months**	**6-12 months**	**1–2 years**	**from 2 to 10 years**
Non-derivative financial liabilities						
Unsecured bonds	4,854,483	6,447,579	291,232	254,140	461,304	5,440,903
Other borrowings	443,908	443,908	443,908	-	-	-
Long-term trade and other payables	7,560,919	14,243,224	-	-	2,203,576	12,039,648
Short-term trade and other payables	8,847,772	9,244,152	7,080,574	2,163,578	-	-
	21,707,082	**30,378,863**	**7,815,714**	**2,417,718**	**2,664,880**	**17,480,551**

31 December 2019		**Contractual cash flows**					
'000 RUB	**Carrying amount**	**Total**	**On demand**	**0-6 months**	**6-12 months**	**1–2 years**	**from 2 to 10 years**
Non-derivative financial liabilities							
Unsecured bonds	7,571,158	10,518,308	-	567,588	1,158,062	7,310,234	1,482,424
Other liabilities	9,963,226	11,838,165	-	2,069,262	891,489	4,543,513	4,333,901
Long-term trade and other payables	3,838,246	9,193,648	-	-	-	-	9,193,648
Short-term trade and other payables	5,402,132	5,439,326	-	3,713,946	1,725,380	-	-
Guarantees and sureties given	-	3,281,013	3,281,013	-	-	-	-
	26,774,762	**40,270,460**	**3,281,013**	**6,350,796**	**3,774,931**	**11,853,747**	**15,009,973**

Information on guarantees and sureties is given in Note 22 (b) (ii).

Some of the Group's borrowing arrangements contain restrictive conditions related to financial and non-financial data. Penalties for violating these covenants include both monetary fines and the right to early settlement of the obligation. Group Management regularly analyzes compliance with these covenants and renegotiates them when necessary.

(iv) Market risk

Market risk is the risk that changes in market prices, foreign exchange rates, interest rates, and share prices will adversely 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 optimizing the return.

Currency risk

As at 31 December 2019, other investments of the Group included a loan in US dollars, the carrying amount of which was RUB 1,056,508 thousand (2018: RUB 374,326 thousand). As at 31 December 2018, the Group also had a short-term deposit in US dollars equal to RUB 601,138 thousand.

RUB	Average exchange rate		Spot exchange rate on the reporting date	
	2019	**2018**	**31 December 2019**	**31 December 2018**
USD 1	64.7362	62.7078	61.9057	69.4706
EUR 1	72.5021	73.9546	69.3406	79.4605

The strengthening of the rouble exchange rate against the US dollar by 20% as at 31 December 2019 would reduce the share capital and profit and loss by RUB 211,302 thousand. The weakening of the rouble exchange rate to the US dollar by 20% would have an identical but opposite effect, all else being equal.

Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, when raising new loans or borrowings Management uses its professional judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Group over the expected period until maturity.

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Carrying amount	
'000 RUB	**31 December 2019**	**31 December 2018**
Fixed rate instruments		
Financial assets	8,326,218	2,594,945
Financial liabilities	(16,630,343)	(5,298,391)
	(8,304,125)	**(2,703,446)**

For loans received to finance projects using escrow arrangements, variable interest rates are stipulated depending on the amount of funds placed on escrow accounts (Note 17).

Financial liabilities with a fixed interest rate include fixed-rate bank loans, where banks have the right to change the interest rate as a result of changes to the Russian Central Bank's key rate (see also Note 19). If it does not agree with the interest rate level, the Group has the right to early repayment at the nominal amount, without material penalties.

Fair value sensitivity analysis for fixed-rate instruments

The Group classifies certain fixed-rate financial assets as instruments measured at fair value through profit and loss. As at the reporting date, the fair value of these assets was RUB 1,859,953 thousand. A 1% increase in interest rates would not lead to a material change in profit and loss for the period.

Cash flow sensitivity analysis for variable-rate instruments

Due to the fact that the amount of variable-rate debt liabilities was not material as at the reporting date, a justifiably possible change in interest rates by 100 basis points as at the reporting date would not materially increase (reduce) interest expenses.

23 Equity-accounted investees

(a) Joint ventures

In the first half of 2019, the Group created joint ventures to undertake development projects through a subsidiary in which it holds 73.68% of equity. This subsidiary's share in the joint ventures as at 31 December 2019 was 50%.

As at the reporting date, the significant activity of these enterprises was the development of project documentation and the main parameters of the project, including the selection of a general contractor, which are subject to the unanimous approval of the participants in the companies. Thus, the Group has joint control in these enterprises but does not exercise control over their operating activity. Accordingly, the Group classified its investments as joint venture.

The Group's cash contribution to the share capitals of newly established joint ventures amounted to RUB 420 thousand. The partner in the joint venture contributed land plots with a fair value of RUB 6,945 million as a contribution to the share capital. Moreover, the Group entered into a loan agreement for the amount of RUB 2,500 million with entities related to the joint venture partner, with this loan bearing a non-market interest rate. The effect of discounting from initial recognition of loans at fair value amounted to RUB 1,467 million and was included in the investment in the joint venture.

The fair value of land plots was determined based on the future cash flow model using on the following assumptions: projects to be constructed in the period 2020 to 2033; cash flows were discounted at a rate of 23.75%. As a result, the Group recognized profit in the amount of RUB 2,005 million in the consolidated statement of profit or loss and other comprehensive income and investments in the joint venture amounted to RUB 3,488 million at 31 December 2019.

The table below gives the summary financial infomation of the joint venture

'000 RUB	**On 31 December 2019**
Equity interest (as a percentage)	**50%**
Property, plant and equipment and intangible assets	1,293
Other non-current assets	7,940
Inventories	6,945,000
Accounts receivable	64,047
Cash and cash equivalents	88,479
Other current assets	77,765
Non-current liabilities	(105,195)
Current liabilities	(105,003)
Net assets (100%)	**6,974,326**
Group's share in net assets (%)	50%
Group's share in net assets, '000 RUB	3,487,163
Exclusion of non-sales income from "downstream" sales	441
Carrying amount of the share in the joint venture	**3,487,604**

	For 2019 (from the date of incorporation)
Revenue	480
Operating expenses	(23,216)
Other income and expenses	47,048
Income tax expense	5,043
Loss (profit) (100%)	29,355
Exclusion of non-sales income from "downstream" transactions	441
Group's share in profit and total comprehensive income	**15,119**

(b) Associates

In the second half of 2019, the Group also invested in an online service provider of express buyout services for real estate properties on the secondary market, as well as a project to develop the Vmeste.ru social network. These investments were accounted as equity accounted investees and their carrying amount as at 31 December 2019 equaled RUB 171 million. The share in loss for 2019 amounted to RUB 4.7 million. Up to the reporting date, the investees did not perform significant transactions.

24 Subsidiaries

Name	Country of registration	Effective equity interest as at 31 December 2019	Effective equity interest as at 31 December 2018
Samolet Development LLC	Russia	100%	100%
Stroy-Development LLC	Russia	100%	100%
Samolet-Zarechye LLC	Russia	100%	100%
Priroda LLC	Russia	100%	100%
Bukhta Land LLC*	Russia	100%	99%
Druzhba-Center LLC	Russia	100%	100%
Mega-City LLC	Russia	66.00%	66.00%
Samolet-Progress LLC	Russia	100%	100%
Samolet-Putilkovo LLC	Russia	100%	100%
Samolet-Tomilino LLC*	Russia	100%	99%
Citystroy-MO LLC	Russia	100%	100%
SR-Group LLC	Russia	57.76%	57.76%
StroyConsult LLC	Russia	100%	100%
Korobovo LLC	Russia	66.00%	66.00%
Prigorod Lesnoe LLC	Russia	66.00%	66.00%
Milvertin LLC	Russia	100%	100%
Megastroy-MO LLC	Russia	66.00%	66.00%
Samolet Energo LLC****	Russia	100%	100%
SR-Stroy LLC****	Russia	100%	100%
Samolet Dve Stolitsy LLC	Russia	73.68%	73.68%
Samolet LO LLC*	Russia	73.68%	60.23%
Samolet-Molzhaninovo LLC*****	Russia	73.68%	73.68%
Samolet-Alkhimovo LLC*****	Russia	73.68%	73.68%
Sever stroy LLC*****	Russia	73.68%	73.68%
Samolet Real Estate LLC***	Russia	100%	100%
Zhilstroy-MO LLC	Russia	100%	100%
Samolet-Proekt LLC	Russia	100%	100%
Samolet-Mytiyshchy LLC	Russia	100%	100%
Nekrasovka-Invest LLC****	Russia	73.68%	73.68%
Samolet Severo-zapad LLC**	Russia	73.68%	-
DM Apartments LLC****	Russia	73.68%	-
Samolet-Resurs LLC*****	Russia	100%	-
SR-Teplo LLC**	Russia	73.68%	-
Weltbau LLC**	Russia	75%	-
Samolet-Yurlovo LLC**	Russia	50%	-

* *acquisition of non-controlling equity interests (see Note 25([illegible]))*

** *founded in 2019 (see Note 26(d))*

*** *acquired under common control*

**** *acquired and classified as an acquisition of assets (see Note 26(c))*

***** *acquired and classified as a business acquisition (see Note 26(b))*

25 Non-controlling interest

As at 31 December 2019 and 31 December 2018, the non-controlling interest in the limited liability companies holding 100% of equity interests in other subsidiaries in the amount of RUB 1,812,002 thousand (on 31 December 2018: RUB 1,190,340 thousand) was presented in current liabilities, since the charters of these subsidiaries stipulate the possibility for a member to receive the actual value of his/her interest upon his/her exit. An amendment annulling the possibility to demand the buyout of a member's interest was made to the charter of one of these subsidiaries during 2019. For this reason, the non-controlling equity interest in Mega-City LLC was transferred to equity.

The following table contains summary information on the indicators of subsidiaries and the companies controlled by them:

	Samolet Dve Stolitsy LLC		Mega-City LLC		SR-Group LLC	
'000 RUB	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
Non-current assets	3,741,558	383,331	479,176	200,318	43,007	243,421
Current assets	13,155,732	9,302,008	15,456,721	17,213,305	5,826,787	2,494,298
Liabilities	(14,298,325)	(9,592,454)	(12,855,195)	(14,055,737)	(5,653,138)	(3,235,806)
Net tax assets/(liabilities)	**2,598,965**	**92,885**	**3,080,702**	**3,357,886**	**216,656**	**(498,087)**
Non-controlling interest	26%	40%	34%	34%	42%	42%
Carrying amount of non-controlling interest	**675,731**	**48,660**	**1,044,755**	**1,141,680**	**91,516**	**(210,392)**
Balance at 31 December 2018						**1,190,340**
Balance at 31 December 2019						**1,812,002**
Revenue	5,973,694	2,511,741	9,087,281	7,293,453	5,222,441	720,219
Profit/(loss) and total comprehensive income for the year	2,496,062	58,622	170,922	2,496,062	714,743	(276,112)
Non-controlling interest	31%	40%	34%	34%	42%	42%
Non-controlling interest in income and total comprehensive income*	**739,383**	**40,643**	**58,115**	**819,082**	**91,516**	**-**
Total for 2018						**859,725**
Total for 2019						**889,014**

**the share in income for 2019 was reduced by a previous loss made*

(a) Acquisition of non-controlling interests

In October 2019 one of the subsidiaries purchased an 18.26% interest in its subsidiary for RUB 220,000 thousand with the deferral of part of the payment until September 2020, thereby increasing its interest to 100%. The amount by which consideration exceeded the value of obtained assets (RUB 105,923 thousand) was recognized in equity.

26 Acquisition and disposal of subsidiaries

(a) Discontinued operation

In December 2018, following its decision to focus on developing its key construction and development capabilities, the Group sold two subsidiary companies engaged in public utility services to a related party. These subsidiaries were not previously classified as assets held for sale or a discontinued operation. Comparative indicators in the consolidated statement of profit or loss and other comprehensive income were restated to provide for the separate presentation of discontinued and continuing operations.

'000 RUB	**2018**
Results from the discontinued operation	
Revenue	996,281
Cost of sales	(843,764)
Administrative and other expenses	(121,986)
Operating results	30,531
Income tax	(6,600)
Results from operating activities after income tax	**23,931**

The disposal of the subsidiaries had the following effect on the Group's assets and liabilities on the date of disposal:

'000 RUB	
Non-current assets	**10,626**
Current assets	**229,867**
Accounts receivable	149,083
Other assets	80,784
Liabilities	**(198,016)**
Loans and borrowings	(99)
Accounts payable	(197,917)
Net assets and liabilities	**42,477**
Consideration from the sale of a subsidiary	19,010
Cash and cash equivalents disposed	(34,115)
Net cash outflow	(15,105)
Loss on disposal	**23,467**

The loss on disposal of the subsidiary was recognized in equity, since the transaction was performed with a related party acting as a shareholder.

(b) Acquisition of subsidiaries, finalization of purchase price allocation

On 28 June 2018, the Group acquired a 74% interest in Samolet Dve Stolitsy LLC and its subsidiaries engaged in the Murino development project in Leningrad Region for RUB 7 thousand.

Identifiable assets acquired and liabilities assumed

On the date of acquisition, identifiable assets acquired and liabilities assumed had the following fair value:

'000 RUB	Samolet Dve Stolitsy LLC
Non-current assets	
Property, plant and equipment	20,425
Loans issued	358,440
Deferred tax assets	165,363
Current assets	
Inventories	1,892,758
Trade and other receivables	780,403
Cash and cash equivalents	86,232
Other assets	21,319
Non-current liabilities	
Loans and borrowings	(250,772)
Current liabilities	
Loans and borrowings	(924,261)
Provisions	(711,710)
Trade and other payables	(2,097,387)
Net identifiable assets, liabilities assumed and contingent liabilities	**(659,190)**

**Loans and borrowings include borrowings received prior to acquisition from the Group companies in the amount of RUB 399,436 thousand.*

(c) Acquisition of subsidiaries as acquisition of assets

Through a subsidiary in which the Group owns a 74% equity interest, in the first half of 2019 the Group acquired 100% of a company that owned a land plot on a leasehold basis, on which the Group plans to undertake a real estate development project. The acquisition was classified as a purchase of asset, since the acquired subsidiary had no activities at the time of the deal. The acquisition cost, discounted to the date of payment, equaled RUB 1,108,695 thousand and was accounted in inventories in the amount of RUB 981,678 thousand (less the fair value of other acquired financial assets and liabilities).

On 19 December 2018, the Group acquired a 100% share in Nekrasovka-Invest LLC, which owned land plots. This transaction was accounted as an acquisition of assets. The net assets of the acquired enterprise equaled RUB 409,847 thousand. Since the company was not engaged in active operations at the acquisition date, the acquisition cost was allocated primarily to inventories in the amount of RUB 4,673,103 thousand and the corresponding accounts payable was recognized. The acquisition cost included financial assets and liabilities of RUB 409,465 thousand and 150,000 thousand, respectively, the counterparties on which were the Group companies. The purchased land plots were included in inventories.

(d) Creation of subsidiaries

The Group created Samolet-Yurlovo LLC together with a partner in 2019 to conduct a development project. A 50% share of RUB 100,000 in the charter capital of the new company was paid in cash by the Group. Group management concluded that the Group controls this entity by virtue of an agreement signed with the other member and due to its ability to control the company's main operations, and therefore classified it as a subsidiary.

27 Leases

(a) Leases as lessee

The Group leases office space and land plots. The Group also leases equipment for up to a year on average, classified as short-term and/or lease of low-value items for which the Group decided not to recognize right-of-use assets and lease liabilities.

Information on leases where the Group acts as the lessor is given below.

(i) Right-of-use assets

Right-of-use assets that do not meet the definition of an investment property are presented in property, plant and equipment. Leased land plots on which construction will be performed are included in inventories.

'000 RUB	**Buildings (included in PPE)**	**Land plots (included in Inventories)**
2019		
Balance on 1 January 2019	474,350	300,000
Depreciation and amortization charges for the year	(166,890)	-
Right-of-use assets	36,456	1,596,154
Write-off to cost	-	-
Balance on 31 December	**343,916**	**1,896,154**

*A right-of-use asset worth RUB 1,067 thousand included in land plots was purchased during the acquisition of a subsidiary classified as an asset acquisition and was paid in full in 2019.

(b) Leases as lessor

The Group leases out investment property, including commercial real estate owned by the Group. All lease agreements concluded as lessor are classified as operating leases.

28 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 in Russia.

The Group does not have insurance policies for real estate properties, including construction-in-progress, and does not have full professional indemnity coverage against force majeure events which may occur at completed buildings during the period from the date of revenue recognition to the date of registration of title by the customer or signing of the act of acceptance for share participation agreements. The risk of losses due to force majeure events during the aforementioned period rests with the Group.

During 2018, the Group, as a developer, acquired a civil liability policy for any failure to transfer completed properties to customers. The Group started making insurance contributions to the Indemnification Fund for Co-Financed Construction, as stipulated by Federal Law No. 214-FZ, from 25 December 2018.

Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets and other adverse events could have a material negative effect on the Group's operations and financial position.

(b) Litigation

The Group acts as a defendant in various litigation arising from violations of contractual obligations. Provisions are accrued if there is a good chance that the Group will lose a court case in which it acts as a defendant and will have to discharge an obligation.

Since the commissioning of certain construction projects was rescheduled in the end of 2019, the Group evaluated the possibility of an outflow of economic benefits as highly likely and accrued respective provisions at 31 December 2019. The Group is also involved in litigation with contractors regarding prepaid work partially provided for in 2019 due to the extended period of time needed to recover debt or correct work defects.

The Group is a defendant in several court proceedings, including regarding its exit from one of its projects. On the date of signing of these consolidated financial statements, the amount of these proceedings did not exceed 1% of the Group's total assets. Management does not believe that these court proceedings will have a material impact on the Group's financial position, since the amount of the claims may be reduced and there is the chance that they will be successfully challenged. However, management also does not exclude the risk of an outflow of resources.

(c) Tax risks

The tax system in the Russian Federation continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

Tax authorities have the right to impose severe fines and penalties on tax arrears. A tax year generally remains open for review by the tax authorities for the three subsequent calendar years. Today, the tax authorities are taking a more assertive and substantiated position in their interpretation and enforcement of tax legislation.

Current transfer pricing legislation calls for an analysis of transfer pricing as it pertains to most foreign economic transactions between Group companies, as well as to material transactions between Group companies on the domestic market. Starting from 2019, as a general rule transactions on the domestic market are only subject to transfer pricing control if two conditions are simultaneously met: the parties use different income tax rates and the amount of transactions between the parties in a year exceeds RUB 1 billion.

The transfer pricing rules in effect in the Russian Federation are similar to the recommendations of the Organisation for Economic Cooperation and Development (OECD); however, there are certain differences that create additional uncertainty regarding the practical application of tax legislation under specific circumstances. The very limited number of publicly available court cases on transfer pricing issues makes it difficult to determine with reasonable certainty the approach that should be used when applying transfer pricing rules in Russia. The accrual of additional taxes in connection with transfer pricing may have a significant impact on the Group's consolidated financial statements, but the likelihood of such an additional accrual cannot be accurately assessed.

When auditing the transfer pricing, the Russian tax authorities may also review the prices in transactions between the Group companies. They may claim additional taxes if they conclude that the taxpayer received an unjustified tax benefit under these transactions.

In addition, the Group acquires works and services from various suppliers who are fully responsible for compliance with tax legislation and the established financial reporting rules (standards).

Current practice indicates that if the tax authorities file claims against suppliers due to their non-compliance with tax legislation, additional tax risks may arise for the Group. If the tax authorities substantiate the legitimacy of their claims on purchases from these suppliers, additional taxes may be charged to the Group. Management did not create any provisions for these potential tax liabilities in these consolidated financial statements because it believes that it is possible, but not probable, that an outflow of cash will be required to settle such liabilities. According to Group management, due to a diversity in approaches used to assess tax violations, it is impracticable to determine the financial consequences of potential tax liabilities which may arise as the result of transacting with such suppliers. However, these liabilities could be material.

Management believes that it has presented tax liabilities adequately based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of these provisions by the tax authorities and courts could differ, especially due to the reform of the higher courts responsible for tax disputes, and the effect on these consolidated financial statements could be significant, if the tax authorities are successful in enforcing their interpretations.

(d) Warranties

According to the effective Russian legislation, the Group is responsible for the quality of construction works performed under construction contracts for a period of five years after the date when the property is sold, except for the technological and engineering equipment included in the property. The warranty period for technological and engineering equipment is three years. Having analyzed the situation on the construction market in terms of warranty claims, Group management believes the amount of such claims will not be material. No provisions and/or contingent liabilities have been recognized in these consolidated financial statements in relation to warranties for work performed.

29 Related party transactions

(a) Parent company and ultimate controlling party

As at 31 December 2019, the Group's beneficiaries are several individuals, none of whom control more than 50%. As at 31 December 2018, the Group's ultimate controlling shareholder was Mr. M.B. Kenin.

(b) Transactions with key management personnel

Remuneration for key management personnel for the 12 months ended on 31 December 2019 amounted to RUB 405 million (for the 12 months of 2018: RUB 242 million).

Remuneration for the Board of Directors for 2019 equaled RUB 91 million (for the 12 months of 2018: RUB 35 million).

(c) Other related-party transactions

'000 RUB	Amount for the year ended 31 December		Outstanding balance as at 31 December	
	2019	2018	2019	2018
Loans to other related parties measured at amortized cost	1,941,181	989,503	2,505,315	1,148,728
Loans to other related parties measured at fair value	11,572	146,074	650,266	493,314
Other revenue	101,646	175,986	276, 987	128,448
Procurements	(701,945)	(378,267)	(225,019)	(134,276)

In 2019, the Group issued loans to related parties of RUB 1,952,752 thousand, at below-market interest rates and maturing in 1-4 years. These loans are unsecured and bear a weighted-average nominal interest rate of 4.75% as at 31 December 2019 (31 December 2018: 1.3%). The fair value was determined on initial recognition, with its effect allocated directly to equity, less the related deferred tax from the transaction as a transaction with parties acting on behalf of shareholders. Expected credit losses from these loans amounted to RUB 270,385 thousand. Interest income on loans issued to related parties for the 12 months of 2019 amounted to RUB 382,421 thousand. The expense on revaluation of a loan issued to a related party in a foreign currency equaled RUB 101,075 thousand (also see Note 22(b)(iv)).

Loans of RUB 613,629 thousand were also repaid in 2019.

At 31 December 2019, the nominal amount of outstanding bonds held by related parties equaled RUB 519,576 thousand.

The Group also purchases (mainly commercial) services from related parties.

30 Transactions with partners participating in joint ventures and holding non-controlling interests

'000 RUB	**31 December 2019**	**31 December 2018**
Loans to partners measured at fair value	1,209,687	500,822
Loans to partners measured at amortized cost	296,294	371,403
	1,505,981	**872,225**

In 2019, the Group issued loans in the amount of RUB 857 million to partners holding non-controlling interests and shares in joint ventures, maturing in 3–6 years. These loans were issued at a weighted-average nominal interest rate of 11.66% as at 31 December 2019 (31 December 2018: 6.06%). Expected credit losses from these loans measured at amortized cost amounted to RUB 2,856 thousand.

31 Subsequent events

(a) Funding

In Q1 2020, the Group issued a loan bond totaling RUB 6 billion for a period of three years at a coupon yield of 11% per annum. This borrowing is planned to finance costs of starting new projects and to streamline the loan portfolio.

(b) Changing competitive environment

Significant changes in the global market took place in 2020 due to the coronavirus outbreak and a sharp fall in oil prices, which, in turn, affected many stock indexes, led to a fall in the quotes of most stocks and financial instruments, and resulted in the depreciation of the Russian rouble in relation to other currencies. These circumstances increased the level of uncertainty in the Group's business activity and have a material impact on several assumptions used in the calculation of the estimates applied when preparing these consolidated financial statements, as disclosed in Notes 7, 12, 13, 14, and 22. The Group assumes that some of the assumptions may change as early as the preparation of the interim condensed consolidated financial statements for the first half of 2020, including a reduction in the fair value of investment property and issued loans measured at fair value through profit or losses, as well as impairment of financial and non-financial assets, but no quantitative assessment of these changes has yet been made.

The Group also believes that self-isolation and the suspension of work at construction sites will lead to a reduction in contracting and additional costs, but these will be temporary in nature. Management believes that the covenants imposed by borrowing arrangements are unlikely to be breached, however, if necessary, it will initiate the renegotiation of these terms and conditions. However, the following factors must be taken into account when assessing the impact:

- the lack of Group liabilities denominated in a foreign currency and the low exposure to currency risk;

- the Group uses remote work solutions, including online sales;

- the Group was included in the list of strategically important enterprises of the Russian economy on 23 March 2020;

- Group management is developing cost-cutting initiatives;

- Group management has started negotiations with credit institutions on refinancing its current debt.

On the date of preparation of these consolidated financial statements, a current analysis of the Group confirms its ability to continue operations uninterrupted for the foreseeable future.

32 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and are the same for all Group entities.

Certain comparative indicators have been adjusted due to a change in the accounting policy (see Note 4).

Set out below is a list of the significant accounting policies, the details of which are available on the pages that follow:

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired less liabilities assumed.

When this difference is negative, a bargain purchase gain is immediately recognized in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss for the period.

Transaction costs that the Group incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

(ii) Non-controlling interests

The charters of certain subsidiaries registered as limited liability companies stipulate that should any member decide to withdraw, he/she is to receive a full value for his/her shareholding. As a result, a non-controlling interest in these subsidiaries is recognized in other accounts payable in amount of the proportionate share of the subsidiaries' net assets under IFRS. If the subsidiaries registered as limited liability companies have negative net assets, the non-controlling interest is not recognized.

A non-controlling interest is measured at its proportionate share of the subsidiaries' identifiable net assets. Changes in a non-controlling equity interest in subsidiaries (except the cases described above) are shown in equity.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls a subsidiary when it receives, or has rights to, variable returns from its involvement with the investee 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 that control commences until the date that control ceases. The accounting policies of subsidiaries are changed when necessary to align them with the policy adopted by the Group.

Acquisition of companies not engaged in active operations at the acquisition date is recognized as the acquisition of assets. The cost of acquisition of companies, which usually own land plots, is allocated primarily to inventories, net of the fair values of the acquirees' accounts receivable and payable at the acquisition date.

(iv) Acquisitions of entities under common control

Business combinations arising from transfers of equity interests in entities that are under the control of the Group owners are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; comparatives are revised for this purpose. Acquired assets and liabilities are recognized at their previous carrying amount under IFRS. The components of the acquired equities are added to the same components within the Group's equity, except for the share capital of the acquirees, which is recognized as part of retained earnings. Any cash paid for the acquisition is recognized directly in equity.

(v) Loss of control

Upon the loss of control over a subsidiary, the Group derecognizes its assets and liabilities and any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss for the period, except for the loss of control in favor of shareholders, in which case it is recognized in equity as transactions with owners. If the Group retains part of the investment in the previous subsidiary, then this interest is measured at fair value at the date when control is lost. Subsequently, it is accounted for as an investment in an equity accounted-invested) or as an available-for-sale financial asset depending on the level of influence retained by the Group.

(vi) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are enterprises whose financial and operating polices are significantly influenced by the Group. However, the Group does not exercise control or joint control over the financial and operating policies of such entities. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting rights of another entity as joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of these arrangements, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are equity-accounted and are presented at cost on initial recognition. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees. This share is calculated taking into account adjustments required to bring the accounting policy of the specific investee into accord with the Group's accounting policy, starting from the time significant influence or the exercise of joint control appears until the date when it ceases.

When the Group's share in an equity-accounted investee's losses exceeds its equity interest in this investee, the carrying amount of that equity interest (including any long-term investments) is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has assumed an obligation to compensate the losses of this investee or has made payments on behalf of the investee.

(vii) Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's equity interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Revenue

(i) Revenues from contracts with customers

Revenue from contracts with customers includes revenue from the sale of apartments, commercial real estate and parking spaces which are constructed under beforehand developed and approved design projects without reference to a specific customer's requests.

Revenue from the sale of real estate properties is recognized at the transaction price, which represents consideration to which the Group expects to be entitled in exchange for transferring promised good or service to the customer, and is adjusted for a significant financing component to reflect the price that a customer would pay for the promised goods, if the payment as made in cash, when (or to the extent that) they are transferred to the customer. Revenue is recognized at a point in time or over the time, when the customer obtains control of the asset.

Customers generally pay for real estate properties within less than six months, and returns of purchased properties are immaterial.

Most of the Group's revenue is generated under share participation agreements. According to Federal Law No. 214-FZ, under which most of the Group's real estate properties under construction are sold, the developer has the right to receive the full amount of remuneration stipulated by the agreements, the construction of the properties is performed without violations pursuant to share participation agreements and the customer under such contract does not have the right to unilaterally repudiate the contract without recourse to the courts, except such termination is explicitly provided for in the agreement. Therefore, share participation agreement are considered non-cancellable according to the standard procedure. Revenue is recognized over time based on progress toward complete satisfaction of a performance obligation under the contract.

The Group uses the resources input method to assess the progress of performance obligations under the contract being satisfied, based on the actual costs incurred compared to total planned costs. The acquisition cost of land plots and/or right of use assets, as well as provisions for completion of construction of properties not transferred into joint ownership, are excluded both from actual and total planned costs and are included in the cost of sales of the period using the same base of recognition as revenue. Revenue from the sale of real estate is recognized at prices in effect on the date of the contracts with customers, which may differ significantly from those in effect on the date of revenue recognition.

The Group assesses the significant financing component when of the contract is concluded using the discount rate that would have been applied for a separate financing transaction between the Group company and its customer at the time of entering into the contract.

The transaction price in sales of real estate properties using escrow accounts is adjusted for savings in interest expenses in case the interest rate on project borrowings is decreased compared to the base (market) rate. A change in the initial estimate of these savings is recognized in the period when the change actually takes place.

(ii) Rental income

Other revenue includes income from the lease of assets, which is recognized in revenue on a straight line basis over contract term.

(c) Finance income and expenses

The Group's finance income and expenses include:

- interest income;
- interest expense;
- the net gain or loss on revaluation of financial assets and financial liabilities denominated in a foreign currency;
- unwinding of the discount on financial instruments.

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

The effective interest rate is the rate for discounting estimated future cash payments or receipts throughout the expected effective term of a financial instrument to precisely:

- the gross carrying amount of the financial asset; or
- the amortized cost of a financial liability.

Borrowing costs that are not directly attributable to the acquisition or construction of a qualifying asset are recognized in profit or loss for the period using the effective interest method. Interest expense recognized as a result of an adjustment for a significant financing component is accounted for in the same way as borrowing costs.

Interest expenses directly attributable to the cost of inventories, namely land plots for the construction of properties or the creation of any other qualifying assets on which significant time must be spent to prepare them for the planned use or sale, are included in the cost of these assets up to the time when they are recognized in the cost of sales or are ready for sale.

The capitalization of interest starts on the date when the Group incurs expenses related to the qualifying asset, specifically when active development of project documentation required to receive a construction permit for the first blocks of a micro-district begins.

The Group capitalizes interest expenses that could have been avoided if it did not incur expenses on qualifying assets. Capitalized interest expenses are calculated based on the Group's weighted-average financing rate, except in those cases when the funds were borrowed explicitly to create a qualifying asset. A significant financing component on advances received under a co-investment contract is capitalized in the cost of land plots and other assets according to the general practice, as part of interest expenses.

Interest expenses are capitalized in the cost of qualifying assets throughout the period of construction, net of any investment income from short-term investment of these loan funds.

Foreign currency gains and losses are reported on a net basis as either finance income or finance expense, depending on whether foreign currency movements represent a net gain or a net loss position.

(d) Foreign currency transactions

Transactions in a foreign currency are restated in the respective functional currencies of Group entities at the exchange rates in effect on the transaction dates.

Monetary assets and liabilities denominated in a foreign currency at the reporting date are restated in the functional currency at the exchange rate in effect on that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for effective interest accrued and payments during the period, and the amortized cost in a foreign currency restated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in a foreign currency that are measured at fair value are restated in the functional currency at the exchange rate in effect on the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are restated at the exchange rate on the transaction date.

Foreign currency differences arising as a result of restatement are recognized in profit or loss for the period, except for differences arising on the restatement of available-for-sale equity instruments which are recognized in other comprehensive income.

(e) Employee benefits

Liabilities on short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized in the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the liability can be estimated reliably.

To the extent that the Group's contributions to social programs benefit not only the Group's employees, they are recognized in profit or loss as incurred.

Expenses on severance pay are recognized at the earliest of the following dates: when the Group can no longer annul the provisions on the payment of this remuneration or when the entity recognizes the restructuring costs.

(f) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss for the period, except to the extent that it relates to a business combination or to transactions recognized directly in equity or in other comprehensive income.

(i) Current tax

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

(ii) Deferred tax

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

- temporary differences on the initial recognition of assets or liabilities under 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 to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which they can be used. 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 realized.

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

The measurement of deferred tax reflects the tax consequences following from the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities at the end of the reporting period.

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 that intend to settle current tax liabilities and assets on a net basis or the tax assets and liabilities of which will be realized simultaneously.

In accordance with the tax legislation of the Russian Federation, the tax losses and current tax assets of a Group company may not be set off against the 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.

When determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties, and late-payment interest may be due. Income tax liabilities include potential additional tax assessments, including fines and penalties, estimated by management. Their assessment relies on estimates and assumptions and may involve a series of judgments about the impact of future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

(g) Inventories

Inventories include construction-in-progress in projects where the Group acts as a developer, with such construction-in-progress intended for sale, as well as the cost of land plots, right-of-use assets and the construction of social and infrastructure facilities that were not recognized in the cost of sales using percentage of completion, land plots or lease rights in projects for which construction permits are in the process of being obtained and the development of which will start shortly, as well as finished products and investment contributions under co-investment contracts for properties under construction by third or related parties.

Inventories are measured at the lower of purchase cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to complete and selling expenses, with due account of the project timeline.

The cost of real estate properties under construction is determined based on the specific costs of their construction. These costs include direct expenses of constructing the buildings in which the properties are located and general costs of the project or an individual stage, such as costs to obtain permits, technical and other documentation, land lease and right-of-use assets, construct utility networks and other infrastructure and social facilities, make urban land improvement and parking lots, interest attributable to the construction. Total costs are allocated to individual objects of construction on a pro rata basis relative to the square meters intended for sale.

Where a real estate property is not being actively developed, net rental costs are shown in profit or loss.

Construction of residential buildings may require that the Group:

- delivers certain properties to the local authorities upon completion of construction for no consideration, e.g., certain commercial spaces, schools, kindergartens, etc., including the interior finishing thereof;
- constructs certain infrastructure facilities, e.g., power stations and electrical power networks, water supply and sewerage systems, roads;
- demolishes structures on the territory of the land plot and resettles the residents thereof to new finished apartments.

When such contracts are concluded as part of the process of acquiring land plots and receiving construction permits, these contracts cannot be assessed as separate onerous contracts, and the costs to complete their construction are included in the total cost of construction of the property to which they relate or are assigned. Also, impairment losses on the parking spaces and infrastructure facilities that must be constructed pursuant to the permit documents are included in the cost of the real estate properties for sale.

Construction expenses on social infrastructure that will not be transferred into common ownership are recognized in the cost of construction as each structure is built and are distributed based on the square meters of the structure being built. These expenses usually appear after the construction of the structures to which they relate, which is why provisions on the completion of construction are created in the amount of the future construction costs on these structures (with due account of the time value of money).

A normal operating cycle for a construction project may exceed twelve months. For this reason, inventories are classified as current assets even when they are not expected to be realized within twelve months after the reporting date. Group management includes in inventories the Group's expenses incurred from the start date of preparation of the design and engineering documentation necessary to obtain the relevant permits for the construction of the first blocks of a micro-district.

(h) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted as separate items (significant components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognized net within other income or other expenses in profit or loss for the period.

(ii) Subsequent expenditures

Subsequent expenditures increase the cost of items of property, plant and equipment only if it is highly probable that the future economic benefits associated with the expenditures will flow to the Group.

The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss for the period as they are incurred.

(iii) Depreciation and amortization

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the construction of the asset is completed and it is ready for use. Depreciation is based on the cost of an asset less its estimated residual value and is charged using the straight-line method.

Depreciation methods, estimated useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

The estimated useful lives of items of property, plant and equipment for the current and comparative periods were as follows:

- office equipment 3 years;
- vehicles 5 years.

(i) Investment property

An investment property is a property that is held either for the generation of income from lease and/or the receipt of benefits from an increase in value or both, but not one held for sale in the ordinary course of business, use in construction or for administrative needs.

An investment property includes land plots intended for the construction of commercial real estate for generation of rental income and subsequent sale, as well as real estate properties that are rented out by the Group.

An investment property is initially measured at its acquisition or construction cost. The Group chose an accounting model based on historical cost that stipulates accounting at historical cost less accumulated depreciation and amortization and accumulated impairment losses.

When the actual use of a property changes in such a way that it becomes property, plant and equipment or an inventory, its carrying amount on the date of reclassification becomes its value for subsequent accounting.

(j) Financial instruments

(i) Recognition and measurement

Trade receivables and issued debt securities are initially recognized at the time when they appear. All other financial assets and liabilities are initially recognized when the Group enters into contractual relations regarding these instruments.

A financial asset (unless it is a trade receivable that does not contain a significant financing component) or a financial liability is initially measured at fair value, while an accounting item that is not measured at fair value is measured through profit and loss, plus the transaction costs related directly to its acquisition or issue. Trade receivables that do not contain a significant financing component are initially measured at the transaction price.

(ii) Financial assets - classification and measurement

On initial recognition, a financial asset is classified as measurable: at amortized cost or at fair value through other comprehensive income for debt instruments, at fair value through other comprehensive income for equity instruments, or at fair value through profit and loss.

Financial assets are reclassified after their initial recognition only if the Group changes its financial asset management business model, and in this case all impacted financial assets are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is measured at amortized cost only if it meets both of the following conditions and has not been classified, at the Group's discretion, as measurable at fair value through profit and loss:

- it is being held under a business model aimed at receiving the cash flows stipulated by the contract, and
- the contractual terms envisage the appearance of cash flows within defined timeframes, representing exclusively the payment of principal and interest on the unpaid part of principal.

An investment in a debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions and has not been classified, at the Group's discretion, as measurable at fair value through profit and loss:

- it is being held under a business model, the purpose of which is achieved both through the receipt of the cash flows stipulated by the contract and through the sale of financial assets; and
- its contractual terms envisage the appearance of cash flows within defined timeframes, representing exclusively the payment of principal and interest on the unpaid part of principal.

On the initial recognition of investments in equity instruments not held for trading, the Group may, at its own discretion, decide (without the right of subsequent cancellation) to present future changes in their fair value within other comprehensive income. This choice is made for each investment separately.

All financial assets that do not meet the criteria to be measured at amortized cost or at fair value through other comprehensive income, as described above, are measured at fair value through profit and loss. On initial recognition, the Group may, at its discretion, classify (without the right of subsequent reclassification) a financial asset that meets the criteria to be measured at amortized cost or at fair value through other comprehensive income as measurable at fair value through profit and loss, if this makes it possible to eliminate or significantly mitigate an accounting discrepancy that would otherwise appear.

The Group assesses the goals of the business model under which an asset is being held at the level of the portfolio of financial instruments, since this best reflects the business management method and the method of providing information to management. In this regard, the following information is considered:

- the policies and goals established for this portfolio, as well as the practical effect of these policies. This includes the management strategy to receive the interest income stipulated by the contract, maintain a set interest rate structure, ensure that the repayment deadlines of financial assets match the repayment deadlines of the financial liabilities used to finance these assets, or the expected cash outflows, or the sale of cash flows through the sale of assets.
- how portfolio performance is measured and how this information is brought to the attention of Group management.
- the risks impacting the performance of the business model (and the financial assets held under this business model) and how these risks are managed.
- how the managers responsible for portfolio management are remunerated (for example, does this remuneration depend on the fair value of the indicated assets or on the receipt of the cash flows on the assets stipulated by the contract).
- the frequency, scope, and timeframes for the sale of financial assets in past periods, the reasons for these sales, and the expectations on the level of future sales.

The transfer of financial assets to third parties under transactions that do not meet the criteria for derecognition are not considered sales for this purpose, and the Group continues to recognize these assets.

Financial assets held for trading or under management, the performance of which is measured at fair value, are measured at fair value through profit and loss.

(iii) Financial liabilities – classification, measurement, and profit and loss

Financial liabilities are classified as measurable at amortized cost or at fair value through profit or loss. A financial liability is classified as measurable at fair value through profit or loss if it held for trading, it is a derivative instrument, or it is classified as such by the organization, at its discretion, upon initial recognition. Financial liabilities measured at fair value through profit or loss are measured at fair value, and net profits or losses, including any interest expense, are recognized within profit or loss. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method. Interest expense and exchange gains and losses are recognized in profit or loss. Any profit or loss appearing upon derecognition is also recognized in profit or loss.

(iv) Modification of the terms of financial assets and financial liabilities

If the terms of a financial asset change, the Group assesses whether the cash flows from this modified asset differ significantly. If the cash flows differ significantly, the stipulated cash flows under the initial financial asset are deemed to have ceased. In this case, the initial financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows from the modified asset measured at amortized cost do not differ significantly, this modification of terms does not lead to the derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the adjustment to the gross carrying amount as a profit or loss from the modification in profit or loss. The gross carrying amount of the financial asset is restated as the present value of the reconsidered or modified cash flows, discounted using the initial effective interest rate for this financial asset. The carrying amount of the modified financial asset is adjusted by the costs and commission fees incurred and amortized throughout the remaining effective term of the modified financial asset.

The Group derecognizes a financial liability when its terms are changed in such a way that the amount of cash flows from the modified liability change significantly. In this case, a new financial liability with modified terms is recognized at fair value. The difference between the carrying amount of the previous financial liability and the value of the new financial liability with modified terms is recognized in profit or loss.

If the modification of the terms (or the substitution of the financial liability) does not result in the derecognition of the financial liability, the Group uses an accounting policy consistent with the approach to the adjustment of the gross carrying amount of a financial asset in those cases when the modification of terms does not result in the derecognition of the financial asset.

For the purposes of a quantitative analysis, the terms are deemed to differ significantly if the present value of cash flows under the new terms, including payments of commission fees less received commission fees discounted at the initial effective interest rate, differ by at least 10% from the discounted present value of the remaining cash flows under the initial financial liability. If the substitution of one debt instrument with another or modification of its terms is shown in accounts as a settlement, the costs or commission fees incurred are recognized as part of profit or loss from the settlement of the corresponding debt obligation. If the substitution of one debt instrument with another or modification of its terms is not shown in accounts as a settlement, the costs or commission fees incurred are adjusted by the carrying amount of the corresponding liability and this adjustment is amortized throughout the remaining effective term of the modified liability.

(v) Derecognition

The Group derecognizes a financial asset when it loses the rights to the cash flows from this financial asset specified by the contract or transfers the rights to receive the cash flows specified by the contract through the performance of a transaction under which nearly all risks and rewards associated with the title to this financial asset are transferred to the other party or under which the Group neither transfers nor retains a significant part of all risks and rewards associated with the title to this financial asset but does not retain control over the financial asset.

The Group derecognizes a financial liability when the contractual obligations under the liability are met, annulled, or terminated. On the derecognition of a financial liability, the difference between the settled carrying amount and the remuneration paid (including any non-cash assets transferred or obligations assumed) is recognized in profit or loss.

(vi) Mutual settlement

Financial assets and 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 recognized amounts and intends either to settle on a net basis or to sell the asset and settle the liability simultaneously.

(vii) Impairment

The Group recognizes provisions for expected credit losses (ECLs) on:

- financial assets measured at amortized cost;
- investments in debt instruments measured at fair value through other comprehensive income; and
- contract assets.

Impairment provisions are measured in one of the following two ways:

- 12-month expected credit losses: these are expected credit losses that result from default events that are possible within 12 months after the reporting date; and
- total expected credit losses: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group recognizes provisions for expected credit losses in an amount equal to total expected credit losses, except for instruments on which the amount of recognized provisions will be equal to 12-month expected credit losses:

- debt securities and other financial assets, if it was determined that they have a low credit risk as at the reporting date; and
- debt securities and other financial assets, as well as balances on bank accounts, on which credit risk (i.e., the risk of default throughout the expected life of a financial instrument) has not increased significantly since initial recognition.

Provisions for losses on trade receivables and contract assets will always be measured in an amount equal to total expected credit losses.

The Group analyzes reasonable and supportable information that is relevant and available without undue cost or effort when assessing whether there was a significant increase in credit risk for each financial asset since initial recognition and when assessing expected credit losses. This includes both quantitative and qualitative information, the analysis based on the Group's historic experience and credit quality analysis carried out based on all available data and forward-looking information.

The Group assumes that the credit risk for a financial asset increased significantly if it is overdue for more than 45 days.

The Group includes a financial asset in financial assets on which a default event has occurred in the following cases:

- it is unlikely that the borrower will repay its credit obligations to the Group in full without the Group taking measures such as the realization of pledged collateral (if available); or
- a financial asset is more than 45 days overdue.

Credit losses are measured as the present value of all expected cash shortfalls (i.e., the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive). The amount of expected credit losses is discounted using the effective interest rate for the corresponding financial asset.

The Group assesses expected credit risks on an individual basis for individually significant counterparties based on an evaluation of the relevant counterparty's financial standing and the likelihood of possible losses. The Group rates the quality of major counterparties with due account of the accumulated information, public data or ratings assigned by professional rating agencies, and assesses the likelihood of a default and expected losses using the public information of rating agencies by comparing the assigned quality ratings with the ratings of these agencies.

Expected credit losses on all other debts are measured using the portfolio method based on actual data on the share of credit losses over the past two years, with a breakdown into categories depending on transactions, individual characteristics, and deadlines.

Provision of information on impairment

Provisions for losses on financial assets measured at amortized cost are deducted from the gross carrying amount of these assets and included in financial expenses.

(k) Issued share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

(l) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance expense.

(i) Warranties

A provision for construction quality warranties is recognized when buildings are commissioned. The provision is calculated based on historical warranty repair service data and a weighting of all possible outcomes against their associated probabilities.

(ii) Onerous contracts

A provision for onerous contracts is recognized when the benefits that the Group expects to derive from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

(iii) Provision for costs to complete

Under construction projects, the Group assumes obligations to construct social and other infrastructure such as schools, preschools, roads, and utility networks, expenses on which are borne by the Group throughout the entire project and which are not transferred into common ownership.

These objects are usually built after the residential buildings to which they relate, and therefore the Group accrues the corresponding provision as they are constructed. The amount of the provision is measured based on the present value of estimated unavoidable net costs required to complete the construction of these objects. Accrual of the provision starts from the time when the construction permit for each building or project stage is received, pro rata to the area to be sold in each building (or stage), and is recognized as the construction progresses.

(m) Leases

Starting from 1 January 2019, the Group began to apply IFRS 16 *Leases*. For more details, see Note 4. Prior to 1 January 2019, the Group applied the following accounting policy:

(i) Determining whether an arrangement contains a lease

At inception of the agreement, the Group assesses whether this agreement is or contains elements of a lease. The contract is / or contains a lease, if the performance of the agreement depends on the use of a specific asset and this agreement conveys a right to use the asset.

At the inception or upon the reassessment of an agreement, the Group separates all payments and other consideration required by this agreement into those that relate to the lease and those that relate to other elements of the agreement on the basis of their relative fair values. If the Group concludes that it is impracticable to separate the payments reliably for a finance lease, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the recognized liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Group's incremental borrowing rate.

(ii) Leased assets

Assets held by the Group under lease agreements that transfer practically all the risks and rewards of ownership to the Group are classified as finance leases. Upon initial recognition, the leased asset is measured in an amount equal to its lowest fair value and the present (discounted) value of the minimum lease payments. This asset is then accounted in accordance with the accounting policy applicable to that asset.

Other lease agreements are classified as operating leases and the leased assets are not recognized in the Group's statement of financial position.

(iii) Lease payments

Payments made under operating leases are recognized in profit or loss for the period on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of total lease expenses, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between finance expense and a reduction of the outstanding liability. Finance expenses are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(n) Other expenses

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognized in profit or loss as incurred.

33 New standards and interpretations not yet adopted

The following new standard, amended standards, and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards;
- Definition of a Business (amendments to IFRS 3);
- Definition of Material (amendments to IAS 1 and IAS 8);
- IFRS 17 *Insurance Contracts.*
- Interest Rate Benchmark Reform (amendments to IFRS 9, IFRS 39, and IFRS 7).
- Procedure for classification of non-current and current liabilities (amendments to IAS 1).
- Sales or contributions of assets between an investor and its associates or joint ventures (amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*).

34 Non-IFRS measures

’000 RUB	**Note**	**2019**	**2018 (restated)**
Profit and total comprehensive income		864,301	2,442,206
Plus depreciation of property, plant and equipment and amortization of a right-to-use asset		302,393	85,420
Plus finance expenses	9	4,485,317	2,853,339
Minus finance income	9	(614,228)	(3,467,740)
Plus income tax expense	11	316,823	745,704
EBITDA		**5,354,606**	**2,658,929**
Capitalized interest expense included in the cost of sales	14	1,692,458	1,035,728
Plus impairment of an investment property	12	223,588	689,000
Plus fines, penalties, and late-payment interest, including provisions	8(c)	250,696	-
Adjusted earnings before interest, taxes, depreciation and amortization indicator (adjusted EBITDA)		**7,521,348**	**4,383,657**

PJSC Samolet Group

Consolidated Financial Statements
for 2018
and Independent Auditors’ Report

Contents

KPMG

Independent Auditors' Report

To the Shareholders and Board of Directors of PJSC Samolet Group

Opinion

We have audited the consolidated financial statements of PJSC Samolet Group (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 are independent of the Group in accordance with the independence requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation and with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation 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

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.

Adoption of IFRS 15 *Revenue from Contracts with Customers*

Please refer to Notes 9 and 31 (b) in the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group adopted IFRS 15 *Revenue from Contracts with Customers* in 2017, according to which revenue from share participation agreements is recognized overtime in most of cases and is adjusted for a significant financing component. Revenue recognized overtime is calculated measuring the progress towards complete satisfaction of the performance obligation based on resource method. Budgeting of construction costs used to assess the stage of completion involves high level of professional judgement and assumptions and is also subject for uncertainty due to economic volatility, changes in legislation and the length of the Group's operating cycle. In addition, the calculation of revenue and significant financing component as well as allocation of the total costs to the cost of real estate items appear complex and have a significant impact on consolidated financial statements.	We analyzed the Group's revenue recognition accounting policy, as well as the methodology applied by management to calculate revenue, cost of sales and significant financing component. On a sample basis we compared the components of the budgets serving as the basis to determine the stage of completion to the parameters of properties under construction specified in respective construction permit documentation. We compared the cost of construction per square meter in the budgets of the selected projects to the cost of construction per square meter in the completed projects and critically assessed the comments obtained with respect to significant deviations identified. We tested controls over recognition of actual construction costs. Among other procedures we reconciled, on a sample basis, costs incurred to the supporting documentation. We tested the calculations of the progress towards satisfaction of a performance obligation for the selected groups of contracts per buildings in projects. On a sample basis we agreed the input data in revenue calculations to the share participation agreements. We verified that discount rates applied were in line with the interest rates of the available

	funding, on a sample basis, we checked the mathematical accuracy of the calculations of a significant financing component and interest expenses included in the cost of construction. We tested the formation of the transaction price and the amount recognized in revenue for the reporting period for the selected groups of contracts.

Valuation of inventories

Please refer to Note 16 in the consolidated financial statements.

The key audit matter	**How the matter was addressed in our audit**
The Group's inventories are material and amount to RUB 47 677 million as at 31 December 2018. They mostly comprise of unsold properties in uncompleted real estate construction projects, amounts of land plots related to sold properties but not yet recognized in cost of sales at percentage of completion, and land plots being prepared for construction. While preparing the consolidated financial statements the Group performed the analysis of the inventories to identify items with carrying amounts higher than their net realizable value as at the reporting date, based on the discounted future cash flows forecasts. Analysis of impairment indicators and determination of impairment losses as at 31 December 2018 required significant labor costs and high level of professional judgement. The calculation of the net realizable value is based on the forecasts and assumptions, which due to economic volatility, changes in legislation and the Group's project decisions may lead to significant changes in impairment of inventories, recognized in the Group's consolidated financial statements.	Among other procedures, we analyzed the discounted future cash flows models, which serve as the basis for identification of projects where properties may be sold with low or negative margin, as well as the basis for calculation of the net realizable value. We critically assessed the key inputs in the selected models, including the following: — on a sample basis we compared the components of the costs to complete the construction in the models to the parameters of the projects being constructed specified in respective construction permit documentation and actualized budgets; — on a sample basis we compared actualized budgets for construction with the previous versions of budgets, obtained and critically assessed management's explanations of significant changes; — we compared the cost of construction per square meter in the selected projects in models to the actual cost of construction incurred per square meter in the completed projects of the Group with similar characteristics, and critically assessed management's explanations of significant deviations;

	— on a sample basis we compared the forecasted selling price in the projects under construction to actual prices available in open sources, offered by the Group and its competitors in similar projects, considering possible adjustments with respect to stage of completion of buildings. We also involved our internal valuation specialists to test on a sample basis the results of discounted future cash flows forecasts, prepared by management.

Provision for costs to complete

Please refer to Notes 21 and 5 (b) in the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Due to the long duration of the operating cycle, a significant share of general costs, necessary for the development project and forming the full cost of construction, may be incurred subsequent to the satisfaction of the performance obligations under the contracts with customers and respective revenues being recognized. In 2018 the Group changed its accounting treatment of provisions for costs to complete, as described in Note 5 (b) to the consolidated financial statements, and applied the new approach retrospectively with restatement of comparative information. As construction of real estate properties progresses, the Group includes into the cost of construction of properties by reference to the stage of completion costs to construct social and other infrastructure facilities, not to be transferred to joint ownership of customers, and creates the appropriate provision for costs to complete if such costs will be incurred later. As at 31 December 2018 the provision for costs to complete amounts to RUB 1 263 million.	We analyzed the Group's budgeting procedures to forecast the costs to complete and the approach to allocate the general construction costs to property items developed by the Group and intended for sale. On a sample basis, we compared components of the budgets with the characteristics of projects as set out in the relevant construction permit documentation and satisfied ourselves that the cost of construction included infrastructure expenditures as specified in the construction permit documentation. On a sample basis, we compared the actualized budgets with their previous versions, which were used to calculate the provisions for costs to complete as at the previous reporting date and critically assessed management's explanations for significant changes. We reconciled the budgeted cost of construction of significant infrastructure facilities with the actual cost of construction of similar objects in other projects of the Group. We analyzed the accrual and utilization of

Such provision is assessed at each reporting date based on actualized budgets and depends on individual characteristics of the infrastructure facilities and similar objects to be constructed and management estimation of their costs and construction timeline, which are exposed to significant uncertainty. Accordingly, any change in the assumptions may significantly impact the provision's carrying amount and related items in the consolidated financial statements of the Group.	the provision for costs to complete the construction by projects.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the (consolidated) financial statements does not cover the other information and we will 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 when it becomes available 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management 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, management 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 management 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.

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 scepticism 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 management.

— Conclude on the appropriateness of management's 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 fair presentation.

— Obtain sufficient 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 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 unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

Fonareva Svetlana

JSC "KPMG"
Moscow, Russia

16 May 2019

'000 RUB	Note	31 December 2018	31 December 2017 (Restated)	1 January 2017 (Restated)
ASSETS				
Property, plant and equipment		159 226	272 653	179 986
Intangible assets		83 404	118 560	104 557
Investment property	14	1 260 741	1 949 741	-
Other investments	15	1 533 691	1 258 122	127 696
Deferred tax assets	13	1 062 014	1 216 265	620 058
Non-current assets		**4 099 076**	**4 815 341**	**1 032 297**
Inventories	16	47 677 300	37 147 441	41 312 429
Prepayments		5 609 772	1 518 909	1 880 982
Other investments	15	1 061 254	660 495	4 460 666
Income tax receivable		266 429	235 063	10 156
Trade and other receivables	17	1 186 228	935 494	1 436 111
VAT receivable		52 258	44 057	21 178
Cash and cash equivalents	18	2 976 545	3 310 340	3 084 342
Current assets		**58 829 786**	**43 851 799**	**52 205 864**
Total assets		**62 928 862**	**48 667 140**	**53 238 161**

The consolidated statements of financial position are to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 16-56.

'000 RUB	Note	31 December 2018	31 December 2017 (Restated)	1 January 2017 (Restated)
EQUITY AND LIABILITIES				
Equity				
Charter capital	19	1 500 010	1 500 010	1 500 010
Retained earnings		4 760 916	2 788 561	370 545
Equity attributable to the owners of the Company		**6 260 926**	**4 288 571**	**1 870 555**
Total equity		**6 260 926**	**4 288 571**	**1 870 555**
Liabilities				
Loans and borrowings	20	4 790 006	4 290 006	-
Trade and other payables	22	7 560 919	12 321 828	16 016 189
Deferred tax liabilities	13	1 115 115	1 541 464	1 500 655
Non-current liabilities		**13 466 040**	**18 153 298**	**17 516 844**
Loans and borrowings	20	508 385	68 608	6 297 846
Trade and other payables	22	40 400 573	22 912 926	26 219 612
Provisions	21	1 308 034	2 661 610	1 129 799
Income tax payable		102 782	250 031	203 505
Non-controlling interest in limited liability companies	25	882 122	332 096	-
Current liabilities		**43 201 896**	**26 225 271**	**33 850 762**
Total liabilities		**56 667 936**	**44 378 569**	**51 367 606**
Total equity and liabilities		**62 928 862**	**48 667 140**	**53 238 161**

The consolidated statements of financial position are to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 16-56.

'000 RUB	Note	2018	2017 (Restated)
Continuing operations			
Revenue	9	38 717 495	42 445 232
Cost of sales		(30 563 915)	(35 686 544)
Gross profit		**8 153 580**	**6 758 688**
Other income		581 375	436 146
Distribution expenses	10(a)	(1 990 537)	(1 668 286)
Administrative expenses	10(b)	(2 125 293)	(1 611 925)
Impairment of investment property	14	(689 000)	-
Other expenses		(540 547)	(375 602)
Results from operating activities		**3 389 578**	**3 539 021**
Finance income	11	3 467 740	2 403 102
Finance costs	11	(2 853 339)	(1 543 826)
Net finance income		**614 401**	**859 276**
Profit before income tax		**4 003 979**	**4 398 297**
Income tax expense	13	(885 704)	(859 161)
Profit from continuing operations		**3 118 275**	**3 539 136**
Discontinued operations			
Profit from discontinued operations		23 931	5 517
Profit and total comprehensive income for the year		**3 142 206**	**3 544 653**
Profit and total comprehensive income attributable to:			
Owners of the Company		2 590 699	3 348 940
Non-controlling interests		551 507	195 713
		3 142 206	**3 544 653**

The consolidated financial statements were approved by management on 16 May 2019 and were signed on its behalf by:

CEO
I.V. Yevtushevsky

Deputy CEO for Finance and Investments
A.E. Karavaev

The consolidated statements of profit and loss and other comprehensive income are to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 16-56.

’000 RUB	Note	Equity attributable to the owners of the Company				
		Charter capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2017 (reported)		**1 500 010**	**338 215**	**1 838 225**	**-**	**1 838 225**
Adjustments	7	-	32 330	32 330	-	32 330
Balance at 1 January 2017 (restated)		**1 500 010**	**370 545**	**1 870 555**	**-**	**1 870 885**
Profit and total comprehensive income for the reporting year (restated)		-	3 348 940	3 348 940	195 713	3 544 653
Effect from disposal of subsidiary	26(b)	-	253 282	253 282	136 383	389 665
Effect from initial recognition of loans issued to related parties at fair value less income tax		-	(1 184 206)	(1 184 206)	-	(1 184 206)
Increase of non-controlling interests within liabilities		-	-	-	(332 096)	(332 096)
Balance at 31 December 2017 (restated)		**1 500 010**	**2 788 561**	**4 288 571**	**-**	**4 288 571**
Balance at 1 January 2018 (restated)		**1 500 010**	**2 788 561**	**4 288 571**	**-**	**4 288 571**
Adjustment at date of initial recognition IFRS 9 (less tax)	5(a)	-	(144 452)	(144 452)	-	(144 452)
Balance at 1 January 2018 (restated)		**1 500 010**	**2 644 109**	**4 144 119**		**4 144 119**
Profit and total comprehensive income for the reporting year		-	2 590 699	2 590 699	551 507	3 142 206
Effect from disposal of subsidiary	26(a)	-	(23 467)	(23 467)	-	(23 467)
Acquisition of subsidiaries with non-controlling interests	26(c)	-	-	-	10 741	10 741
Acquisition of non-controlling interest without change of control		-	-	-	(12 222)	(12 222)
Effect from initial recognition of loans issued to related parties at fair value less income tax		-	(348 424)	(348 424)	-	(348 424)
Declared dividends	19	-	(102 001)	(102 001)	-	(102 001)
Increase of non-controlling interests within liabilities		-	-	-	(550 026)	(550 026)
Balance at 31 December 2018		**1 500 010**	**4 760 916**	**6 260 926**	**-**	**6 260 926**

The consolidated statements of changes in equity are to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 16-56.

’000 RUB	Note	2018	2017 (Restated)
Cash flows from operating activities			
Profit for the year		3 142 206	3 544 653
Adjustments for:			
Depreciation and amortization		85 420	92 141
Net finance income	11	(614 401)	(859 276)
Impairment of investment property		689 000	-
Income tax expense	13	885 704	859 161
Cash flows from operating activities before changes in working capital and provisions		**4 187 929**	**3 636 679**
(Decrease)/increase in inventories		3 992 912	(1 237 486)
Increase in trade and other receivables and advances paid		(3 665 798)	(241 127)
Decrease in trade and other payables		(770 247)	(2 192 256)
(Decrease)/increase in provisions		(1 700 059)	1 531 811
Cash flows from operations before income taxes and interest paid		**2 044 737**	**1 497 621**
Income tax paid		(1 301 024)	(1 412 814)
Interest paid		(528 327)	(720 203)
Net cash flows from/(used in) operating activities before income taxes and interest paid		**215 386**	**(635 396)**
Cash flows from investing activities			
Interest received		248 817	294 026
Cash received from acquisitions of subsidiaries under common control		90 528	-
Cash disposed with the subsidiaries, less compensation received		(15 105)	(3 270)
Proceeds from sale of property, plant and equipment and intangible assets		84 216	-
Acquisition of property, plant and equipment and intangible assets		-	(238 403)
Loans granted		(1 816 000)	(2 689 342)
Loans repaid		700 713	1 430 429
Net cash used in investing activities		**(706 831)**	**(1 206 560)**

The consolidated statements of cash flows are to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 16-56.

'000 RUB	Note	2018	2017 (Restated)
Cash flows from financing activities			
Proceeds from loans and borrowings		1 000 000	4 639 931
Repayment of loans and borrowings		(866 894)	(2 571 977)
Net cash from financing activities		**133 106**	**2 067 954**
Net (decrease)/increase in cash and cash equivalents		**(358 339)**	**225 998**
Effect of movements in exchange rates on cash and cash equivalents		24 544	-
Cash and cash equivalents at 1 January		3 310 340	3 084 342
Cash and cash equivalents at 31 December	18	**2 976 545**	**3 310 340**

The consolidated statements of cash flows are to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 16-56.

1 Reporting entity

(a) Russian 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.

(b) Organization and operations

PJSC Samolet Group (till 25 June 2018 - LLC "Samolet Group of Companies"; since 25 June 2018 till 19 October 2018– JSC "Samolet Group") (the "Company") and its subsidiaries (the "Group") comprise Russian limited liability companies as defined in the Civil Code of the Russian Federation. The Company was established on 22 December 2014 and Company's registered office is: Ivana Franko street 8, Moscow 121108.

The Group develops and sells residential real estate in Moscow, Moscow and Leningrad Regions.

The ultimate parent company of the Group as at 1 January and 31 December 2017 was Samolet Development Pte. Ltd., registered in Singapore.

As at 31 December 2018 the Group is owned by Mr. Kenin M.B. As at 31 December and 1 January 2017 the Group was owned by a number of individuals who had the power to direct the activity of the Group at their own discretion and for their own benefit, none of these individuals controled more than 50% of the Company. Related party transactions are disclosed in Note 28.

2 Basis of accounting

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 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. All financial information presented in RUB has been rounded to the nearest thousand, except when otherwise indicated.

4 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 is included in the following notes:

- Note 9 – Revenue;
- Note 16 – Inventories;
- Note 21 - Provisions;
- Note 26 – Acquisition and disposal of subsidiaries.

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 9 – Revenue;
- Note 13 – Income tax expense;
- Note 15 – Other investments;
- Note 16 – Inventories;
- Note 21 – Provisions;
- Note 27 – Contingencies.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the Notes 14 and 23.

5 Changes in accounting policies

(a) IFRS 9 Financial Instruments

The Group has initially applied IFRS 9 from 1 January 2018. The effect of initially applying these standards is mainly attributed to an increase in impairment losses recognised on financial assets.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of retained earnings:

’000 RUB	**Impact on adopting IFRS 9 1 January 2018**
Retained earnings	
Recognition of expected credit losses under IFRS 9	180 565
Related tax	(36 113)
Impact on 1 January 2018	**144 452**

The information about new significant accounting policies, as well as a description of their nature and impact of changes of the previous accounting policies is disclosed further.

(i) Classification and measurement of financial assets and liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However the standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group’s accounting policies related to financial liabilities. Further is explanation of how the Group classifies and measures financial assets.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and 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. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated by Group 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.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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 FVTPL, transaction costs that are directly attributable to its acquisition.

(ii) 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.

Further information about how Group determined expected credit loss is included in the Note 23 (b(ii)) and 31 (j(vii)).

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except the Group has used 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. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39. The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018 as well as effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018.

'000 RUB	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**Change in estimate**	**New carrying amount under IFRS 9**
Financial assets					
Trade and other receivables	Borrowings and trade receivables	Amortised cost	935 494	(7 215)	928 279
Other investments	Borrowings and trade receivables	Amortised cost	1 488 417	(229 702)	1 258 715
Other investments	Borrowings and trade receivables	Fair value through profit or loss	430 200	56 352	486 552
Cash and cash equivalents	Borrowings and trade receivables	Amortised cost	3 310 340	-	3 310 340
Total financial assets			**6 164 451**	**(180 565)**	**5 983 886**

(b) Provisions for construction of social and infrastructure facilities

In the second half of 2018 the Group reconsiders the method of determining percentage of completion for contracts with customers and excluded from calculation the construction of infrastructure which are not transferred to the customers. Costs of these objects are recognized in proportion to constructed meters in each house from the date of sales starting to the stage of completion, calculated for each house. At the same time construction of such objects may be carried out later, than construction of the particular house, in this case the provision for cost to complete construction is recognized. Previously provision was recognized at a point in time for revocable sales contracts.

Change in accounting policy was applied retrospectively by restating each of the affected consolidated financial statement line items for prior periods. The impact of this changes on the Group consolidated financial statements as at 31 December 2017 and 1 January 2017 and for the 2017 is included the table in the Note 7.

6 Acquisition under common control

In the second half of 2018 the parent company transferred 99,99% interest in LLC Samolet Real Estate, previously acquired from Group in 2016, as a contribution to Group property. According to adopted accounting policy the Group restated current and previous periods items, as if subsidiary was acquired before 1 January 2017. The impact of acquisition on the consolidated financial statements is included in the Note 7.

7 Impact of changes in accounting policy and acquisition under common control

Consolidated Statement of Financial Position as at 31 December 2017.

		Adjustments		
'000 RUB	**Reported in the financial statements for previous period**	**Provision for construction completion**	**Acquisition under common control**	**Restated**
Property, plant and equipment	271 425	-	1 228	272 653
Intangible assets	117 821	-	739	118 560
Investment property	1 949 741	-	-	1 949 741
Other investments	1 800 581	-	(542 459)	1 258 122
Deferred tax assets	1 156 260	-	60 005	1 216 265
Non-current assets	**5 295 828**	**-**	**(480 487)**	**4 815 341**
ASSETS				
Inventories	36 580 763	(445 772)	779 450	36 914 441
Prepayments	1 518 909	-	-	1 518 909
Other investments	660 495	-	-	660 495
Income tax receivable	235 063	-	-	235 063
Trade and other receivables	1 692 877	-	(524 383)	1 168 494
VAT receivable	29 187	-	14 870	44 057
Cash and cash equivalents	3 310 147	-	193	3 310 340
Current assets	**44 027 441**	**(445 772)**	**270 130**	**43 851 799**
Total assets	**49 323 269**	**(445 772)**	**(210 357)**	**48 667 140**
Equity				
Charter capital	1 500 010	-	-	1 500 010
Retained earnings	2 618 898	228 420	(58 757)	2 788 561
Equity attributable to the owners of the Company	**4 118 908**	**228 420**	**(58 757)**	**4 288 571**
Non-controlling interest	**-**	-	**-**	**-**
Equity	**4 118 908**	**228 420**	**(58 757)**	**4 288 571**

’000 RUB	Reported in the financial statements for previous period	Adjustments: Provision for construction completion	Adjustments: Acquisition under common control	Restated
Liabilities				
Loans and borrowings	4 290 006	-	-	4 290 006
Trade and other payables	12 321 828	-	-	12 321 828
Deferred tax liabilities	1 484 135	57 105	224	1 541 464
Non-current liabilities	**18 095 969**	**57 105**	**224**	**18 153 298**
Loans and borrowings	68 608	-	-	68 608
Trade and other payables	24 047 652	(977 297)	(157 429)	22 912 926
Provisions	2 410 005	246 000	5 605	2 661 610
Income tax payable	250 031	-	-	250 031
Non-controlling interest in limited liability companies	332 096	-	-	332 096
Current liabilities	**27 108 392**	**(731 297)**	**(151 824)**	**26 225 271**
Total liabilities	**45 204 361**	**(674 192)**	**(151 600)**	**44 378 569**
Total equity and liabilities	**49 323 269**	**(445 772)**	**(210 357)**	**48 667 140**

Consolidated Statement of Financial Position as at 1 January 2017.

’000 RUB	Reported in the financial statements for previous period	Adjustments: Provision for construction completion	Adjustments: Acquisition under common control	Restated
Property, plant and equipment	178 617	-	1 369	179 986
Intangible assets	103 434	-	1 123	104 557
Investment property	490 899	-	(363 203)	127 696
Deferred tax assets	580 373	-	39 685	620 058
Non-current assets	**1 353 323**	**-**	**(321 026)**	**1 032 297**
Inventories	40 618 088	-	694 341	41 312 429
Prepayments	1 880 982	-	-	1 880 982
Other investments	4 460 666	-	-	4 460 666
Trade and other receivables	1 921 030	-	(474 763)	1 446 267
VAT receivable	19 984	-	1 194	21 178
Cash and cash equivalents	3 083 667	-	675	3 084 342
Current assets	**51 984 417**	**-**	**221 447**	**52 205 864**
Total assets	**53 337 740**	**-**	**(99 579)**	**53 238 161**
Equity				
Charter capital	1 500 010	-	-	1 500 010
Retained earnings	338 215	-	32 330	370 545
Equity attributable to the owners of the Company	**1 838 225**	**-**	**32 330**	**1 870 555**
Non-controlling interest	-	-	-	-
Total equity	**1 838 225**	**-**	**32 330**	**1 870 555**
Liabilities				
Loans and borrowings	-	-	-	-
Trade and other payables	16 016 189	-	-	16 016 189

’000 RUB	Reported in the financial statements for previous period	Adjustments: Provision for construction completion	Adjustments: Acquisition under common control	Restated
Deferred tax liabilities	1 500 517	-	138	1 500 655
Non-current liabilities	**17 516 706**	**-**	**138**	**17 516 844**
Loans and borrowings	6 297 846	-	-	6 297 846
Trade and other payables	26 355 094	-	(135 482)	26 219 612
Provisions	1 126 364	-	3 435	1 129 799
Income tax payable	203 505	-	-	203 505
Current liabilities	**33 982 809**	**-**	**(132 047)**	**33 850 762**
Total liabilities	**51 499 515**	**-**	**(131 909)**	**51 367 606**
Total equity and liabilities	**53 337 740**	**-**	**(99 579)**	**53 238 161**

Consolidated Statements of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017:

’000 RUB	Reported in the financial statements for previous period	Adjustments: Provision for construction completion	Adjustments: Acquisition under common control	Restated
Revenue	41 872 266	1 077 163	93	42 949 522
Cost of sales	(35 382 304)	(691 772)	(2 911)	(36 076 987)
Gross profit	**6 489 962**	**385 391**	**(2 818)**	**6 872 535**
Other income	436 144	-	1	436 145
Distribution expenses	(1 666 586)	-	(1 700)	(1 668 286)
Administrative expenses	(1 668 125)	-	(52 129)	(1 720 254)
Other expenses	(361 089)	-	(14 513)	(375 602)
Results from operating activities	**3 230 306**	**385 391**	**(71 159)**	**3 544 538**
Finance income	2 443 263		(40 161)	2 403 102
Finance costs	(1 443 960)	(99 866)	-	(1 543 826)
Net finance income	**999 303**	**(99 866)**	**(40 161)**	**859 276**
Profit before income tax	**4 229 609**	**285 525**	**(111 320)**	**4 403 814**
Income tax expense	(822 289)	(57 105)	20 233	(859 161)
Profit and total comprehensive income	**3 407 320**	**228 420**	**(91 087)**	**3 544 653**

The impact of the changes in the accounting policy and acquisition under common control on the Consolidated Statements of Cash Flows for the year ended 31 December 2017 was insignificant, including the issue of intercompany loan in the amount of RUB 139 million.

8 Operating segments

The Group’s development business is concentrated in one geographic region. The Group’s management does not analyze various types of sales (commercial and residential real estate properties) as separate reporting segments. Therefore, management believes that all the Group’s operations comprise a single reporting segment. None of the Group’s customers represented more than 10% of the Group’s revenue.

9 Revenue

’000 RUB	**2018**	**2017 (Restated)**
Sales revenue on SPA recognized at a point in time	1 532 699	24 873 531
Sales revenue on SPA recognized over time	36 831 537	17 088 848
Revenue from sale of real estate properties developed by parties other than the Group recognized at a point in time	-	152 809
Other revenue	217 513	228 421
Total revenue from contracts with customers	**38 581 749**	**42 343 609**
Rental income	135 746	101 623
	38 717 495	**42 445 232**

Obligations under share participation agreements are represented by prepayments received from customers and finance components accrued (see Note 22).

Sales revenue for 2018 includes amount of RUB 11 016 322 thousand, recognised at 31 December 2017 as obligations under contracts with customers.

Within 12 months after 31 December 2018 the Group expects to recognize sales revenue in the amount of RUB 22 908 194 thousand from the total outstanding commitments under such contracts (or partly outstanding) at the end of the reporting period. The Group expects to recognize the remaining contractual obligation as sales revenue within two years after the reporting date.

In 2018 the Group recognized revenue from apartments that were transferred as a payment for the acquisition of land plots in the amount of RUB 3 715 454 thousand (2017: RUB 8 143 965 thousand), which corresponded approximately to their market value at the time of conclusion of the contract.

Sales revenue for 2018 includes a significant finance component, determined on the basis of interest rates in effect on the date of conclusion of contracts with customers from 10% to 13% (2017: from 13% to 15%).

Revenue recognized overtime is determined measuring the stage of completion which calculation depends on the amount of costs to complete construction which is a subject for uncertainty due to volatility of economics and possible changes in projects.

10 Income and expenses

(a) Selling expenses

’000 RUB	**2018**	**2017 (Restated)**
Advertising expenses	1 335 580	1 097 201
Wages and salaries	265 621	217 645
Social contributions	69 648	51 498
Other expenses	319 688	301 942
	1 990 537	**1 668 286**

(b) Administrative expenses

’000 RUB	2018	2017 (Restated)
Wages and salaries	1 106 790	805 849
Social contributions	235 955	149 797
Lease payment	171 576	194 934
Consulting services	185 195	186 932
Utility and maintenance costs	89 269	51 915
Value added tax	54 232	47 916
Depreciation	42 574	58 994
Stationery and other office supplies	45 530	66 187
Other administrative expenses	194 172	49 401
	2 125 293	**1 611 925**

11 Net finance income

’000 RUB	2018	2017 (Restated)
Finance income		
Interest income	320 688	455 827
Interest income on short-term deposits	122 649	217 068
Impact of financial obligations modification*	2 852 363	1 730 003
Foreign-exchange income	59 605	204
Other income	112 435	-
	3 467 740	**2 403 102**
Finance costs		
Foreign-exchange expense	15 818	13 878
Interest expenses**	4 977 091	6 709 447
Interest expense capitalized in inventory	(2 448 489)	(5 179 499)
Other expense	308 919	-
	2 853 339	**1 543 826**

* In 2018 and 2017 the Group financial obligations were significantly modified, as a result the original financial instruments were derecognized and the new ones were recognized:

— In 2017 the Group renegotiated payment terms for land plots acquired in 2015-2016 by decreasing the contract value and shorten payment schedule to 2020-2021 from 2021-2022. New financial instrument was recognized at fair value using the discount rate 13,2%.

— In 2018 liability renegotiated in 2017 was additionally re-negotiated, as a result the contract value was further reduced and the maturity date changed to 2019. The liability was repaid in 2019. New financial instrument was recognized at fair value using the discount rate 11%.

— Besides this in 2018 the Group renegotiated payments for other land plots acquired in 2013 as a result the contract value was increased, repayments terms were extended from 2021 to 2029. New financial instrument was recognized at fair value using the discount rate 9,1%.

** Interest expense includes interest on loans and borrowings accrued in 2018 in the amount of RUB 615 215 thousand (2017: RUB 950 293 thousand).

12 Personnel costs

’000 RUB	2018	2017 (Restated)
Wages and salaries	2 635 927	2 002 136
Social costs	640 822	482 588
	3 276 749	**2 484 724**

13 Income tax expense

(a) Amounts recognized through profit or loss

The applicable tax rate for the Group is 20%, which represents the corporate income tax rate in the Russian Federation.

’000 RUB	2018	2017 (Restated)
Current income tax		
Current year	(1 032 758)	(1 278 947)
	(1 032 758)	**(1 278 947)**
Deferred income tax		
Origination and reversal of temporary differences	147 054	419 786
	147 054	**419 786**
	(885 704)	**(859 161)**

Reconciliation of the effective tax rate:

	2018		2017 (Restated)	
	’000 RUB	**%**	**’000 RUB**	**%**
Profit before income tax	**4 003 979**	**100**	**4 398 297**	**100**
Income tax at applicable tax rate	(800 796)	(20)	(879 659)	(20)
Non-deductible expenses	(112 957)	(3)	(54 621)	(1)
Provision for income tax	166 765	4	(150 000)	(4)
Unrecognized deferred tax assets on losses of the current year	(156 256)	(4)	(15 690)	-
Tax incentive	17 540	-	240 809	5
	(885 704)	**(22)**	**(859 161)**	**(19)**

Change in Provision for income tax in 2018 was accrued with respect to release of the previously accrued provision in the amount of RUB 250 000 thousand due to change in estimation of expected cash outflows, expenses and additional income tax expenses in respect of settlements with counterparties.

The provision for income tax in 2017 was accrued with respect to intra Group expenses in the amount of RUB 250 000 thousand and the release of the provision in the amount of RUB 100 000 thousand due to the expiration of the statute of limitations.

(b) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

’000 RUB	Assets		Liabilities		Net	
	2018	2017 (Restated)	2018	2017 (Restated)	2018	2017 (Restated)
Property, plant and equipment	-	-	(81 627)	(69 715)	(81 627)	(69 715)
Inventories	4 058 379	4 066 982	(9 617)	(37 902)	4 048 762	4 029 080
Trade and other payables	20 956	213 854	(5 102 980)	(5 485 037)	(5 082 024)	(5 271 183)
Tax loss carry-forwards	714 664	695 226	-	-	714 664	695 226
Other investments	347 351	291 393	(227)	-	347 124	291 393
Tax assets/(liabilities)	**5 141 350**	**5 267 455**	**(5 194 451)**	**(5 592 654)**	**(53 101)**	**(325 199)**
Set off of tax	(4 079 336)	(4 051 190)	4 079 336	4 051 190	-	-
Net tax assets/(liabilities)	**1 062 014**	**1 216 265**	**(1 115 115)**	**(1 541 464)**	**(53 101)**	**(325 199)**

(c) Movement in deferred tax balances

’000 RUB	1 January 2018 (Restated)	Recognized in profit or loss	Impact of adopting IFRS 9	Recognized in equity	Acquisition of subsidiaries	31 December 2018
Property, plant and equipment	(69 715)	(11 912)	-	-	-	(81 627)
Inventories	4 029 080	19 682	-	-	-	4 048 762
Trade and other payables	(5 271 183)	189 159	-	-	-	(5 082 024)
Other investments	291 393	(43 952)	36 113	63 568	-	347 124
Tax loss carry-forwards	695 226	(5 925)	-	-	25 363	714 663
	(325 199)	**147 054**	**36 113**	**63 568**	**25 363**	**(53 101)**

’000 RUB	1 January 2017 (Restated)	Recognized in profit or loss	Recognized in equity	Disposals	31 December 2017 (Restated)
Property, plant and equipment	(3 455)	(66 260)	-	-	(69 715)
Inventories	2 519 279	1 509 801	-	-	4 029 080
Trade and other payables	(3 935 464)	(1 335 719)	-	-	(5 271 183)
Other investments	(115 977)	112 662	294 708	-	291 393
Tax loss carry-forwards	655 020	199 302	-	(159 096)	695 226
	(880 597)	**419 786**	**294 708**	**(159 096)**	**(325 199)**

(d) Unrecognized deferred tax liabilities

As at 31 December 2018 a deferred tax liability for temporary differences of RUB 6 317 932 thousand (2017: RUB 3 798 695 thousand) related to the investments in subsidiaries is was not recognized because the Company controls the timing of reversal of the related taxable temporary differences and management is satisfied that they will not reverse in the foreseeable future.

(e) Unrecognized deferred tax assets

Deferred tax assets in the amount of RUB 171 865 thousand at 31 December 2018 (2017: RUB 15 609 thousand) related to deductible temporary differences were not recognized because it is not probable that future taxable profit will be available against which the Group will be able to utilise the tax benefits.

14 Investment property

’000 RUB	**2018**	**2017**
Balance on 1 January	1 949 741	-
Reclassification from inventories	-	1 949 741
Impairment	(689 000)	-
Balance on 31 December	**1 260 741**	**1 949 741**

Investment properties in the total amount of RUB 1 260 741 thousand as at 31 December 2018 comprise infrastructure facilities leased out in the amount of RUB 285 387 thousand, (31 December 2017: RUB 305 387 thousand) and a land plot intended for the construction of the commercial real estate, in the amount of RUB 975 354 thousand.

In 2016 the infrastructure facilities were planned to be transferred to the administration of the districts in which the Group constructed its projects; however since 2017 the Group has been leasing them out, and has no longer plans to transfer.

A land plot located in Moscow region was initially intended for construction of a shopping mall and subsequent sale, however in 2017 was transferred to the investment properties due to a change in the business model to the construction of commercial real estate, which will be leased out by the Group itself. In 2018 due to delay in the designing of project documentation and the start of construction the Group performed impairment testing and recognized the impairment in the amount of RUB 689 000 thousand, based on the future cash flow forecasts as well as the comparative analysis of similar land plots at the market. The future cash flow forecast was based on the following assumptions: the year of putting into operation – 2022, the discount rate applied – 19%.

The fair value of investment property was assigned to Level 3 of the fair value hierarchy and does not differ materially from its carrying amount.

15 Other investments

’000 RUB	**31 December 2018**	**31 December 2017 (Restated)**
Non-current		
Measured at amortized cost	1 101 012	899 414
Measured at fair value through profit and loss	432 679	358 708
	1 533 691	**1 258 122**
Current		
Measured at amortized cost	446 852	589 004
Measured at fair value through profit and loss	614 402	71 491
	1 061 254	**660 495**

Other investments are mainly represented by loans issued to related parties (see Note 28). Loans were provided without collateral at weighted-average nominal rate 2,5% as at 31 December 2018 (31 December 2017: 4,71%). Loans issued in 2018 and 2017 were measured at fair value on initial recognition, based on the market interest rates, the difference between the nominal value and fair value was recognized in equity. Those loans, which were issued to counterparties for the purpose of development projects were measured at fair value through profit and loss, the change of fair value in 2018 amounted to RUB 43 864 thousand and was included to Other finance costs. The fair value is attributable to Level 3 of the fair value hierarchy.

The Group's exposure to credit, currency and interest risks related to other investments is disclosed in Note 23.

16 Inventories

'000 RUB	**31 December 2018**	**31 December 2017 (Restated)**
Construction in progress (a)	24 916 012	17 871 574
Development rights at the stage of technical documentation being prepared (b)	22 470 878	19 264 505
Finished goods and goods for resale	702 388	706 159
Other	222 785	34 966
Impairment (c)	(634 763)	(729 763)
	47 677 300	**37 147 441**

(a) Construction in progress at the end of 2018 includes costs of construction related to unsold real estate properties in the amount of RUB 9 231 924 thousand (31 December 2017: RUB 14 652 572 thousand) and the cost of land related to properties, revenue on sales from which is recognized over time, in the amount allocated to remaining cost to complete , and to unsold properties.

(b) The Group acquired certain land plots in 2016 and 2015 with deferral of payment. The respective liabilities were recognized at fair value on initial recognition using the interest rate of 15% and 18%, respectively, with effect from discounting being accounted for in the cost of land. The unwinding of the discount is capitalized in the costs of inventories as soon as the active development started, and in 2018 was equal to RUB 1 427 325 thousand (2017: RUB 2 566 740 thousand) including adjustments due to reassessment of financial liabilities (Note 11).

In 2018 Group acquired land plots for RUB 5 379 110 thousand in exchange for properties being constructed by the Group.

(c) In 2017 impairment loss was recognized in relation to two of the Group's projects under construction, where according to management forecasts the net realizable value would be less than accumulated construction costs. The impairment was allocated between the impairment of construction in progress in the amount of RUB 729 763 thousand and provision for onerous contracts in the amount of RUB 40 756 thousand. As at 31 December 2018 construction of one of the projects has not started, however the project documentation is being improved, the provision in the amount of RUB 600 000 thousand has not changed significantly. The second project is in the process of construction and the properties are being sold to the customers. Additional impairment loss was not recognized, as at 31 December 2018 impairment loss related to the projects under construction was RUB 34 763 thousand.

The Group applied discounted cash flows method to estimate the net realizable value of construction in progress for every significant project at reporting dates, using the following key assumptions:

- Projects selling prices were forecasted based on market prices for similar real estate in December 2018 and their increase with respect to completion stage of each line;
- Cost of construction was forecasted based on cost per square meter per actualized budgets and progress in construction of similar real estate;

- Cash flows in RUB were discounted using pre-tax rate of 16%-20%.

17 Trade and other receivables

'000 RUB	31 December 2018	31 December 2017 (Restated)
Receivables from related parties	105 375	159 551
Trade receivables	968 688	715 686
Other receivables	112 165	60 257
	1 186 228	**935 494**

Trade receivables are represented by receivables from customers for real estate and are repaid within a year.

The Group's exposure to credit and currency risks and on impairment losses on trade and other receivables is disclosed in Note 23.

18 Cash and cash equivalents

'000 RUB	31 December 2018	31 December 2017 (Restated)
Bank balances in RUB	2 375 407	3 310 323
Bank balances in USD	601 138	17
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	**2 976 545**	**3 310 340**

At 31 December 2018 RUB 1 829 542 thousand were placed on special bank accounts, transactions on which can be performed only in accordance with requirements of the Federal Law No.214-FZ.

The Group's exposure to interest rate risk and a sensitivity analysis of financing assets and liabilities is disclosed in Note 23.

19 Equity

(a) Charter capital

The Company's charter capital as at 1 January and 31 December 2017 in the amount of RUB 1,5 bln. consisted of two participating interests (99,99% and 0,01%). In March 2018 the General Meeting of Shareholders during Group reorganization approved the issue of 60 000 400 ordinary shares at RUB 25 per share, as a result the Company was re-registered from Limited Liability Company to Joint Stock Company. The amount of Charter capital has not been changed.

(b) Dividends

In accordance with Russian legislation the Company's distributable reserves are determined based on the Company's statutory financial statements prepared in accordance with Russian Accounting Principles.

27 December 2018 dividends for 9 months 2018 in the amount of RUB 1,7 per 1 ordinary share in the total amount of RUB 102 001 thousand were declared. The dividends were paid in 2019 (Note 29).

20 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 23.

'000 RUB	31 December 2018	31 December 2017 (Restated)
Non-current liabilities		
Unsecured bonds	4 790 006	4 290 006
	4 790 006	**4 290 006**
Current liabilities		
Unsecured bonds (interest)	64 477	62 291
Other loans and borrowings	443 908	-
Other borrowings from related parties	-	6 317
	508 385	**68 608**

Debt repayment terms and schedule

The payment terms and maturities of outstanding loans and borrowings were as follows:

'000 RUB	Currency	Nominal interest rate	Year of maturity	31 December 2018 Carrying amount	31 December 2017 (Restated) Carrying amount
Unsecured bonds	RUB	11-13%	2021-2028	4 854 483	4 352 297
Other borrowings	RUB	12%	2019	443 908	-
Other borrowings from related parties	RUB	0-5%	2019	-	6 317
Total				**5 298 391**	**4 358 614**

As at 31 December 2018 and 31 December 2017 there was no secured bank loans.

'000 RUB	31 December 2017	Received/ accrued	Repaid	Acquisition of subsidiary	31 December 2018
Bonds	4 290 006	500 000	-	-	4 790 006
Loans and borrowings	6 317	500 000	(866 894)	775 597	415 020
Interest payable	62 291	559 401	(528 327)	-	93 365
	4 358 614	**1 559 401**	**(1 395 221)**	**775 597**	**5 298 391**

21 Provisions

'000 RUB	Provisions for costs to complete	Provisions for onerous contracts	Total
As at 1 January 2017	**1 126 364**	**-**	**1 126 364**
Additional provisions through profit or loss	2 581 578	40 756	2 622 334
Releazes of provisions	(1 087 088)	-	(1 087 088)
As at 31 December 2017	**2 620 854**	**40 756**	**2 661 610**
Additional provisions through profit or loss	642 011	45 000	687 011
Releazes of provisions	(1 999 831)	(40 756)	(2 040 587)
As at 31 December 2018	**1 263 034**	**45 000**	**1 308 034**

The amount of the provisions for costs to complete the construction represents estimated future expenditures, which are expected to be incurred during the construction of infrastructure and other social welfare items such as utilities, roads, schools, kindergardens etc. related to the projects/buildings being constructed and sold at the percentage of their completion. These estimates are particularly dependent on the current urban rules and regulations of development, the terms agreed on obtaining permit documentation for the construction of the whole project, prices on construction materials and wage costs.

22 Trade and other payables

’000 RUB	**31 December 2018**	**31 December 2017 (Restated)**
Non-current liabilities		
Payables to suppliers	973 576	598 122
Payables for acquired land plots/lease rights	6 587 343	11 723 706
	7 560 919	**12 321 828**
Current liabilities		
Advances on SPAs classified as revocable	-	1 470 036
Advances on SPAs	31 799 936	15 108 064
Payables for acquired land plots/lease rights	7 052 059	3 934 334
Payables to suppliers	1 246 389	2 096 840
Other taxes payable	302 189	303 652
	40 400 573	**22 912 926**

Non-current accounts payable consist of amounts of warranty withholdings from subcontracting entities to ensure the quality of their construction work. The warranty period is five years on average.

Advances on signed contracts are mainly collected in the full amount of the contract when they are concluded.

The Group’s exposure to currency risk and liquidity risk in respect of trade and other payables is disclosed in Note 23.

23 Fair value and risk management

(a) Fair value measurement

Financial assets as at 31 December 2018 and 31 December 2017 include cash and cash equivalents, loans issued and trade receivables, which are measured at amortized cost, except for the particular loans, which were measured at fair value through profit or loss. Fair value of the Group’s financial assets (Level 3) calculated based on the discounted amount of the expected payments applying the interest rate adjusted for the risk of each counterparty as at reporting date.

Fair value of the Group financial assets measured at amortized cost is calculated only for the disclosure purposes and approximated their carrying value as at 31 December 2018 and 31 December 2017.

As at 31 December 2018 fair value of financial liabilities approximated their carrying value, except for trade payables for land (Level 3), fair value of which is approximately RUB 300 million higher than its carrying value (31 December 2017: RUB 125 million higher than carrying value), and bonds (Level 1), which quotes as at 31 December 2018 were RUB 213 million lower than their carrying amount (31 December 2017: RUB 64 million higher than its carrying value).

(b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

(i) Basic principles of risk management

Group management has overall responsibility for the establishment and oversight of the Group's 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 established limits.

(ii) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. As at the reporting date, the maximum credit risk was:

'000 RUB	**31 December 2018**	**31 December 2017 (Restated)**
Other investments measured at amortized cost	1 547 864	1 488 418
Trade receivables	968 688	715 686
Other receivables	217 540	219 808
Cash and cash equivalents	2 976 545	3 310 340
Total	**5 710 637**	**5 734 252**

Other investments measured at amortized cost

The Group provides loans mainly to related parties (Note 28), which have to be settled in accordance with terms agreed with the owners of the Group. For these counterparties the Group assesses expected credit loss on individual basis, based on the analysis of the counterparty's financial position, likelihood of possible loss and Group's shareholders' guarantees declared to management.

Trade receivables

The main part of Trade receivables for contracts with customers represents instalments for SPAs, which are secured by real estate under construction, and therefore the Group believes that the credit risk of these receivables is low and there is no expected credit loss.

Other receivables

Expected credit loss is calculated for other receivables based on ageing of receivables that were past due during the last two years. As at reporting date there were no other receivables overdue for more than 45 days.

Cash and cash equivalents

As at 31 December 2018 cash and cash equivalents are mainly held in banks: PJSC "Sberbank", PJSC "Sovcombank", and PJSC "VTB". The Group estimates expected credit loss based on external credit ratings.

The following table provides information about the exposure to credit risk and ECLs for financial assets, measured at amortised cost as at 31 December and 1 January 2018:

31 December 2018 '000 RUB	**Level of risk**	**Equivalent of external credit rating**	**Gross amount**	**Impairment loss allowance**	**Carrying amount**
Financial assets					
Trade receivables	Low	-	968 688	-	968 688
Other receivables	-	-	247 762	(30 222)	217 540
Other investments	High	From CC to C	1 866 840	(318 996)	1 547 864
Cash and cash equivalents	Low	From BB- to BB+	2 976 545	-	2 976 545
Total financial assets			**6 059 835**	**(349 218)**	**5 710 637**

1 January 2018 '000 RUB	**Level of risk**	**Equivalent of external credit rating**	**Gross amount**	**Impairment loss allowance**	**Carrying amount**
Financial assets					
Trade receivables	Low	-	715 686	-	715 686
Other receivables	-	-	219 808	(7 215)	212 593
Other investments	High	From CC to C	1 488 418	(229 702)	1 258 716
Cash and cash equivalents	Low	From BB- to BB+	3 310 340	-	3 310 340
Total financial assets			**5 734 252**	**(236 917)**	**5 497 335**

Credit-impaired financial assets are nil.

During the reporting period there were the following changes in the allowance for impairment of financial assets, measured at amortized cost:

'000 RUB	
Loss allowance before adopting IFRS 9	**-**
IFRS 9 Adjustment	**236 917**
Provision for expected credit loss as at 1 January 2018	**236 917**
Reversal of the provision due to repayment	(114 232)
Increase of expected credit losses for the period	226 533
Expected credit loss provision as at 31 December 2018	**349 218**

(iii) 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.

The Group plans to repay financial liabilities using the funds received from the sale of apartments to individuals on completion of the projects.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

31 December 2018		**Contractual cash flows**				
'000 RUB	**Carrying value**	**Total**	**0-6 months**	**6-12 months**	**from 1 to 2 years**	**from 2 to 10 years**
Non-derivative financial liabilities						
Unsecured bonds	4 854 483	6 447 579	291 232	254 140	461 304	5 440 903
Other loans and borrowings	443 908	443 908	443 908	-	-	-
Non-current trade and other payables	7 560 919	14 243 224	-	-	2 203 576	12 039 648
Current trade and other payables	8 600 637	9 244 152	7 080 574	2 163 578	-	-
	21 459 947	**30 378 863**	**7 815 714**	**2 417 718**	**2 664 880**	**17 480 551**

31 December 2017 (restated)		**Contractual cash flows**				
'000 RUB	**Carrying value**	**Total**	**0-6 months**	**6-12 months**	**from 1 to 2 years**	**from 2 to 10 years**
Non-derivative financial liabilities						
Unsecured bonds	4 352 297	6 096 099	312 316	250 025	1 290 100	4 243 658
Loans received from related parties	6 317	6 317	6 317	-	-	-
Non-current trade and other payables	12 321 228	17 501 681	-	-	4 200 124	13 301 557
Current trade and other payables	6 334 826	6 636 559	4 826 792	1 809 767	-	-
	23 014 668	**30 240 656**	**5 145 425**	**2 059 792**	**5 490 224**	**17 545 215**

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.

Currency risk

As at 31 December 2018 the Group's other investments includes loan issued in USD, carrying value of which is RUB 374 326 thousand, as well as a short-term deposit in USD in the amount of RUB 601 138 thousand.

in RUB	**Average rate**		**Reporting date spot rate**	
	2018	**2017**	**2018**	**2017**
1 USD	62,7078	58,3529	69,4706	57,6002
1 EUR	73,9546	65,9014	79,4605	68,8668

A 20% strengthening of RUB against USD as at 31 December 2018 would have increased equity and profit by RUB 195 093 thousand. A 20% weakening would have the equal but opposite effect on the basis that all other variables remain constant.

Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

Exposure to interest risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Carrying amount	
'000 RUB	**31 December 2018**	**31 December 2017 (revised)**
Fixed rate instruments		
Financial assets	2 594 925	1 918 617
Financial liabilities	(5 298 391)	(4 358 614)
	(2 703 466)	**(2 439 997)**

The Group does not account for any fixed rate financial instruments according to the procedure stipulated for tools assessed at fair value through profit or loss or as available-for-sale. Therefore, a change in interest rates as at the reporting date would not have an effect on the amount of profit or loss for the period or on equity.

24 List of subsidiaries

Name	**Country of incorporation**	**31 December 2018 Ownership/voting**	**31 December 2017 (Restated) Ownership/voting**
LLC "Samolet-Development"	Russia	100%	100%
LLC "Stroy-Development"	Russia	100%	100%
LLC "Milvertin"	Russia	100%	100%
LLC "Samolet-Zarechye"	Russia	100%	100%
LLC "Priroda"	Russia	100%	100%
LLC "Bukhta-Land"	Russia	99%	99%
LLC "Druzhba-Center"	Russia	100%	100%
LLC "Samolet-Servis"**	Russia	-	100%
LLC "SR-Group"	Russia	57,76%	57,76%
LLC "Samolet-Tomilino"	Russia	99%	99%
LLC "Citystroy-MO"	Russia	100%	100%
LLC "Samolet-Putilkovo"	Russia	100%	100%
LLC "Stroy-Consult"	Russia	100%	100%

Name	Country of incorporation	31 December 2018 Ownership/voting	31 December 2017 (Restated) Ownership/voting
LLC “Samolet-Progress”	Russia	100%	100%
LLC “Korobovo”	Russia	66,00%	65%
LLC “Prigorod Lesnoe”	Russia	66,00%	65%
LLC “Mega-City”	Russia	66,00%	65%
LLC “Megastroy-MO”	Russia	66,00%	65%
LLC “Samolet Energo”****	Russia	100%	-
LLC “SR-Stroy”****	Russia	100%	-
LLC “Samolet Dve Stolici”*	Russia	73,68%	-
LLC “Samolet-LO”*	Russia	73,68%	-
LLC “Samolet Molzhaninovo”*	Russia	73,68%	-
LLC “Samolet Alkhimovo”*	Russia	73,68%	-
LLC “Sever Stroy”*	Russia	73,68%	-
LLC “Nekrasovka-Invest”****	Russia	100%	-
LLC “Samolet Real Estate”***	Russia	100%	100%
LLC “Zhilstroy MO”****	Russia	100%	-
LLC “Samolet Proect”*****	Russia	100%	-
LLC “Samolet Miytiyshy”*****	Russia	100%	-

** acquired and recognized as acquisitions of business (See Note 26 (c))*

*** disposed of (See Note 26 (a, b))*

**** acquired under common control (See Note 26 (e))*

***** acquired and recognized as acquisitions of assets (See Note 26 (d))*

****** established in 2018*

25 Non-controlling interest

As at 31 December 2018 the non-controlling interest in the limited liability companies which are holding a 100% interest in other subsidiaries, in the amount of RUB 882 122 thousand (31 December 2017: RUB 332 096 thousand) was presented in current liabilities, since the charter of the subsidiaries provides the option for a participant to withdraw and receive the value of its interest.

The following table contains aggregate information on the financial position of the subsidiaries and the companies controlled by it:

	LLC “Samolet Dve Stolici”		LLC “Mega-City”		LLC “SR-Group”	
’000 RUB	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**
Non-current assets	383 331	-	200 317	272 321	243 421	86 184
Current assets	5 394 008	-	17 213 305	13 980 156	2 494 298	1 742 408
Liabilities	(4 977 907)	-	(15 438 000)	(13 303 632)	(3 235 806)	(2 050 566)
Net assets/(liabilities)	**799 432**	**-**	**1 975 622**	**948 845**	**(498 087)**	**(221 974)**
Non-controlling interest	26,32%	-	34%	35%	42,44%	42,44%

	LLC "Samolet Dve Stolici"		LLC "Mega-City"		LLC "SR-Group"	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**
Carrying value of non-controlling equity interest	**210 411**	**-**	**671 711**	**332 096**	**(210 392)**	**(93 762)**
Total as at 31 December 2017						**332 096**
Total as at 31 December 2018						**882 122**
Revenue	3 859 234	-	7 293 453	12 388 578	720 219	-
Profit/(loss) and total comprehensive income for the year	758 622	-	1 026 778	2 045 231	(276 112)	(220 233)
Non-controlling interest	26,32%	-	34%	35%	42,44%	42,44%
Non-controlling interest in profit and total comprehensive income	**199 669**	**-**	**351 838**	**332 096**	**-**	**-**
Total for 2017						**332 096**
Total for 2018						**551 507**

26 Acquisition and disposal of subsidiaries

(a) Discontinued operation

In December 2018 the Group disposed of its investment in two subsidiaries, providing utility services to public, to a related party with in order to concentrate on developing its key competences in construction and development. These subsidiaries previously were not classified as held for sale or discontinued operations. The comparative consolidated statement of profit or loss and OCI has been restated to present the discontinued operations separately from continuing operations.

'000 RUB	**2018**	**2017**
Results of discontinued operation		
Revenue	996 281	-
Cost of sale	(843 764)	(390 443)
Administrative expenses	(121 986)	(106 949)
Results from operating activities	30 531	6 898
Income tax expense	(6 600)	(1 831)
Results from operating activities, net of tax	**23 931**	**5 517**

Disposal of subsidiaries had the following effect on the Group's assets and liabilities as at the date of disposal:

'000 RUB	
Non-current assets	**10 626**
Current assets	**229 867**
Trade receivables	149 083
Other assets	80 784
Liabilities	**(198 016)**
Loans and borrowings	(99)
Trade payables	(197 917)
Net assets and liabilities	**42 477**
Consideration received, satisfied in cash	19 010
Cash disposed of	(34 115)
Net cash outflow/(inflow)	**(15 105)**
Loss on disposal	**23 467**

Loss on disposal of subsidiary was recognised in equity as transaction was made with the related party, which is a shareholder.

(b) Disposal of a subsidiary

In 2017 the Group disposed of to a related party its investment in few subsidiaries, that had provided loans to related parties and owned land plots that had been pledged to receive the bank loan. The losses of the subsidiaries included in net profit for the year equaled to RUB 73 million, and the effect form their disposal in the amount of RUB 389 665 thousand was recognized in equity.

The disposal of the subsidiaries had the following effect on the Group's assets and liabilities at the date of disposal:

'000 RUB	
Non-current assets	**4 151 233**
Financial investments	3 837 930
Deferred tax assets	159 097
Other non-current assets	154 206
Current assets	**137 455**
Accounts receivable	116 631
Other assets	20 824
Liabilities	**(4 627 019)**
Loans and borrowings	(4 368 147)
Accounts payable	(258 872)
Net assets and liabilities	**(338 331)**
Consideration received, satisfied in cash	51 334
Cash disposed of	(3 270)
Net cash outflow	**(3 270)**
Result of disposal	**389 665**

(c) Acquisition subsidiaries

On 28 June 2018 the Group acquired 74% of Samolet Dve Stolici and its 100 % subsidiaries, which is developing a real estate project in Murino, Leningradskaya region, for RUB 7 thousand.

If all acquisition of business had occurred on 1 January 2018, management estimates that consolidated revenue would have been RUB 1,8 bln higher, and consolidated profit for the year would have remained unchanged. In determining these amounts, management has assumed that the fair value adjustments on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2018.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

’000 RUB	**LLC Samolet Dve Stolici**
Non-current assets	
Property, plant and equipment	20 425
Intangible assets	-
Investments	358 440
Deferred tax assets	25 363
Current assets	
Investments	-
Inventories	2 021 048
Trade and other receivables	780 403
Cash and cash equivalents	86 232
Other assets	21 319
Non-current liabilities	
Loans and borrowings *	(250 772)
Current liabilities	
Loans and borrowings *	(924 261)
Trade and other payables	(2 097 387)
Total identifiable assets, liabilities and contingencies	**40 810**

** Loans and borrowings include loans, received before acquisition from the Group in the amount of RUB 399 436 thousand.*

(d) Acquisition of subsidiary recognized as acquisitions of assets

On 19 December 2018 the Group acquired 100% in LLC “Nekrasovka Invest” for RUB 409 865 thousand. This acquisition was recognized as acquisitions of assets, net assets of acquired entity were RUB 409 847 thousand. Since the entity had not performed any active development as at acquisition date, the cost of acquisition was mainly allocated to inventories in the amount of RUB 4 673 103 thousand and related trade payables. Financial assets and liabilities in amount RUB 409 465 thousand and RUB 150 000 thousand respectively, the counterparties on which were the Group companies, were included in cost of acquisition. Acquired land plots were recognised in inventories.

(e) Acquisition under common control

In July 2018 Samolet Development Pte. Ltd. transferred 99,99% interest in LLC "Samolet Real Estate" as a contribution to Group property. According to its accounting policy the Group restated current and previous periods financial statements, as if subsidiary was acquired before 1 January 2017. Net assets of the acquired entity and its subsidiaries at carrying value as at 1 January 2017 were RUB 723 916 thousand. Impact of the acquisition at the Group consolidated financial statements is disclosed in Note 7. As result of acquisition the parent company became the holder of 100% instead of 0,01%.

In December 2017 the Group acquired 65% of LLC "Mega-City" through the contribution of monetary funds to the authorized capital of the enterprise, which was previously controlled by the parent company. As a result of the acquisition, the parent company became the holder of a 0,0066% equity interest, instead of a 66% interest. The legal control over the entity was obtained in 2017, whereas total control actually existed before. Based on the accounting policy applied, the Group included the amounts of the subsidiaries at the earliest of the periods presented in the financial statements when the subsidiary became under common control.

27 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 take out professional indemnity insurance for risks associated with force majeure circumstances which may appear in relation to the buildings during the period from the date revenue is recognized to the date the title is registered by the buyer or the date of signing the transfer acts. The risk of losses for force majeure circumstances in this period is incurred by the Group itself.

During 2018 the Group has insured its civil liability for any failure to transfer completed properties to customers. Since 25 December 2018 in cases stipulated by the Federal Law № 214-FZ, Group acting as the developer participates in the Society of mutual liability insurance.

Until the Group obtains full insurance coverage, there is a risk that the loss or destruction of certain assets and other circumstances could have a material adverse effect on the Group's operations and financial position.

(b) Litigation

The Group is acting as a respondent in several court proceedings related to the performance of contractual obligations. Management believes that the outcome of the court proceedings will not have a material adverse effect on the Group's operations.

(c) Tax risks

Taxation contingencies in the Russian Federation

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes 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 generally remains open for review by the tax authorities during the three subsequent calendar years. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

Transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances. These transfer pricing rules provide for an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe the basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

The Group performed controlled transactions in 2018 and 2017 the pricing of which may be subject to audit and which could cause disputes regarding the compliance of the prices used with the market (arm's length) level of prices.

In addition, the Group acquires works, services, raw materials and materials from various suppliers that are fully responsible for tax and financial reporting compliance. Meanwhile, the current practice of the tax authorities indicates that claims of the tax authorities to the suppliers related to non-compliance with tax legislation can lead to additional tax risks for the Group. If tax authorities substantiate the legitimacy of such claims the Group can be filed with additional tax claims despite the fact that the management of such suppliers are fully responsible for completeness and timelessness of tax payments. Management has not made any provisions for such liabilities in these consolidated financial statements on the grounds that the risk estimate of cash outflow related to settlement of these liabilities is possible but not probable. According to the Group's management it is impossible to determine the financial consequences of potential tax liabilities which can arise as the result of transactions held with such suppliers due to diversity of approaches to assess the degree of violation of the tax legislation.

All 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 tax authorities and courts, especially due to reform of the supreme courts that are resolving tax disputes, could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(d) Warranties

According to Russian legislation, the Group is contractually responsible for the quality of construction works performed subsequent to the date when the property is sold, which, in accordance with applicable law, is a period of up to five years from the date of the sale except the technical and utilities equipment. The warranty period for technical and utilities equipment is three years. Based on the analysis of real estate market practices regarding warranty claims, Group management believes that their amount will be immaterial. No contingent liabilities have been recognised in these consolidated financial statements in relation to warranties for work performed.

28 Related parties

(a) The parent company and the ultimate controlling party

As at 31 December and 1 January 2017 the Group's ultimate parent company is Samolet Development Pte. Ltd. (Singapore). There is no ultimate controlling party. The Group's beneficiaries are several individuals, none of whom has more than 50% control. As at 31 December 2018 Mr. Kenin M.B. was the ultimate controlling shareholder.

(i) Remuneration of senior management personnel

Remuneration of senior management personnel for the 12 months ended 31 December 2018 was RUB 242 million (12 months of 2017: RUB 237 million). Other payments to related parties were made in the amount of RUB 43 million for 2018. The remuneration of the Board of Directors for 2018 was RUB 35 million.

Other related-party transactions

'000 RUB	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2018	2017 (Restated)	2018	2017 (Restated)
Loans to other related parties measured at amortised cost	1 133 146	2 492 551	1 520 131	1 381 425
Loans to other related parties measured at fair value	146 074	847 945	493 314	413 652
Revenue	175 986	203 295	105 375	159 551
Acquisition of land plots/lease rights	-	-	-	(475 322)
Purchases	(367 368)	(901 492)	(134 276)	(551 639)
	1 087 838	**2 642 299**	**1 984 544**	**927 337**

During 12 months of 2018 the Group issued loans to the related parties for the period 5-6 years in the amount of RUB 1 279 220 thousand at the interest rate below the market. The fair value at the initial recognition was RUB 810 745 thousand, the difference between the nominal value and fair value was recognized in equity, as the loans were issued for the owners purposes. Expected credit losses for 2018 are RUB 203 526 thousand.

The result of early repayment during the first part of 2018 of the loan issued to the related parties and accounted as fair value through profit or loss, is RUB 114 327 thousand. Interest income for 12 months of 2018 related to loans issued to related parties is RUB 254 307 thousand.

29 Subsequent events

In 2019 the Group attracted bank debt financing in the amount of RUB 4 657 000 thousand for the period up to 1 April 2021 at an interest rate of 11,66%. This debt was attracted for the settlement of trade payables for previously acquired land plots. In 2019 the Group issued loans to related parties in amount RUB 731 million for the period during next 12 months at the interest rate from 8 to 12%.

In 2019 the Group paid dividends for 2018 in the amount of RUB 402 002 thousand.

30 Basis of measurement

These consolidated financial statements were prepared on a historical cost basis.

31 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and are identical for all Group enterprises.

Some comparative indicators were adjusted due to a change in the accounting policy (see Notes 5 and 7).

Below is a list of the main provisions of the accounting policy, detailed information on which is given below:

(a) Basis of consolidation

(i) Business combinations

Business combination transactions are presented using the acquisition method on the acquisition date, specifically the date on which control passes to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of compensation transferred; plus
- the recognized amount of a recognized non-controlling interest in the acquiree; plus
- the fair value of the pre-existing equity interest in the acquiree, if the business combination is achieved in stages; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and assumed liabilities.

When the difference is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. These amounts are generally recognized in profit or loss for the period.

Transaction costs of the Group, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) Non-controlling interests

The charters of some subsidiaries incorporated as limited liability companies stipulate that if a participant withdraws the value of its interest should be paid out. As a result, the non-controlling interest in these subsidiaries is recognized within other accounts payable in the amount equal to the proportional part of net assets of the subsidiaries under IFRS. If the subsidiaries incorporated as limited liability companies have negative net assets, no asset in the form of a non-controlling interest is recognized.

A non-controlling interest is assessed as a proportional part of the identifiable net assets of subsidiaries. The movements of a non-controlling interest in subsidiaries are reflected in equity.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls a subsidiary when the Group receives variable income from participation in an investee, or has the right to receive such income, and has the ability to use its authorities in respect of this entity to affect the size of this income. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

The acquisition of companies that are not engaged in active operations at the time of their acquisition are accounted as the acquisition of assets. The acquisition cost of companies, which usually own land plots, is assigned primarily to inventories less the fair value of the accounts receivable and accounts payable of the companies being acquired on the date of purchase.

(iv) Business combinations under common control

Business combinations arising from transfers of interests in entities that are under the control of the Group's owners are accounted for as if the relevant acquisition had occurred at the beginning of the earliest comparative period presented or at the date that common control was established, , if the latter happened at a later date; comparatives are revised for this purpose. Acquired assets and liabilities are recognized at their previous IFRS carrying value. The components of the acquired entities' equity are added to the same components within Group equity, except that any authorized capital of the acquired entities is recognized as part of retained earnings. Any cash paid for the acquisition transaction is recognized directly in equity.

(v) Loss of control

Upon the loss of control, the Group derecognizes the subsidiary's assets and liabilities, and any associated non-controlling interests and the other components of equity. Any positive or negative difference that arose as a result of the loss of control is recognized in profit or loss for the period, except for loss of control in favour of shareholders, which is presented as a transaction with owners in equity. If the Group retains any interest in the previous subsidiary, this interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee (using the equity method of accounting) or as an available-for-sale financial asset, depending on the level of the Group's retained influence on the indicated entity.

(vi) Operations eliminated on consolidation

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions, are eliminated.

(b) Revenue

(i) Revenue from sales of real estate properties

Revenues from the sale of real estate properties comprise revenue from the sale of standardised apartments in residential buildings, commercial real estate and parking spaces designed and constructed without reference to a specific customer's requirements.

Revenue from the sale of real estate properties is recognized in the amount of the transaction price, which is understood to mean the amount of consideration to which the Group would presumably be entitled in exchange for the delivery of goods or services to the buyer, adjusted for significant finance component that reflects the price that the buyer would have paid for the promised goods if it had paid for the goods in cash, when (or for as long as) they are transferred to the buyer. Revenue is recognized at the time when or for as long as control is transferred to the buyer.

The Group's revenue consists primarily of revenue from share participation agreements. According to № 214-FZ Federal Law, which is applied to majority of Group real estate under construction, the developer has the right to receive the full amount of the remuneration promised under the contract in case, if, construction of the facilities, related to share participation agreements, are carried out without violations, and participants of share agreement do not have the right for out-of-court unilateral refusal to perform the contract, except for such right within share participation agreements. So share participation agreements are in general non-cancellable. Revenue is recognized over time, based on the contracts' stage of completion.

The Group uses the resources method to assess the percentage of completion of performance obligations, based on the ratio of actual costs incurred to overall planned costs. The cost of acquisition of land plots and/or lease rights, provisions to complete the construction of objects, which are not transferred to the customers under the share participation agreements, are excluded from both actual and budgeted costs and are recognized in costs for the period using the same base of allocation as used for revenue. Revenues from the sale of real estate are recognized in the prices effective as at the date of conclusion of agreements, which may differ substantially from the prices effective as at the date of revenue recognition.

The Group assesses the significant finance component at the moment of conclusion of the contract, using the discount rate that would have been used for a separate financing transaction between Group companies and the buyer at the time of conclusion of the contract.

The rights under the share participation agreements on the apartments in non-completed projects not being constructed by the Group are recognized as having been exercised at the moment of the rights transfer.

(ii) Other revenue

Other revenue includes revenue from properties leased out, recognised over a contract duration, and revenue from property management, recognized monthly on the basis of the invoices issued to the residents for the maintenance of buildings.

(c) Finance income and costs

The Group's finance income and expenses include:

- interest income;
- interest expense;
- net profit or loss from revaluation of financial assets and liabilities denominated in a foreign currency;
- unwinding of the discount on financial instruments.

Interest income and expense are recognized using the effective interest method. Dividend income is recognized in profit or loss on the date when the Group obtains the right to receive payments. Borrowing costs that are not directly attributable to the acquisition or construction of a qualifying asset are recognized in profit or loss of the period using the effective interest method. Interest expense recognized as a result of an adjustment for the significant finance component is presented in the same way as borrowing costs.

Interest expenses directly attributable to the amount of inventories, namely land plots for construction of real estate properties or the creation of any other qualifying assets that should be spent for a considerable period of time on preparing them for the planned use or sale, are included in the cost of construction of such assets until the moment when they are ready for sale.

Capitalisation of borrowing costs starts, when the Group bears costs associated with qualifying asset, starts the preparation of the design and engineering documentation necessary to receive a construction permit for the first buildings of the microdistrict.

The Group capitalises borrowing costs, which could be avoided if not incurred on construction of qualifying assets. Capitalised borrowing costs are calculated based on weighted average interest expense on interest-bearing borrowings, unless the funds are borrowed directly to create a qualifying asset. A significant component of financing from prepayments received on share participation agreements is capitalised in the cost of land plots and other assets as interest expenses.

Interest expenses are capitalised in the cost of qualifying assets during construction period less any investment income from the temporary investment of these borrowed funds.

Foreign currency gains and losses are reported on a net basis as either finance income or finance expense depending on whether foreign currency movements are in a net gain or net loss position.

(d) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies 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 translated 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 translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

(e) Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or 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.

To the extent that the Group’s contributions to social programs benefit the community at large and are not restricted to the Group’s employees, they are recognised in profit or loss as incurred.

(f) Income tax

Income tax expense comprises current and deferred tax. It is 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.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, 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 dividends.

(ii) Deferred tax

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, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and 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 assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. 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; such reductions are reversed when the probability of future taxable profits improves.

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.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

(g) Inventories

Inventories include construction in progress in relation to which the Group acts as the developer and which is intended for sale on the completion of construction, as well as expenditures, which are expected to be incurred during the construction of infrastructure and other social welfare, that have not been recognised in cost of sales at the stage of completion, land plots or lease rights under projects, permission documents on which are currently being prepared and construction of which will begin in the near future, as well as finished products and prepayments under share participation agreements in projects being constructed by third or related parties.

Inventories are measured at the lower of: actual acquisition cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to complete and selling expenses with due account of project timelines.

The cost of real estate properties at the construction stage is determined based on the costs incurred on construction. These costs include direct expenses on construction of the buildings in which the properties are located and general expenses on the project or the separate line such as expenses on permit, engineering and other documentation, lease and the acquisition cost of land, expenses on construction and connection to utilities networks, landscaping of the grounds and organization of parking lots, construction of public amenities and other infrastructure, as well as interest related to the properties being constructed. General costs are allocated by construction objects based on the square meters to be sold.

If the property is not under active development, net lease expenses are accounted for in profit and loss.

The construction of residential real estate may require:

- the transfer of certain real estate properties to the local authorities free of charge on the completion of construction (for example, part of the floor space of apartments and commercial premises, schools, kindergartens, etc.), as well as the internal fittings of these premises;
- the construction of certain infrastructure facilities (for example, power stations and transmission grids, water-supply and sewage systems, roads);
- the demolition of buildings located on the land plot, and the resettlement of the residents of these buildings into new finished apartments.

If the conclusion of these contracts is part of the process of acquiring certain development rights and these contracts are not considered to be separate onerous contracts, costs on their construction are included in the total cost of construction of the building to which these development rights apply. Impairment losses on parking spaces that must be built based on the permit documentation, and infrastructure assets classified as property, plant and equipment that are to be used by the Group after the completion of the project, are also included in the cost of the real estate properties for sale.

Expenditures, which are expected to be incurred during the construction of infrastructure and other social welfare, not transferred to the customers under SPAs, are recognised in the cost of construction at the stage of completion of each building and are allocated proportionally to square meters in buildings under construction. These expenditures, are generally incurred later, than the construction of buildings they relate to, the provision for completion of construction is recognised in the amount of future costs for the construction of such facilities, taking into account the time value of money.

The operating cycle of a construction project may exceed twelve months, and therefore project inventories are included within current assets even if their sale is not expected within twelve months after the reporting date. Group management includes in inventories the costs incurred by the Group from the start of preparation of the design and engineering documentation necessary to receive a construction license for the first buildings of the microdistrict.

(h) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

When the major components making up 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.

Any gain or loss on the disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognized net within other income/other expenses in profit or loss for the period.

(ii) Subsequent expenditures

Subsequent expenditures only increase the value of an item of property, plant and equipment if there is a good possibility that they will lead to the future receipt by the enterprise of additional economic benefits.

The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date when they are installed and are ready for use, or in respect of internally constructed assets, from the date, that construction of the asset is completed and it is ready for use. Depreciation is based on the cost of an asset less its residual value, and is accrued on a straight-line basis.

Depreciation methods, estimated useful lives and residual value of property, plant and equipment are reviewed as at each financial year end and adjusted if appropriate.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

- Office equipment - 3 years,
- Vehicles - 5 years.

(i) Investment property

An investment property is a property held in order to receive income from lease and/or benefit from an increase in value, or both, but not held for sale during ordinary business activity, use in construction or for administrative needs.

An investment property includes land plots intended for the construction of commercial real estate to generate income from lease and subsequent sale, and real estate properties used by the Group to generate income from lease.

An investment property is initially measured at its acquisition value or construction cost. The Group chose the historical cost accounting model, which involves accounting at historical value less accumulated depreciation and accumulated impairment losses.

When the use of a property changes in such a way that it is reclassified as property, plant and equipment or inventory, its fair value on the date of reclassification becomes its value for subsequent accounting.

(j) Financial instruments

(i) Financial assets - Recognition and initial measurement

The Group initially recognizes loans, receivables and issued debt securities on the date that they are originated or issued. All other financial assets and liabilities are initially recognized on the transaction date on which 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 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) Financial assets - Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortized cost; 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 amortized cost if it meets both of the following conditions and is not designated by Group 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 by Group 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. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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.
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and.
- 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 that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(iii) 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 de-recognition is also recognized in profit or loss.

(iv) Modification of financial assets and financial liabilities

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.

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.

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.

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.

(v) Derecognition

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.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. 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.

(vi) 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.

(vii) Impairment

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

Loss allowance is measured by one of two following methods:

- 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date; and
- lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured 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 assumes that the credit risk on a financial asset has increased significantly if it is more than 45 days past due.

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 realizing security (if any is held); or
- the financial asset is more than 45 days past due.

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.

For individually significant counterparties, the Group assesses the expected credit risks on an individual basis, based on an assessment of the financial position of the relevant counterparty and the likelihood of possible losses. The Group assigned the ratings to large counterparties based on accumulated data, public data or ratings assigned by professional agencies, and assesses the likelihood of a default and ECLs using public information of rating agencies, attributing the quality categories assigned to the categories of such agencies.

ECLs for all other liabilities are calculated using portfolio methods by category, which depends on operations, individual characteristics and terms, made from historical data about level of credit losses for the last two years.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and included in “finance costs”.

(k) Charter capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Warranties

A provision for warranties on the quality of construction is recognized when buildings are commissioned. The provision is based on historical warranty repair data and a weighting of all possible outcomes against their associated probabilities.

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(iii) Provisions for costs to complete

The amount of the provisions for costs to complete the construction represents estimated future expenditures, which are expected to be incurred during the construction of infrastructure and other social welfare items such as utilities, roads, schools, kindergardens etc.

As a rule, such facilities are constructed later than residential buildings, they relate to, therefore, the Group recognizes the respective provision as they are constructed. The provision is estimated based on the present value of the estimated unavoidable net costs required for the construction of such facilities. Provision accrued since permit documentation for the construction of each building or lineup in a project is obtained, in proportion to the sales area of each building (or line) and is recognized depending on the stage of completion.

32 New standards and interpretations not yet in effect

A number of new Standards, amendments to Standards and Interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

(a) IFRS 16 *Leases*

The Group is required to adopt IFRS 16 Leases from 1 January 2019. 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 Group has not finalised the testing and assessment of controls over its new IT systems; and;
- the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

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. There are recognition exemptions 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.

IFRS 16 replaces existing leases guidance, including 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.

(i) Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

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.

Currently the Group rent land plots, on which construction is being performed, and office premises. Minimum lease payments for 12 months after the reporting date is RUB 180 200 thousand.

(ii) Leases in which the Group is a lessor

No significant impact is expected for other leases in which the Group is a lessor.

(iii) Transition

The Group has started to measure the possible impact of adopting IFRS 16 on the Group's consolidated financial statements, but has not yet completed a detailed assessment.

The Group plans to apply IFRS 16 using the modified retrospective approach.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4. The Group plans to apply the following practical expedient:

- applying a single discount rate to a portfolio of leases, which characteristics are sufficiently similar;

- an exemption on recognition and valuation of a lease that expires within 12 months after the date of initial application or earlier and account such a lease as a short-term;

- valuation of the asset at the time of initial recognition in an amount equal to the lease liability, adjusted by the amount of any previously recognized prepaid or accrued rental payments.

(b) Other amendments

Various *Improvements to IFRSs* and other corrections have been dealt with on a standard-by-standard basis. All amendments related to presentation, recognition or measurement will become effective no earlier than 1 January 2019. The Group has not yet determined the result of the potential impact of these improvements on its financial position or performance results.

33 Information on non-IFRS measures

'000 RUB	**2018**	**2017 (Restated)**
Profit and total comprehensive income	3 142 206	3 544 653
Plus depreciation of property, plant and equipment	85 420	92 141
Plus impairment of investment property	689 000	-
Plus finance costs	2 853 339	1 543 826
Less finance income	(3 467 740)	(2 403 102)
Plus income tax expense	885 704	859 161
EBITDA	**4 187 929**	**3 636 679**
Capitalized interest expense included in cost	1 035 728	5 047 616
Adjusted EBITDA	**5 223 657**	**8 684 295**

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