IMPORTANT NOTICE

IMPORTANT: You must read the following before continuing. The following applies to the attached offering memorandum (the "**Offering Memorandum**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Group (as defined below) as a result of such access. If you have gained access to this transmission contrary to any of the following restrictions, you are not authorised and will not be able to purchase any of the securities described herein. You acknowledge that this electronic transmission and the delivery of the attached Offering Memorandum is confidential and intended for you only and you agree you will not forward this electronic transmission or the attached Offering Memorandum in whole or in part to any other person. Any forwarding, distribution or reproduction of this document in whole or in part is unauthorised. Failure to comply with the following directives may result in a violation of the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the applicable laws of other jurisdictions.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES REFERRED TO HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**"), OR WITHIN THE UNITED STATES TO PERSONS REASONABLY BELIEVED TO BE QUALIFIED INSTITUTIONAL BUYERS ("**QIBs**"), AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**"), IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A, OR PURSUANT TO ANOTHER EXEMPTION THEREFROM, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

THIS OFFERING MEMORANDUM AND THE OFFER WHEN MADE ARE ONLY ADDRESSED TO AND DIRECTED AT (I) PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA (THE "**EEA**") WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(E) OF THE PROSPECTUS REGULATION (REGULATION (EU) 2017/1129) ("**EU QUALIFIED INVESTORS**"), AND (II) PERSONS IN THE UNITED KINGDOM WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2 OF REGULATION (EU) 2017/1129 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 ("**THE UK PROSPECTUS REGULATION**") ("**UK QUALIFIED INVESTORS**"). IN ADDITION, IN THE UNITED KINGDOM, THIS OFFERING MEMORANDUM IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED ONLY AT, QUALIFIED INVESTORS, WITHIN THE MEANING OF THE UK PROSPECTUS REGULATION, (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 OR 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 OR 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. Information contained herein may not correspond to the risk profile of a particular investor, does not take in account one's personal preferences and expectations on risk and/or profitability and does not constitute an individual investment recommendation for the purposes of Russian law.

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 the Group (as defined below) 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 Underwriters (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 Underwriters 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.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

ПИК

Public Joint Stock Company "PIK-specialized homebuilder"
(*organised under the laws of the Russian Federation*)

Offering of approximately 27 million Ordinary Shares

This Offering Memorandum relates to an offering (the "**Offering**") of approximately 27 million ordinary shares (the "**Shares**") in Public Joint Stock Company "PIK-specialized homebuilder" (the "**Company**" and, together with its consolidated subsidiaries, the "**Group**"), with a nominal value of RUB 62.5 each (each, an "**Ordinary Share**") by LLC "PIK-INVESTPROEKT", a wholly-owned subsidiary of the Company (the "**Selling Subsidiary**").

The number of Shares to be sold pursuant to the Offering and the price at which each of the Shares is to be sold under the Offering (the "**Offer Price**") is expected to be published on or about 1 October 2021 (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 (iii) 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 with the Federal Service for Financial Markets of Russia (predecessor of the Central Bank of Russia (the "**CBR**")) on 21 February 2013, under the state registered number No. 1-02-01556-A. The Ordinary Shares are traded in the "Level 1" part of the List of Securities Admitted to Trading on Public Joint-Stock Company "Moscow Exchange MICEX-RTS" ("**MOEX**") under the ticker symbol PIKK and ISIN RU000A0JP7J7.

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, 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. It is expected that delivery of the Shares to purchasers thereof in the Offering and payment for the Shares by the purchasers will commence on or about 5 October 2021 (the "**Share Delivery Date**"). Each purchaser of the Shares must pay for such Shares by the date and in the currency agreed with the Underwriters (as defined below). 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 Offering could be cancelled if there is insufficient demand for the offered Shares. The Shares offered in the Offering are offered severally by VTB Capital plc, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc, Sberbank CIB (UK) Limited and JSC "Sberbank CIB" (the "**Joint Global Coordinators and Joint Bookrunners**") and Alfa Capital Markets Ltd, Limited Liability Company "ATON", Credit Suisse International, Bank GPB International S.A. and Sova Capital Limited (the "**Joint Bookrunners**" and, together with the Joint Global Coordinators and Joint Bookrunners, the "**Underwriters**"), subject to receipt and acceptance by them of any order in whole or in part. The Underwriters 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. The Offering may not be completed if certain conditions contained in the Underwriting Agreement are not fulfilled. See "*Risk Factors—Risks Relating to the Shares and the Trading Market—The Offering may not be completed*".

Joint Global Coordinators and Joint Bookrunners

VTB Capital **J.P. Morgan** **Morgan Stanley** **SberCIB**

Joint Bookrunners

ALFA-BANK **ATON** **Credit Suisse** **Gazprombank** **SOVA Capital**

The date of this Offering Memorandum is 29 September 2021

TABLE OF CONTENTS

OVERVIEW 1
OVERVIEW OF THE OFFERING 9
RISK FACTORS 12
IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM 46
NOTICE TO CERTAIN INVESTORS 48
PRESENTATION OF FINANCIAL AND OTHER INFORMATION 51
CURRENCIES AND EXCHANGE RATES 55
LIMITATIONS ON ENFORCEMENT OF FOREIGN JUDGMENTS AND ARBITRATION AWARDS 56
AVAILABLE INFORMATION 58
FORWARD-LOOKING STATEMENTS 59
USE OF PROCEEDS 60
DIVIDEND POLICY 61
CAPITALISATION AND INDEBTEDNESS 62
SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION 64
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 71
INDUSTRY 100
MANAGEMENT AND CORPORATE GOVERNANCE 109
BUSINESS 118
REGULATION OF REAL ESTATE IN RUSSIA 141
RELATED PARTY TRANSACTIONS 157
PRINCIPAL SHAREHOLDERS 159
DESCRIPTION OF SHARE CAPITAL AND CERTAIN REQUIREMENTS OF RUSSIAN LAW 160
PLAN OF DISTRIBUTION 174
TAXATION 177
SELLING AND TRANSFER RESTRICTIONS 189
SETTLEMENT AND DELIVERY 193
LEGAL MATTERS 194
INDEPENDENT AUDITORS 195
Annex A: C&W Land Bank Valuation Report A-1
Annex B: C&W New Development Projects Valuation Report B-1
Annex C: Colliers Valuation Report C-1
Index to Financial Statements F-1

OVERVIEW

This overview may not contain all the information that may be important to prospective purchasers of the Shares and, therefore, should be read in conjunction with this entire Offering Memorandum, including the more detailed information regarding the Group's business and the financial statements and related shares *included elsewhere in this Offering Memorandum. Certain statements in this Offering Memorandum include forward-looking statements that also involve risks and uncertainties as described under "Forward-Looking Statements". Prospective purchasers of the Shares should also carefully consider the information set forth under "Risk Factors".*

Overview

The Group is a vertically integrated real estate developer with the largest land bank in Russia by market value and one of the largest land banks in Russia by area according to the Group's estimates based on data published by Russian developers. As at 31 December 2020, the Group's total unsold area comprised 16.6 million sq. m., according to the C&W Land Bank Valuation Report (as defined below). The Group operates as a developer in 14 regions of Russia, with the main emphasis on Moscow and the Moscow region. As of 31 December 2020, the Group's project portfolio encompassed 101 projects including 46 located in Moscow, 23 in the Moscow region and 28 in other regions of Russia and 4 international projects. According to the C&W Land Bank Valuation Report, the combined market value of the Group's properties was RUB689 billion as at 31 December 2020. In 2021, the Group has expanded its land bank with 18 New Development Projects (as defined below) having total unsold area of 2,719 thousand sq. m. and market value of RUB 79,582 million as at 18 August 2021 according to C&W New Development Projects Valuation Report (as defined below). Furthermore, in August 2021, the Group acquired 50% of the charter capital of LLC Sigma Holding, which operates 16 development projects having total unsold area of 2,941 thousand sq. m. as at 10 August 2021 (see "*Management's Discussion and Analysis of Financial Condition—Recent Developments*"). According to the Colliers Valuation Report, the market value of the 100% share in LLC Sigma Holding was RUB 90,082 million as at 10 August 2021. Overall, the Group's total unsold area comprised 21.5 million sq. m. as at 1 September 2021 according to the Group's calculations.

The Group has been operating on the Russian real estate market since 1994, and is today the largest developer in Russia by value of its land bank according to the Group's estimates based on data published by Russian developers, with a main specialization in the construction of modern affordable and technologically advanced housing along with all the associated social and commercial infrastructure. In 2020, the Group completed construction of 2,425 thousand sq. m. and delivered over 40,000 units, or 2,355 thousand sq. m., with all sales made online starting from April 2020. As of the date of this Offering Memorandum, the Group is the leading homebuilder in Russia with over 7 million sq. m. area under construction which comprise 5.8% of the housing market as at 1 September 2021 according to the Unified Register of Developers (approximately two times more compared to the Group's closest Russian competitor). While the Group is primarily focused on the mass-market residential real estate segment, it intends to expand its operations into the construction and sale of mid-market, high-end and suburban residential real estate projects. Furthermore, the Group is considering expansion into logistics and industrial parks in Russia. In particular, the Group launched its first mid-segment project in September 2021 under the 'Forma' brand, and it expects to launch high-end projects under the 'Mono' brand as well as suburban projects by the end of 2021. See "—*Strategy*".

As a vertically integrated business, the Group conducts a full cycle of property development using building information modelling (BIM) technologies, from the purchase of a land plot, preparation of designs and planning, and ending with the construction itself, which results in reduced costs, improved quality control and shorter construction cycle. The vertically integrated business model is supported by the Group's in-house production capacity. The Group operates 14 production facilities in Moscow and other regions of Russia for the production of, *inter alia*, reinforced concrete structures, reinforced mesh and cages, small piece materials (paving blocks, kerbs, street furniture, Acotec panels), window units, bathroom pods, elevators and wide-ranging innovative IoT products for smart home. The Group also plans to open two new production facilities in Moscow and the Philippines in 2023 with planned annual capacity of 1,000,000 and 500,000 sq. m., respectively. In addition to its own production facilities the Group has long-term partnerships with a broad base of leading suppliers and contractors to create flexible and adaptive ecosystem of suppliers and contractors that can scale up in a timely manner.

The Group is also the largest private managing housing company in Russia by area under management according to the Group's estimates based on public data. As of the date of this Offering Memorandum, the Group manages 50 million sq. m. of private housing assets in 20 regions across the country.

The Group has built an ecosystem that disrupts traditional housing and construction markets leveraging a distinct first mover advantage, technological superiority and industry leadership. The Group is also the only residential real estate developer in Russia that has an internal R&D department employing 100 people with R&D budget of U.S.$ 15 million, and more than 15 patented proprietary methods of architectural urban solutions developed by an in-house architecture bureau with more than 3,000 architects, as well as strong construction capacities and IT solutions, which allows the Group to significantly reduce construction costs and at the same time to step up the speed and quality of construction.

The Group has the number one brand of housing development in Russia, which was named one of the top 30 strongest brands in the country in 2020 by the British consulting company Brand Finance. According to Brand Finance, the value of PIK brand amounted to RUB 52 billion and the brand awareness reached 98% in 2020.

In the six months ended 30 June 2021 and 2020, the Group generated revenue of RUB189,279 million and RUB138,529 million, total comprehensive income for the reporting period of RUB69,425 million and RUB17,986, Adjusted EBITDA of RUB91,918 million and RUB27,457 million, Adjusted EBITDA margin of 49% and 20% and net income margin of 37% and 13%, respectively.

For the years ended 31 December 2020, 2019 and 2018, the Group generated revenue of RUB380,161 million, RUB280,635 million and RUB245,757 million, profit and total comprehensive income for the reporting period of RUB86,493 million, RUB45,113 million and RUB26,893 million, Adjusted EBITDA of RUB112,041 million, RUB67,042 million and RUB41,931 million, Adjusted EBITDA margin of 29%, 24% and 17% and net income margin of 23%, 16% and 11%, respectively.

Competitive Strengths

A vertically integrated business model with an ecosystem of scalable services and product offerings supported by a culture of technical excellence and innovation

The Group operates a vertically integrated business model combining all stages of the Group’s operations from land acquisition to permissions, planning and unit design, development and construction, sales and post-sales services. The Group has set up an internal construction technology division, UNITS, which is responsible for innovative solutions including production and assembly of prefabricated panel buildings and other related activities, including, among others, the production of construction materials and components, production and sale of IoT-devices. The Group expects to increase its annual construction capacity from 5 million sq. m. to 10 million sq. m. in 3 years, to significantly reduce construction time, including as a result of the use of prefabricated modular and off site production, and to reduce the cost of designing the area. The Group believes this would enable it to ensure higher quality and more reliable product and service offerings and to maintain close control on costs, quality and efficiency, and reduces its reliance on external suppliers and contractors.

Innovation and technical excellence are at the core of the Group’s operations, which, the Group believes distinguishes it from its competitors. The Group is the only real estate developer in Russia with an R&D department, and it holds 15 patented proprietary technologies. The Group continually seeks to develop more advanced manufacturing and construction technologies and, as a result, have already reduced the Group’s construction period (from the receipt of the building permit to completion (escrow accounts release)) to 12 months (versus 28-40 months industry average in the Russian market according to the Group’s estimates based on public data) by using modular construction technologies. The use of 2D production technology in modular construction enables the Group to reduce labour costs and to keep the production highly efficient. Furthermore, according to Group’s estimates, compared to traditional construction modular technologies produce fewer carbon emissions and allow to re-use up to 90% of materials after 30-50 years of building operation.

The Group has invested heavily in advanced IT platforms and processes in order to digitalize its operations. The automation and digitalization of the Group’s supply chain management, project management functions, data collection and analysis and the use of artificial intelligence has strengthened the Group’s operational efficiency, service quality, cost controls and labour productivity.

The Group has eliminated its offline customer sales presence entirely and have created an efficient and comprehensive online sales platform through which customers can complete all stages of the acquisition process, including virtual viewings, mortgage applications, and transaction execution and completion. Consistent with the Group’s move from offline to online operations, approximately 58% of the Group’s office workforce now work remotely. The Group has no plans to re-establish a physical office-based sales presence or to re-call the Group’s employees to work from centralized office space. The Group believes the switch to remote working enables its employees to work more flexibly and efficiently, and results in significant savings on the rental of office space.

Further, the Group's ecosystem centered around its market leading PropTech platform "Kvarta" enables it to serve customers across a wide range of inter-connected products and services (including, among others, services allowing to buy, sell and exchange properties on the secondary housing market, brokerage service on the primary housing market including built-in online mortgage and insurance, rental and refit services) under the leading PIK brand such as PIK-Broker, PIK-Rent, PIK-Refit and PIK-Sales. In the first half of 2021, the number of transactions made through Kvarta increased four times to 20,000 units compared to 5,315 units in 2020. The Group believes that Kvarta is a unique platform for owners and tenants that offers housing related value-added services. See "*Business—PropTech*".

The Group's technical excellence, vertical integration and the extent of the digitalization of its business processes, combined with its long term partnerships with suppliers and contractors, enables it to scale operations up and down in a flexible and efficient manner to take advantage of opportunities and respond to dynamics in the markets in which the Group operates.

Global leader in residential development with a strong brand and significant scale in the fragmented Russian market

The Group is the largest residential real estate developers in Europe by market capitalization as at 24 September 2021 according to Bloomberg and the largest in the Russian residential real estate market in terms of the value of its land bank according to the Group's estimates based on data published by Russian developers. As at 1 September 2021, the Group had a land bank portfolio of unsold area of 21.5 million sq. m. according to the Group's calculations (see "*—Large, high quality land bank*"). Market capitalization of the Group was U.S.$13.1 million as at 24 September 2021 according to Bloomberg. Despite the impact of COVID-19, in 2020 and in the first half of 2021, the Group completed construction of 2,425 thousand sq. m. and 833 thousand sq. m. and sold 2,355 thousand sq. m. and 1,088 thousand sq. m., respectively, and achieved strong financial performance (see "*—Robust financial performance and high cash flow visibility"*). The Group's business is currently focused on the mass-market segment of the Russian real estate market, where it is the clear market leader, although the Group intends to expand its operations selectively into mid-market (under the 'Forma' brand) and premium (under the 'Mono' brand) segments in Russia and internationally (see "*Strategy—Expand the Group's operations into attractive new segments, products and markets*"). The PIK brand is the leading real estate brand in Russia and is among the top 30 brands in Russia according to Brand Finance. In 2020, the Group's brand value reached RUB52 billion according to Brand Finance.

The Russian real estate market is characterized by high fragmentation with a large number of small-scale developers. According to the Unified Register of Developers, there were 131 developers in Moscow and 151 developers in the Moscow region and 2,240 developers throughout Russia as at 1 September 2021, whereas the top 10 developers by volume under construction in Moscow comprised 58.9% of the market in Moscow as at 1 September 2021, and the top 10 developers by commissioning volumes overall in Russia in 2021 comprised 19.2% of the Russian market.

The Group has the widest geographical presence of all residential real estate developers in Russia according to the Unified Register of Developers. As of the date of this Offering Memorandum, the Group carries out development operations in 14 regions and manages real estate in 20 regions of Russia. In 2021, the Group intends to launch projects in 6 new regions of Russia. The Group believes that the Group's leading market position and the scale of its operations provides the Group with a competitive advantage over the Group's smaller peers and positions it to benefit from the ongoing sector consolidation.

Well positioned to benefit from supportive fundamentals in the Russian housing market

The Russian real estate market benefits from strong fundamentals which proved resilient during the COVID-19 pandemic, and which, the Group believes, will continue to create a favorable operating environment for the Group's business. The Group believes that the main factors supporting the housing market in Russia are (i) a systemic undersupply of new high quality apartments and modern infrastructure, and (ii) strong demand as the result of the population growth in Moscow and the Moscow Metropolitan Area where the Group's business is focused, and local and national government initiatives to support and promote housing and urban development. More recently, the Russian real estate market has benefited from the current low interest rate environment which supports mortgage rates and availability and the recent increased savings in Russian households as a result of

COVID-19 lockdowns as well as the state support measures, such as the mortgage subsidy program with a subsidized rate of 7.0% and child allowances and subsidies for multiple-child families (known as a maternity capital programme). This has supported an increase in average house prices.

The Group believes there is a considerable growth potential in the Russian market. According to the Federal Service for State Statistics of the Russian Federation ("**Rosstat**"), as at 31 December 2020 housing stock per capita stood at 26.9 square meters in Russia. The Strategy for the Development of the Housing Sector of the Russian Federation to 2025 prepared by the Russian Ministry of Construction, Housing and Utility Infrastructure and JSC DOM.RF" (the "**DOM.RF**"), sets the target to reach 30 sq. m. of housing stock per capita by 2025, which will require substantial additional construction. Furthermore, in July 2020, the President of the Russian Federation issued an executive order the "National Development Goals of the Russian Federation through 2030" which sets forth, inter alia, the goal to increase housing completions to at least 120 million sq. m. per year by 2030 (compared to 80 million sq. m. housing completions in 2020). In addition, a substantial residential development potential indicated by a lower supply of houses per capita in Russia compared to Europe. According to OECD, the number of dwellings per thousand inhabitants in Russia was 449 compared to 491 in EU in 2020.

Furthermore, the Group believes that it is well positioned to benefit from the ongoing consolidation among real estate developers which is primarily driven by the transition to the use of escrow accounts and project financing under Russian Federal Law No. 214-FZ "On Participation in Shared Construction of Apartment Buildings and Other Real Estate", which took effect in April 2005 (the "**Shared Construction Law**"). According to the Unified Register of Developers, the number of developers in Russia decreased from 3,197 as at 31 March 2019 to 2,302 as at 31 December 2020. The Group believes that the escrow accounts model also creates significant barriers to entry for new market participants and benefits large real estate developers such as the Group.

The Group believes that its leading market position, operational expertise, high value land bank and robust financial condition positions the Group to take advantage of these favorable market conditions. The Group believes that its core business is and will continue to be ideally suited to the strong demand for new, modern and affordable living units surrounded by amenities and infrastructure.

Large, high quality land bank

According to the Group's estimates based on data published by Russian developers, the Group has the largest land bank in Russia by market value, primarily located in Moscow and the Moscow Metropolitan Area, high quality and the most valuable land in Russia. The Group's land bank has grown from approximately 11 million sq. m. of unsold area having a market value of RUB270 billion as at 31 December 2018, to a land bank of approximately 11.1 million sq. m. of unsold area having a market value of RUB427 billion as at 31 December 2019. As at 31 December 2020, land bank was of approximately 16.6 million sq. m. of unsold area with a market value of RUB689 billion as at 31 December 2020, of which approximately 45% per cent. of unsold area by sq. m. was located in Moscow, approximately 27.4% per cent. in the Moscow region and approximately 24.7% in other regions in Russia. Overall, the Group's total unsold area comprised 21.5 million sq. m. as at 1 September 2021

The Group's land bank supports a strong pipeline of housing development and construction projects which, the Group believes, provides it with secure growth and revenue visibility. As at 31 December 2020, 63.9% of unsold area by sq. m. was under development and 36.1% was held for further development.

The Group has a proven track record of sourcing its land bank efficiently. The Group leverages its strong reputation, industry expertise and efficiency, the scale of its operations and its well-established track record to identify and secure land, and the Group believes it is a preferred partner for its landlords. The Group carefully selects the land it acquires to coincide with the regions the Group operates within and where the Group sees the best opportunities for future development and profitability. For example, the Group has deliberately acquired a substantial land bank in Moscow and Moscow region, the most lucrative and dynamic regions in Russia.

More recently, the Group has launched the first overseas project in its asset portfolio in Philippines, where the Group also sees attractive and profitable growth opportunities. This represents an upper mid-end residential complex comprising 30 floors and 250 apartments located in the city center of Manila. The Group has prioritized asset and portfolio transactions over corporate transactions. The Group believes that this approach provides it with a higher degree of accuracy and lower uncertainty with regards to the acquired product.

The Group acquires development rights in relation to its land bank through investment agreements or separate arrangements with municipal and regional governments. In most cases, the investment agreement prescribes that, after completion of the construction, the government authority shall either receive a certain share of the project, or a monetary compensation. See also “*Business—Obtaining development rights*”.

Robust financial performance and high cash flow visibility

The Group’s robust financial performance has enabled it to achieve and maintain strong profitability and a secure liquidity position. In the six months ended 30 June 2021 and 2020 and the years ended 31 December 2020, 2019 and 2018, the Group generated revenue of RUB189,279 million, RUB138,529 million, RUB380,161 million, RUB280,635 million and RUB245,757 million, total comprehensive income for the reporting period of RUB69,425 million, RUB17,986 million, RUB86,493 million, RUB45,113 million, RUB26,893 million, Adjusted EBITDA of RUB91,918 million, RUB27,457 million, RUB112,041 million, RUB67,042 million and RUB41,931 million, Adjusted EBITDA margin of 49%, 20%, 29%, 24% and 17%, and net income margin of 37%, 13%, 23%, 16%, 11%, respectively. This has helped the Group to respond resiliently to external shocks, such as the COVID-19 pandemic, and ensures the Group is well capitalized with sufficient liquidity to take advantages of opportunities to develop and grow the Group’s business. The Group actively manages the Group’s debt portfolio to optimize the quantum, tenor and price of the Group’s borrowings. As at 30 June 2021 and 31 December 2020, the Group had Adjusted net debt of RUB121,801 million and RUB45,265 million and at 30 June 2021 and 31 December 2020 Adjusted net debt to Adjusted EBITDA ratio of 0.69x and 0.4x, respectively, and in the six months ended 30 June 2021 and in the year ended 31 December 2020, the Group’s cost of debt amounted to 7.7% and 6.0%, and the weighted average debt maturity was 3.3 and 2.5 years, respectively. As part of its debt management strategy, the Group may issue bonds in the near term in the international markets subject to market conditions.

According to the Group’s estimates based on data published by Russian developers, the Group had the highest gross and EBITDA margins in the industry for 2020. The Group’s margins reflect its low fixed overhead costs, carefully acquired land bank, tight control over construction costs and strategically developed product offerings. In addition, the Group has high cash flow visibility based on the Group’s strong order book and efficient operations, with low construction delays and cancellation rates. The Group pre-sells approximately 95% of real estate units before construction is completed and buildings are accepted by the State Commission. The average sales price of the Group’s units delivered in Moscow in 2020 was approximately RUB176 thousand per sq. m. In the six months ended 30 June 2021 the Group’s cash collections from real estate sales amounted to RUB166,251 million, of which RUB81,784 million was represented by cash receipts to escrow accounts. According to the Group’s estimates based on data published by Russian developers, the Group’s selling, general and administrative expenses as a percentage of its revenue is approximately three times less compared to its closest competitors.

Experienced management team with a proven track record

The Group has an experienced management team with a proven track record of stability and growth over many years. Their deep knowledge of the Group’s business, including technical and operational expertise, and their commitment to the Group’s business strategy, has enabled the steady and sustainable growth of the Group’s business. Since 2018, the Group’s land bank of unsold area has increased from 10.9 million sq. m. to 21.5 million sq. m. as of 1 September 2021, or by 97%. Market value of the Group’s also increased from RUB270 billion as of 31 December 2018 to RUB689 billion as of 31 December 2020, or by 156%. Furthermore, the Group’s management team is responsible for the Group’s culture of innovation and technical excellence. The management team developed and implemented the Group’s COVID-19 contingency strategy and has been responsible for the development of the Group’s digital platform and the Group’s switch to a primarily online business format, which enabled the Group to respond rapidly and pro-actively to the lockdowns and social and economic turbulence associated with COVID-19 and has positioned the Group to continue to grow and diversify its operations.

Strong governance, backed by aligned majority shareholder

The Group is committed to high standards of corporate governance and transparency. The Group has implemented its Code of Corporate Governance and comply with all Russian laws related to corporate governance. The Group have an experienced board of directors comprised of 9 directors, of which 4 are executive directors and 5 are non-executive, of which 4 are independent. The Group also has the following board committees: Audit and Risk Committee, Personnel and Remunerations Committee, Strategy Committee, Investor Relations and Corporate Communications Committee and Sustainability Committee. See “*Management and Corporate Governance—Board of Directors Committees*”. Mr. Gordeev is the largest shareholder of the Company, the CEO, the chairman of the Management Board and a member of the board of directors. He has extensive experience of the Russian real estate market and plays, and will continue to play, an important role in driving the Group's dynamic strategic vision.

Strategy

Create and implement innovative technologies across the Group's business

The Group intends to use its focus on technical excellence and innovation to deliver new housing and real estate-related products and services at lower cost and with greater efficiency and profitability, including through UNITS (the Group's construction technology division) and Kvarta (the Group's customer-centric housing ecosystem). For example, the Group expects innovative solutions to enable it to increase its annual construction capacity from 5 million sq. m. to 10 million sq. m. in 3 years, to significantly reduce construction time, including as a result of the use of prefabricated modular and off site production, and to reduce the cost of designing the area. The Group expects to continue to focus on modular development and anticipated significant growth in modular construction, particularly in the currently under-penetrated Russian market.

The Group is focused on its market leading property technologies platform "Kvarta" which enables it to serve customers across a wide range of inter-connected products and services (including, among others, services allowing to buy, sell and exchange properties on the secondary housing market, brokerage service on the primary housing market including built-in online mortgage and insurance, rental and refit services) under the leading PIK brand such as PIK-Broker, PIK-Rent, PIK-Refit and PIK-Sales. The Group intends to increase the number of transactions made through Kvarta by four times to 20,000 units in 2021 compared to 5,315 units in 2020.

In 2018-2020, the Group invested approximately RUB12 billion in digitalisation of its housing and development sector. The Group intends to continue to invest in its online digital platform, including in order to develop the Group's autonomous external engineering networks, build cross-functional project management teams and facilitate seamless transitions between development stages and contractors. The Group believes this will enable it to improve the efficiency of its industrial and construction processes and operations and provide an enhanced product offering to the Group's customers. The Group also expects it will ensure it to have a flexible and scalable digital platform capable of supporting the development of its strategic growth objectives in Russia and internationally.

Expand the Group's operations into attractive new segments, products and markets

The Group intends to leverage its technical excellence, digital platform and scale to expand the scope of its operations in order to diversify its revenue generation, capture growth opportunities in new high margin markets and grow the Group's PIK Ecosystem.

- *Develop the Group's PIK Ecosystem*: The Group's ecosystem serves as a single point of contact through which the Group's customers can access a wide range of real-estate related products and services in a convenient and cost effective manner under the trusted PIK brand. The Group believes the Ecosystem drives customer engagement and loyalty and creates cross-selling opportunities across the Group's different products and services. In particular, the Group intends to expand the scope of the Kvarta product offerings and to continue to improve the customer experience on the Group's online platform. The Group aims to increase the number of transactions through the Group ecosystem to 20,000 in 2021 compared to 5,315 transactions in 2020. Further the Group will focus on the Group's fee development, real estate management, waste management, recycling and logistics operations. In particular, the Group aims to launch 9 new fee-development projects with an approximate Adjusted EBITDA margin of 15-20% in 2021.

- *Enter into the mid-market and premium residential real estate segments in Russia*: The Group intends to expand its operations into the construction and sale of mass market (under the 'PIK' brand), mid-market (under the 'Forma' brand), premium (under the 'Mono' brand) and suburban residential real estate projects. The Group's first mid-market project will be launched in 2021 under the "Forma" brand, and premium project in 2022 under the "Mono" brand and the Group expects to launch high-end and suburban projects by 2022. The Group believes its leading market position in the mass-market segment and the various competitive advantages the Group enjoys over its competitors leave it well positioned to expand into these higher margin segments. Furthermore, the Group seeks expansion into warehouse development and development of industrial parks in Russia.

- *Pursue attractive opportunities for international expansion*: The Group intends to selectively expand its operations into international markets which meet the Group's strict investment criteria under its 'PIK International' brand. The Group will only consider opportunities in rapidly developing markets with stable socio-economic and political conditions, robust and transparent legal systems (particularly with respect to the regulation and registration of land and real estate), and high demand for additional mass-market residential real estate. Furthermore, in mid-term the Group plans to expand its operations into certain countries in Southeast and South Asia such as the Philippines and India. In March 2021, the Group launched its first international development project in the Philippines and expects to launch two more projects. In addition, the Group is conducting negotiations in relation to nine potential projects in the Philippines. In India, the Group launched one project and 14 more potential projects are in negotiations. The Group believes that its tech-focused, innovative and digitalized business model will give it the flexibility to efficiently and effectively expand into international markets.

Pursue profitable growth in the Group's core business

The Group intends to take advantage of anticipated growth in the mass-market Russian real estate market and strengthen its leading market position in the Group's core market. The Group believes there is significant potential for growth in the Russian real estate market See "—*Well positioned to benefit from supportive fundamentals in the Russian housing market"*. There is material demand for new high-quality apartments and modern infrastructure in Russia, as at least 62% of available housing is more than 30 years old according to the Group's estimates based on public data. Consequently, numerous national and regional projects and initiatives are expected, with the target to provide new modern affordable housing and renovate urban environments. The Group believes it is ideally positioned to benefit from this dynamic and will focus on participating in large scale urban housing, development and renovation projects, particularly in Moscow and Moscow region in order to profitably grow the Group's core business. The Group's target is to launch 53 new projects with a total area of 9,205 thousand sq. m., including projects in 6 new regions of presence, in 2021. In the first half of 2021, the Group commissioned 9 new projects in Moscow, Yekaterinburg, St. Petersburg and Philippines and 69 new buildings in the Moscow area, Obninsk, Yekaterinburg, St. Petersburg comprising a total aggregate area of 1,194 million sq. m. In the medium term, the Group aims to boost sales in the development segment outside Moscow and the Moscow region to 50%. The Group is targeting revenue of RUB500 billion in 2021.

Further develop the Group's ESG / sustainability profile

The Group believes that the sustainability of its operations is crucial to the continued growth and development of its business. Since 2019, the Group has been a party to the UN Global Compact, thus reaffirming its commitment to ten principles of the international initiative in four key areas of corporate responsibility: human rights, labor relations, the environment and anti-corruption.

The Group will continue to strive to ensure that its operations are energy efficient and carbon neutral. In particular, the Group will seek to continue to reduce the production of hazardous waste and the consumption of natural gas, including by commissioning steam generators, completing the Group's transition from mercury lamps to LED lamps, continuing to develop the Group's recycling projects and introducing the separate collection of wastes at all facilities under construction. The Group intended to continue to focus contributing positively to the communities it operates within, including by developing and constructing social infrastructure projects (schools, kindergartens, play hubs) and renovating neglected regions to provide low-cost modern housing with associated infrastructure and amenities. The Group will continue to target compliance with all applicable environmental standards. For more details see "*Business—Environmental Matters*".

In occupational safety the Group's goal is to achieve "Zero Fatalities, zero serious injuries". In 2020, the Group's Lost Time Injury Frequency Rate ("**LTIFR**") reduced to 0.28 compared to 0.3 in 2019. In total, the Group recorded 28 work-related injuries of varying severity in 2020 (8 serious injuries and 20 minor injuries), which is 5 injuries fewer compared to the previous reporting period (7 serious injuries and 26 minor injuries). In 2020, two fatalities occurred at the Group's construction sites. Based on work-related injury reports, the Group annually prepares a risk register that is used to set occupational health and safety goals and objectives. In 2021, to mitigate the risk of accidents, the Group plans to develop professional risk assessment maps, which will describe work-related risks and ways to minimize them, for each workplace and then familiarize employees and managers with them.

The Group also strives to ensure gender equality, including equality in the area of remuneration. In 2020, the share of women in the Group amounted to 37% and the ratio of base salary and bonuses for men and women in the position of managers, workers, specialists and office workers was equal.

OVERVIEW OF THE OFFERING

Company:	Public Joint Stock Company "PIK-specialized homebuilder", a company incorporated under the laws of the Russian Federation, registered in the Unified State Register of Legal Entities under the main state registration number (OGRN) 1027739137084 having its registered office at 19, Barrikadnaya str. Building 1, Moscow, 123242, Russian Federation.
Joint Global Coordinators and Joint Bookrunners:	VTB Capital plc, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc, Sberbank CIB (UK) Limited and JSC "Sberbank CIB".
Joint Bookrunners:	Alfa Capital Markets Ltd, Limited Liability Company "ATON", Credit Suisse International, Bank GPB International S.A. and Sova Capital Limited.
Selling Subsidiary:	LLC "PIK-INVESTPROEKT", a company incorporated under the laws of the Russian Federation, registered in the Unified State Register of Legal Entities under the main state registration number (OGRN) 5167746463726 having its registered office at 19, Barrikadnaya str. Building 1, Moscow, 123242, Russian Federation. The Selling Subsidiary is a wholly-owned subsidiary of the Company.
Offering:	The Offering consists of an offering by the Selling Subsidiary of approximately 27 million Shares. The number of Shares to be sold pursuant to the Offering to be published on or about the Pricing Date. 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.
Offer Price:	The Offer Price is expected to be published on or about the Pricing Date.
Share Capital:	The Company's share capital currently consists of 660,497,344 Ordinary Shares, each with a nominal value of RUB62.5, which are fully paid, issued and outstanding. 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*".
Share 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 5 October 2021.
Use of Proceeds:	The gross proceeds from the Offering are expected to be approximately U.S.$500 million. The Selling Subsidiary will use all the proceeds from the Offering for the general corporate purposes of the Group, including debt repayment and business expansion. See "*Use of Proceeds*".
Principal Shareholders:	Mr. Sergey Gordeev, VTB Bank PJSC (the "**Principal Shareholders**"). For the list of all shareholders see "*Principal Shareholders*".

Controlling Shareholder:	LLC PIK+, a company incorporated under the laws of the Russian Federation, registered in the Unified State Register of Legal Entities under the main state registration number (OGRN) 1157746111995 having its registered office at 19, Barrikadnaya str. Building 1, Moscow, 123242, Russian Federation. LLC PIK+ is a company which is controlled by Mr. Gordeev and which indirectly holds all the Ordinary Shares that are beneficially owned by Mr. Gordeev.
Lock-up:	Each of the Company, the Selling Subsidiary and the Controlling Shareholder is expected to agree in respect of themselves or any person acting on its behalf, from the Pricing Date until 180 days after the Share Delivery Date, not to, without consent of the Joint Global Coordinators and Joint Bookrunners (subject to certain exceptions), issue, offer, sell or otherwise transfer any of their Shares or securities convertible or exchangeable into or exercisable therefore. Each of the Controlling Shareholder, the Company and the Selling Subsidiary is also expected to procure that none of its affiliates or any other person acting on their behalf will, from the Pricing Date until 180 days after the Share Delivery Date, will, without the prior written consent of the Joint Global Coordinators and Joint Bookrunners (subject to certain exceptions), issue, offer, sell or otherwise transfer any of their 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 Company may decide not to pay dividends in the future".*
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 were registered with the Federal Service for Financial Markets of Russia (predecessor of the Central Bank of Russia) on 21 February 2013, under the state registered number No. 1-02-01556-A. The Ordinary Shares are listed on MOEX under the ticker symbol "PIKK".
Settlement Procedures:	Each purchaser of the Shares must pay for such Shares by the date and in the currency agreed with the Underwriters. 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 number for the Shares is as follows:
	ISIN: RU000A0JP7J7
Legal Entity Identifier of the Company:	253400H5ZKVZTW6E7Q13
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 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 and Industry; (ii) Risks Relating to the Group's Strategy; (iii) Risks Relating to the Russian Federation; (iv) Risks Relating to the Russian Legal System and Legislation; (v) Risks Relating to Russian Taxation; and (vi) 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 global COVID-19 pandemic and the disruption caused by various countermeasures to reduce its spread, could have a material adverse effect on the Group's business, financial condition and results of operations

The coronavirus disease ("**COVID-19**") was first reported in China in December 2019 and has subsequently spread throughout the world, with the World Health Organization ("**WHO**") declaring it a pandemic on 11 March 2020. The governments of more than 80 countries across the world, including Russia, introduced measures aimed at preventing the further spread of COVID-19, including, amongst others, travel restrictions, closed international borders, enhanced health screenings at ports of entry and elsewhere, quarantines and the imposition of both local and more widespread "work from home" measures. For example, in March 2020, to slow the spread of the COVID-19 pandemic, the Russian Government placed a country-wide lockdown, introducing several "non-working weeks", bans on public events, closures of public places, border controls and travel and other restrictions. In addition, the Government of Moscow imposed a temporary ban on construction works that lasted from 13 April to 12 May 2020. As a result, the Group had to suspend construction on all of its development projects in Moscow for that period.

Since May 2021, Russia and a number other countries have experienced a third wave of the COVID-19 pandemic associated with the more virulent Delta variant first identified in India, as evidenced by a rise in the number of COVID-19 cases and deaths. In Russia, infection rates accelerated sharply from late spring and into summer 2021, with infections rate rising at a faster pace than in the first and second waves experienced in 2020. In response, Russian authorities re-introduced many of the restrictions first introduced in March 2020, and also introduced certain new restrictions (including QR-code check-ins at certain public places and travel restrictions for non-vaccinated persons). In addition, the Russian Government's coronavirus vaccination programme launched in December 2020 continues to offer free vaccination to the whole population. Vaccination is mandatory for most public service workers and civil servants, and many private employers have also required their employees to be vaccinated. Nonetheless, overall uptake has been relatively low, with only 22.7% of the Russian population fully vaccinated as at 17 August 2021, according to the Ministry of Healthcare of the Russian Federation. There remains significant uncertainty regarding the impact and duration of the COVID-19 pandemic in Russia and globally, which could be exacerbated by disruptions or delays in the rollout of COVID-19 vaccines and by vaccine-resistant or more virulent mutations of COVID-19. If the spread of COVID-19 persists for a significant period of time or the infection rates stagnate or further increase, this could lead to renewed nationwide lockdowns and other restrictions, which could have a material negative impact on the Russian economy and other economies worldwide.

The COVID-19 pandemic has disrupted the normal flow of travel and business operations both globally and locally, affected global supply chains, manufacturing, consumer spending and asset prices, as well as led to general concern and uncertainty. Specifically, in Russia, the COVID-19 pandemic has adversely affected revenues in most sectors of the economy and was primarily responsible for the drop in GDP by 3.0% in 2020, a rise in unemployment (5.8% in 2020 against 4.6% in 2019) and deterioration of the population spending power (the real disposable income declined by 3.5% in 2020 year-on-year). See "*Management's Discussion and Analysis of Financial Condition—Key Factors Affecting the Group's Results of Operations—Demand and market conditions in the Russian real estate market.*"

The extent to which the COVID-19 pandemic will continue to impact the jurisdictions where the Group operates will depend on various factors, including the timeliness and effectiveness of actions taken or not taken, such as vaccination drives, to contain and mitigate the effects of COVID-19 both in the relevant jurisdictions and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted. The continuing COVID-19 pandemic may affect the Group's industries and business in a number of ways, including but not limited to:

- declines in prices of real estate due, among others, to a decline in demand for properties;
- causing potential interruptions or suspension of construction;
- 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;
- impacting the Group's ability to enter into new strategic transactions or to finalize strategic transactions on previously agreed terms and timetables;
- 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; and
- increase in deficit of the labour force, including from the former CIS countries, due to the quarantine and travel restrictions, which may in turn increase cost of construction.

In addition, the ongoing impact of the COVID-19 pandemic on the Group's business depends 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 governmental measures. If the current COVID-19 pandemic were to persist, the Group's financial performance for future periods may be materially and adversely affected. Furthermore, public health crises caused by the COVID-19 pandemic may exacerbate other pre-existing political, social and economic risks in certain countries or globally. Should the COVID-19 pandemic materially adversely affect the Group's business and financial results, it may also have the effect of heightening many of the other risks described in this "*Risk Factors*" section.

The Group's business and results of operations depend on the conditions of the real estate market in Russia

Substantially all of the Group's land bank, development projects and operations are located in Russia, as such, the Group's business substantially depends on the conditions of the Russian real estate market and the Russian economy generally. Most of the Group's revenue is derived from sales of real estate properties. Returns from these sales depend, in large part, on the selling prices, expenses incurred in the development and management of properties and overall levels of supply and demand in the real estate market. These factors may fluctuate in response to a number of considerations, including the following:

- regional and local economic conditions;
- supply of comparable housing in the market;
- changes in customer preferences;
- availability and cost of rental housing;
- the cyclical nature of the real estate market;
- changes in interest rates and inflation;
- the availability of acceptable financing resources for the Group's construction projects;
- the availability of mortgage and other financing for potential purchasers of the housing that the Group constructs;

- unanticipated development and other costs, including the costs of obtaining financing;
- the supply of, and the price for, construction materials, energy and other utilities in Russia;
- the bankruptcy or insolvency of contractors and other counterparties;
- the periodic need to renovate and repair space;
- the quality and proximity of competition presented by other residential properties; and
- perceptions of prospective purchasers as to the attractiveness, convenience and safety of the locations where the Group's properties are situated.

Any or all of these factors may result in adverse fluctuations in the real estate market, and any such fluctuations could materially adversely affect the Group's business, financial condition and results of operations.

In addition, the majority of the Group's real estate properties and projects are located in Moscow and the Moscow region. As at 31 December 2020, 69 out of 101 projects of the Group were located in Moscow and the Moscow region. Although the Group seeks to increase sales in the development segment outside Moscow and the Moscow region to 50% in the medium term (see "*Strategy—Pursue profitable growth in our core business*"), there is no assurance that the Group will have the opportunity to diversify significantly its real estate portfolio to include properties and projects in additional regions of Russia or abroad or, that it will be able to benefit from such opportunities in a manner similar to the Group's current and past projects. As a result of this geographic concentration, any change in the local political or regulatory environment, including at the level of the Moscow city government, decline in economic activity or weakness in the local real estate market could materially adversely affect the Group's business, financial condition or results of operations.

The Group operates in a cyclical industry and may be adversely affected by a downturn in the real estate industry

The Russian real estate market is cyclical in nature and historically experienced significant fluctuations. Demand for real estate depends primarily on income levels and the general economic and financial situation in the Russian Federation. Economic downturns in the period between 2014 and 2017 led to reductions in the disposable income of the general population, rises in the unemployment rate and, consequently, reductions in demand for, and corresponding substantial declines in the values of, commercial and residential real estate. In addition, the economic downturns also affected the availability of mortgage financing for prospective purchasers of real estate, which led to further declines in the general demand for real estate products and associated further erosion of their selling prices. As a consequence, the economic decline had a material adverse effect on the real estate development and construction sectors of the Russian economy. See "*Industry—Russian Residential Real Estate Market Overview*".

In 2018 and 2019, the Russian economy showed some signs of recovery from the abrupt downturns it had been subject to in the period between 2014 and 2017, recording real GDP growth of 2.8% and 2.0%, respectively. However, the spread of COVID-19 adversely affected the Russian economy resulting in a 3.0% decline in GDP in 2020. See "*The global COVID-19 pandemic and the disruption caused by various countermeasures to reduce its spread, could have a material adverse effect on the Group's business, financial condition and results of operations.*"

Although the COVID-19 pandemic had a dramatic effect on the Russian economy, consumer confidence has improved since the second quarter of 2020 according to Rosstat. Interest rates were at historic lows in the second half of 2020, GDP has been higher than expected and the vaccine rollout has had a positive impact on the country's economic prospects. Further, Government policies and measures have helped to support the economy and consumer confidence and have served to mitigate the impact of the dislocation of the economy caused by COVID-19. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Demand and Market Conditions in the Russian Real Estate Market*".

In the event of a recession or economic downturn that affects business profitability and employment levels in Russia, the demand for and the value of properties, and particularly residential properties, office space and retail space in shopping centers, could be directly and adversely affected, which, in turn, could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group operates in a highly competitive industry

The real estate industry in Russia is highly competitive and fragmented, particularly in the residential sector. According to the Unified Register of Developers, there were 131 developers in Moscow and 151 developers in the Moscow region and 2,240 developers throughout Russia as at 1 September 2021. Competition in the real estate market may, inter alia, cause increase in raw material costs and other expenses, shortages in quality construction contractors, surpluses in property supply leading to decreased property prices and delays in the issuance of government approvals and permits. In addition, competition may lead to a significant increase in prices for land available for development or real estate available for sale or an increase in prices to enter into investment contracts as a co-investor, impeding the acquisition of new assets for the Group's property portfolio, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group competes with a number of real estate companies and developers for properties, development projects, contractors and customers in Moscow, the Moscow region and other regions where it operates (see also "*Business—Competition*"). Existing and potential competitors have established, and may establish in the future, cooperative relationships among themselves or with third parties to enhance their ability to address the needs of the Group's prospective customers. Accordingly, new competitors or alliances among competitors may emerge and rapidly acquire significant market share. As a result, 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.

Furthermore, the Group's business is subject to growing competition in the property and construction technologies markets in Russia. According to the Russian Ministry of Construction, Housing and Utilities of the Russian Federation ("**MinStroy**"), the share of companies using building information modelling (BIM) technologies increased from 7% as at 31 December 2020 to 12% as at 31 March 2021. Furthermore, pursuant to the Governmental Order No. 331 dated 5 March 2021, BIM technologies must be used in state funded construction or renovation projects implemented after 1 January 2022. In the property technologies market, Kvarta is competing with, inter alia, CIAN and Avito. In the construction technologies market, the Group's Industrial segment is competing with, inter alia, Modus and Katerra. See "*Business—Competitors*". There is no assurance that the Group will be able to compete successfully with other companies in the growing property and construction technology markets.

Any inability to compete successfully could result in reduced operating margins and an inability to increase the Group's market share, which, in turn, may materially adversely affect the Group's business, financial condition and results of operations.

The Group is dependent on suppliers for many of the raw materials it uses

The Group requires substantial amounts of raw materials in its production processes, including gravel, sand and crushed rock, and any inability to obtain sufficient quantities of raw materials necessary for the Group's 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 its customers and may result in lost sales opportunities.

The availability of supplies of raw materials may be negatively affected by a number of factors largely beyond the control of the Group, including interruptions in production by suppliers, allocation of raw materials by suppliers to other purchasers, fluctuations in prices of raw materials and increased transportation costs. There is no assurance that the Group's sources of supply will consistently meet its quality requirements, be delivered on schedule or be available on commercially reasonable terms. In addition, the Group is exposed to the risk of suppliers forming alliances or cartels that may put upward pressure on pricing for such materials.

Furthermore, increased energy costs or an interruption in electricity or other utilities provided to the Group could materially adversely affect its business. Utility costs, particularly the cost of electricity, comprise a significant portion of the Group's cost of sales. Any discontinuation of access to low cost electricity could increase the Group's production costs. Furthermore, the Group's access to electricity and other utilities, such as gas, heating, telecommunications and sewage services, is dependent upon the continued and timely co-operation of third parties and any delay, interruption or inability to ensure the supply of these and other utilities may cause a delay in completing any or all of the Group's developments.

For the reasons described above, any change in the prices or supply of raw materials or utility services could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group depends on external subcontractors to construct its projects

The Group relies on external subcontractors for much of its construction and development activities, particularly outside of Moscow and the Moscow region. In particular, the Group engages subcontractors to supply services in, inter alia, the Group's development projects in St. Petersburg and the Russian Far East. If the Group cannot enter into subcontracting arrangements on acceptable terms (or at all) it will incur additional costs which may have an adverse effect on the Group's business. The competition for the services of quality contractors and subcontractors may cause delays in construction, exposing the Group to a loss of competitive advantage. Subcontracting arrangements may be on less favourable terms than would otherwise be available, which may result in increased development and construction costs. By relying on subcontractors, the Group becomes subject to a number of risks relating to these entities, such as quality of performance, varied work ethics, performance delays, construction defects and the financial stability of the subcontractors. A shortage of workers would also have a detrimental effect on the Group and its subcontractors and, as a result, on the Group's ability to conclude the construction phase of the Group's projects on time and within budget.

The Group is subject to numerous risks inherent to real estate development

The Group's principal activity is the development of properties for sale. The development of properties involves general investment risks, including the risks that the assumptions, estimates and valuations related to the land the Group acquires and projects 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 the Group owns could decline or be adversely affected if various government authorities made more land available for development. In such case, the sale price of property scheduled for development using currently owned land would be adversely affected, which could have a material adverse effect on the Group's business, financial condition and results of operations.

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 the Group intends to acquire, the Group can give no assurance that properties it has acquired will not be subject to material risks that were not apparent at the time of acquisition, including, without limitation, environmental risks and legal restrictions. Further, the Group cannot give any assurance that the assumptions on which the valuations are based were accurate at the time they were made or will continue to be accurate. These risks could cause the value of the Group's properties to decline, lead to claims for damages, require the Group to incur significant additional costs, write off the Group's assets or, in some circumstances, require the Group to delay or cease the developments on such properties, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's projects may be subject to delay, non-completion and financial loss

The Group's projects are at various stages of development. According to the C&W Valuation Report, as of 31 December 2020, 36% of the Group's total unsold area comprised residential and commercial projects in the design stage, 64% comprised residential and commercial projects under construction. Property developments typically require substantial capital outlays during construction periods and these are generally funded with project financing. The financing amounts are as a rule repaid out of funds pre-paid by individuals to escrow accounts upon commissioning of the relevant residential project. Therefore, the Group only generates positive cash flows from a construction project once it is commissioned, and if pre-paid amounts exceed the outstanding project financing for that project. As at 30 June 2021, approximately 40% of the Group's development projects were conducted under the escrow accounts model (based on the volume of sales).

Real estate development, construction and acquisition activities are subject to significant risks of delay, non-completion and financial loss due to, among other factors:

- changing market conditions, which may result in diminished opportunities to acquire and develop desired properties and lower than expected sale prices;

- competition from other real estate developers, which may diminish the Group's opportunities for acquiring a desired property or site on favourable terms or at all. Even if the Group enters into agreements for the acquisition of properties, these agreements are subject to customary conditions to closing, including completion of due diligence investigations to the Group's satisfaction;

- budget overruns and completion delays with respect to real estate development projects;

- 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 inability to identify and participate in development projects with or obtain or renew land lease rights from governmental authorities;

- potential delays or refusals in obtaining all necessary land use, building, occupancy and other required governmental permits and authorizations, including investment contracts with local and regional authorities;

- failure to ensure receipt of sufficient cash flows to the escrow accounts, which could prevent the Group from benefiting decreased interest rates on our project financings or result in acceleration of our debt;

- potential title or other defects in acquired and developed properties, including latent defects that may not reveal themselves until many years after the Group develops a property;

- potential liabilities relating to acquired land, properties or entities owning properties for which the Group may have limited or no recourse;

- obligations for the development of adjacent properties and the relocation of tenants and owners of properties to be demolished and/or redeveloped;

- obligations relating to the preservation and protection of the environment and historic and cultural sites, as well as social obligations;

- restrictions and encumbrances in land leases, as well as provisions governing the assignment or disposal of land lease rights or other provisions affecting property value;

- potential liabilities relating to warranties and guarantees given by the Group for the quality of construction work performed subsequent to the date on which the project was transferred to the customer, generally for a period after the transfer of up to three years for construction works;

- availability of energy and other utilities and adequate transportation infrastructure;

- potential inability to dispose of the Group's investments on acceptable terms or at all;

- changes in laws and governmental regulations and tax laws or the interpretation or application thereof; and

- possible industrial accidents, deterioration of ground conditions (e.g., presence of underground water), and potential liability under environmental laws (e.g., for soil and site contamination, air contamination and contamination of adjacent areas and the use of hazardous substances, etc.) and other laws.

The occurrence of one or more of these factors could materially adversely affect the Group's business, financial condition and results of operations. Construction and development activities are time consuming, require significant financial investments, and involve establishing and maintaining important business relationships with various parties, including suppliers, subcontractors, utility service providers and potential purchasers.

The Group's ability to finance construction projects may be materially adversely affected by the recent amendments to the Shared Construction Law

Since 1 July 2019, under the Shared Construction Law developers that sell properties using shared construction agreements, as a general rule and subject to certain temporary provisions, are required to keep funds received from their customers in escrow accounts. The developer has no access to these funds until the relevant construction project is commissioned. Until such commissioning, the developer is expected to fund construction from other sources, such as own or borrowed funds (project financing) from the bank where customers' escrow accounts are opened. Despite the Group's inability to use blocked proceeds, the significant amount of cash collections from sales in the construction stage and the extra coverage that cash held in escrow accounts provides for project loan debt, allows the Group to reduce the cost of project financing to preferential interest rate ranging from 0.01% to 3.5%, while market rates for comparable financing without escrow accounts are in the 8-10% range. While the Group has not in the past experienced difficulties with raising project financing, the shift to the escrow structure has created additional strain on the Group due to the necessity to provide substantial security to its lenders and to involve them into the assessment of the feasibility of its projects, which significantly limits the Group's flexibility. The Group is also subject to ongoing monitoring of its operational performance by its lenders, and in the event of insufficiency of cash flows in the escrow accounts kept with the relevant lender, the interest rates on the Group's indebtedness could be increased or its indebtedness could be accelerated, which could have a material adverse effect on the Group's financial position and results of operations.

As an exception, a developer may in certain cases avoid using the escrow account model, provided that the developer makes contributions to the special compensation fund for the protection of private investors, which is used for paying compensation to private investors in the event of the developer's bankruptcy and for financing the completion of unfinished construction. See "*Regulation of real estate in Russia — Financing model.*" The Group is only able to implement a limited number of ongoing projects under this exception while the increasing number of the Group's projects is implemented through the escrow structure. As at 30 June 2021, approximately 40% of the Group's development projects were conducted under the escrow accounts model (based on the volume of sales).

There can be no assurance that the Russian Government will not adopt more stringent laws and regulations in the future, or more stringent interpretation of existing laws and regulations with respect to the real property industry, including the financing of the developers' activity. If the Group fails to adapt its operations to new laws and regulations that may come into effect from time to time, or to more stringent interpretation of existing laws and regulations with respect to the real property industry, such changes may disrupt the Group's business or cause the Group to incur additional costs, its business, financial condition and results of operations may be materially and adversely affected.

A number of the Group's projects are in early stages of development, and the Group may not be able to complete these projects successfully

Many of the Group's projects are in early stages of development. As 31 December 2020, 36.1% of the Group's unsold area by sq. m. was held for further development.

In addition, the Group has not yet entered into or registered with appropriate authorities all the investment contracts and/or land lease agreements for the Group's projects and it has not yet received all required permits and approvals necessary to commence or complete the construction of certain of the Group's projects. There can be no assurance that the Group will be able to enter into or register such contracts or agreements or receive such permits or approvals in a timely manner or at all. See also "*—The Group must obtain a number of permits and administrative approvals and comply with existing laws and regulations in order to develop and construct its properties and projects*". Furthermore, the Group may not be able to complete such projects in accordance with the initially planned timetable and other parameters, including the terms and conditions of the permits and approvals received, the contracts entered into and the total and net areas of buildings set out in those contracts. For example, in April-May 2020, the Government of Moscow imposed a temporary ban on construction works for two months which resulted in suspension of the Group's construction on all of its development projects in Moscow for that period. Any failure to comply with certain material encumbrances and restrictions with respect to, or properly document the Group's title to, the Group's projects and fulfill investment terms thereunder may result in the Group's inability to complete such projects.

In addition, any actions of governmental and local authorities resulting in unforeseen changes in urban planning, zoning and architectural requirements, as well as other unforeseeable circumstances, resulting in the imposition of requirements to preserve buildings or other structures of historic and cultural heritage, could significantly delay or hinder the completion of the Group's key projects.

The Group's inability to complete projects due to the factors set forth above could have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

Real estate appraisals with respect to the properties and projects included in this Offering Memorandum may not reflect their actual market values

The Group from time to time engages independent real estate appraisers to value certain of the Group's real estate properties and projects.

Cushman & Wakefield ("**C&W**") and Colliers, independent real estate appraisers, have prepared the C&W Valuation Reports and Colliers Valuation Report (the "**Valuation Reports**") on the basis of certain methodologies and assumptions regarding the Russian real estate market and the projects in the Group's portfolio. Details of the valuation methodologies used and the assumptions made by Cushman & Wakefield and Colliers are described in C&W Valuation Reports and Colliers Valuation Report, respectively, appended hereto as Annexes A, B and C. The valuation of real estate and real estate related assets is inherently subjective, as such, valuations are subject to uncertainty. A number of factors (including changes in the Group's forecasts used by Cushman & Wakefield and Colliers in their respective Valuation Reports) could result in values that each of Cushman & Wakefield and Colliers has ascribed to the Group's properties and projects differing materially from the actual market value of such projects.

In addition, all valuations are stated as at a particular date, and there can be no assurance that these figures accurately reflect the market value of the Group's properties as of any other date. In addition, values ascribed by C&W and Colliers 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 Reports do 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, the use of different valuation methodologies and assumptions would likely produce different valuation results. Moreover, there are difficulties in applying the sales comparison approach and the income approach, two valuation methodologies used in the valuation of the Group's properties. A lack of transparency and a relatively low volume of recorded transactions make it difficult to assess market values. These factors and the wide variation in returns required in Russia on projects from different investors also make it difficult to correctly assess market derived discount rates. 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.

Further, there can be no assurance that the size of the Group's economic interest in various projects and properties assumed by C&W and Colliers for the purposes of the Valuation Reports 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.

For the reasons stated above and in the Valuation Reports, the Group cannot give any assurances 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 investors should not rely on them.

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

A significant proportion of the land obtained by the Group from governmental authorities for development is leasehold. Each lease or investment contract requires that the Group develops the relevant land by a particular date. Upon expiration of the initial lease agreement, the lessee is entitled to seek entry into the new lease with the state or municipal authorities provided there is an unfinished building on the land plot for the completion of which the entry into new agreement is sought. Otherwise, extension of the existing lease or entry into a new lease agreement is at the discretion of the relevant governmental authority. If the Group does not complete the development by the relevant date, it faces the risk that the governmental authority may impose fines, reject its request to extend the term of the lease or the investment contract and seek to terminate the investment contract in court. In this case the development may be sold to another developer at a public auction based on a court ruling permitting to do so. Governmental authorities may also require the removal of the incomplete construction (unless this right is specifically excluded in the relevant lease), or, alternatively, may argue that partially incomplete construction is an "unauthorized construction" and seek a court ruling declaring it to be state property or ordering its demolition. Furthermore, a default under some of the Group's land lease agreements with state authorities could lead to the termination of the relevant land lease and the sale of projects constructed thereon via public auctions or entail penalties or other expenses. Should any of these risks materialize, it could have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

The Group must obtain a number of permits and administrative approvals and comply with existing laws and regulations in order to develop and construct its properties and projects

The Group's operations and properties are subject to regulation by various governmental entities and agencies in connection with obtaining and renewing various licenses, permits, approvals and authorisations, as well as with ongoing compliance with existing laws, regulations and standards. The planning and approval process in most parts of the Russian Federation is bureaucratic and involves uncertainty. For any project being developed in Russia, the architectural and detailed project design (including building area development plan) must be approved by several administrative bodies within the appropriate local or regional government. In addition, each project must receive administrative approvals from various governmental agencies, including the fire, health and safety, environmental protection and sanitary departments, as well as technical approvals from various utility providers, including electricity, gas and sewage services. These requirements may hinder, delay or significantly increase the costs of the Group's development activities. Moreover, a change in the Group's development plans relating to the type of building to be constructed or its major parameters would require the Group to prepare a new set of detailed project design documentation and re-obtain a large number of permissions and authorisations, which would significantly delay the development process.

The construction or renovation of buildings is carried out pursuant to specifications, including building area measurements, approved by certain compliance bodies within the government and, ultimately, upon the issuance of a construction permit issued by the regional or local authorities. In some cases, the Group may need to have the construction permit amended to reflect changes to the scope and nature of the project. Should the Group fail to conform any of the projects it is developing to the project documentation, commence construction without a construction permit or otherwise fail to comply with regulatory requirements, the Group may be subject to fines and penalties, as well as to the cancellation of the project by government officials or even the demolition or partial disassembly of the building already constructed. In addition, some state authorisations and permits that are required for construction are issued for a certain term specified in such authorisations and permits. If the Group is unable to commence or complete any of its development projects by the set dates, it will be required to apply for a renewal or extension of the respective authorisations and permits, which may be a complicated and time-consuming process. There can be no assurance that the Group will be successful in renewal or extension of such authorisations and permits.

Regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of licenses, permits, approvals and authorisations and in monitoring licensees' compliance with the terms thereof. Russian authorities have the right to, and frequently do, conduct inspections of the Group's operations and properties. Any such future inspections may determine that the Group has violated laws, decrees or regulations, and it 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 licenses and permits, or the findings of governmental inspections may result in the imposition of fines or penalties or more severe sanctions including the suspension, amendment or termination of the Group's licenses, permits, approvals and authorisations, or in requirements that the Group ceases certain of its business activities, or in criminal and administrative penalties applicable to the Group's officers. Any such decisions, requirements or sanctions, or any increase in governmental regulation of the Group's operations, could increase the Group's costs and materially adversely affect the Group's business, financial condition and results of operations.

The Group may experience equipment failure or other interruptions in its construction processes, production curtailment and shutdowns

The Group's production of certain construction materials and components, including panels, depends on the uninterrupted operation of critical pieces of production facilities or equipment. These facilities may, on occasion, experience shut-downs, down-time or periods of reduced production as a result of unanticipated malfunction, failure or defect, human error or as a result of the age of some of the Group's equipment or facilities or other circumstances. In addition, the Group's facilities are subject to the risk of damage due to unanticipated events, including the outbreak of fire, resulting in property damage, casualties and loss of life. Any business interruption or accidental shutdowns, especially as a result of force majeure or otherwise could adversely affect the Group's business. While the Group maintains certain types of insurance, it does not have insurance against loss of profit resulting from business interruption. (see "*– The Group's insurance coverage may not be sufficient to cover operational risks.*") In the event of equipment failure or damage to its facilities, the Group may experience loss of revenue due to the possible reduction in production volumes, which may require unexpected capital expenditures to repair or replace faulty machinery, equipment or facilities, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is involved in construction projects for Russian federal, regional and local governments and is required to complete such projects according to demanding specifications and often restrictive budgets

The Group provides construction services for Russian federal, regional and local governments, particularly in Moscow and the Moscow region. In particular, the Group is the leading company in renovation construction delivering new homes under a large-scale Moscow renovation program funded by the Moscow Government, which was adopted in 2017 for a 15 year period and which entails the resettlement of over 350,000 apartments in 5,174 buildings. In the first half of 2021, approximately 162,000 square meters of housing, was commissioned and provided to the Moscow city government as part of its renovation program. In addition, in 2021, the Group entered into an agreement with the Ministry for Development of the Russian Far East and Arctic and the Corporation for Development of Far East and Arctic in relation to the Group's projects in the Russian Far East. The Group plans to construct area comprising up to 1.5 million sq. m., partially subsidised by the Russian authorities. The success and sustainability of the Group's involvement in construction projects for Russian federal, regional and local governments depends on establishing and maintaining constructive working relationships with various governmental authorities, as well as completing projects according to specifications and meeting agreed budgeted costs.

Each procurement contract is subject to the Group's winning a competitive tender, the terms and conditions of which are typically complicated and demanding in terms of cost constraints, timing and complexity of the work involved. Furthermore, in the event that government representatives become dissatisfied with the Group's efforts, seek to reduce costs further or choose to diversify third-party providers of such construction works or decide to discontinue the Group's existing relationships for any reason, the Group risks losing a substantial portion of its revenues. Although the Group has successfully completed many construction projects in the past, the Group cannot give any assurances that it will be able to maintain its relationships with governmental authorities in the future and secure a continuous flow of new projects. The failure to procure new construction projects or maintain the Group's existing relationships with governmental authorities could materially adversely affect the Group's business, financial condition and results of operations.

In the event that the Russian government or the Moscow city government or any other regional or municipal authorities reduces the expected budget disbursements or chooses to use other construction companies or no longer has the need for these construction projects, it may adversely affect the Group's business, financial condition and results of operations.

The process of acquiring legal title to the Group's assets is protracted and cumbersome, and it can be difficult or impossible to establish that title is not susceptible to challenge

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

In addition, it can be difficult, or impossible in certain cases, to establish beyond doubt that the title to any acquired assets would not be susceptible to a challenge. Any successful challenge to the validity of a seller's title to an asset may have adverse consequences for the Group's title to such asset, which, in turn, could have a material adverse effect on the Group's business, financial condition and results of operations. Under Russian law, transactions involving real estate may be challenged on many grounds, including sellers or assignors of rights to real estate not having the rights to dispose of such real estate, breaches of internal corporate approval requirements by a counterparty, breaches of the right of first refusal of local authorities in relation to a purchase of agricultural land, failures to receive appropriate permissions from local authorities to amend provisions relating to allowed use of property in a land lease, and failures to register the transfer of title in the Register. As a result, defects in any of the Group's previous real estate transactions may lead to the invalidation of such transactions, which may affect the Group's title or lease rights to such real estate.

Acquisition of real estate properties or development projects may not be successful

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

When making acquisitions, the Group seeks to obtain appropriate contractual protection. However, the Group cannot guarantee that it will be able to obtain comprehensive protection, nor can it guarantee the adequacy and enforceability of such protection (to the extent obtained). If the contractual protection is not sufficient to protect the Group from any liabilities of acquired entities or encumbrances of acquired properties, levels of profitability of any relevant investment may be substantially lower than the Group's forecasts, negatively affecting the Group's business, financial condition and results of operations.

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

The Group faces risks associated with investment contracts with local or regional authorities or unexpected fluctuations in the rents it pays in respect of land leases

Where the Group acquires development rights under an investment contract with local or regional authorities, such authorities generally retain an interest in the developments. This interest is determined on a case-by-case basis and generally does not exceed 30% of the completed development. In some cases, the Group agrees to incur additional expenditure in relation to the development (relating to, for example, enhancements in a city's infrastructure) in order to reduce the government's share, where such expenditure is reflected in the relevant investment contract.

Accordingly, while the Group's strategy with respect to each of its existing and future developments subject to investment contracts is to buy out the government entity's share, there can be no assurance that the Group will be successful in implementing this strategy or that the Group will be able to do so on financially acceptable terms. Under certain circumstances, the government entity may try to increase its percentage ownership of a project or seek to increase the payment required to transfer ownership to the Group.

Where the Group agrees to incur additional expenditure for infrastructure enhancements or the construction of other special projects, the amount of such expenditure is usually estimated in the investment contract. In the past, actual expenditures for such projects have often been significantly higher than estimated, thus reducing the overall profitability of certain of the Group developments.

In addition, the Group has entered, and expect to enter into in the future, lease agreements in respect of properties being developed, or to be developed, by the Group with local and regional authorities. Once the initial annual rental amount is set, the local or regional authorities can, without the Group's consent, change the amount of the rent payable if legislation establishing the rates of lease rental for the use of state-owned land is changed. Any such action may increase the rent payable by all tenants of the applicable government entity within that category of tenants to which the increase applies. Furthermore, the right of the particular government entity to increase rents is commonly provided for in the terms of the relevant lease. Rental rates are established from time to time by the respective local and regional authorities. As such, relevant lease agreements must comply with such resolutions of these authorities.

Zoning restrictions and local opposition can delay or preclude construction

In order to develop a property on a particular site, the zoning of such site must permit the development of residential, office and/or retail activities of the type intended for development by the Group. In instances where the existing zoning is not suitable or in which the zoning has yet to be determined, the Group is required to apply for the required zoning classifications, such as commercial, industrial residential or agricultural. This procedure may be protracted, particularly where the bureaucracy is cumbersome and inefficient, and the Group cannot be certain that the process of obtaining proper zoning will be completed with sufficient speed to enable the office, retail and/or residential developments to be completed ahead of any competitor development, or at all. Opposition by local residents to zoning and/or building permit applications may also cause considerable delays. Following the strengthening of tensions around town planning in several major Russian cities in 2020, authorities have been considering the introduction of additional instrumentalities for involving the public opinion into construction process. Should such mechanisms be introduced this may place additional strain on the Group's projects and have a material adverse effect on the Group's business, financial condition and results of operations. In addition, arbitrary changes to applicable zoning by the relevant authorities may jeopardise projects that have already commenced. Therefore, if the Group does not receive zoning approvals or if the procedures for the receipt of such zoning approvals are delayed, the Group's costs will increase, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Legislation requires that public opinion be taken into account by the authorities when considering a change of the zoning classification. Once initial public hearings have been conducted and all state approvals have been obtained, the authorities are not obligated to consider changes in public opinion. However, they may change their decisions or halted proposed developments in response to adverse public opinion. Were this to happen to any of the Group's developments, it could have a material adverse effect on the Group's business, financial condition and results of operations.

The development and sale of residential properties may result in legal proceedings being brought against the Group

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

Legal proceedings may also be brought against the Group in connection with materials used or defects in the properties sold, including materials used or defects in properties constructed or sold by the Group or by third parties engaged by it, such as architects, engineers and construction contractors or sub-contractors, or as a result of other factors. Although the Group believes that the materials it uses and have used in the construction of the Group's developments comply and have complied with all applicable laws and regulations in force at the time of their use, these laws and regulations are subject to change. Some of the materials that the Group and other companies in the real estate development industry in Russia have used in the past, including asbestos, are no longer legally permitted to be used and have been the subject of claims by individuals who have handled or been exposed to such materials. In certain other countries, some of these materials have been the subject of a significant number of claims against the manufacturers and users thereof. Any claims brought against the Group relating to such matters could entail investigation and defense costs, as well as liability for damages. Damages could include, among other things, the costs of remediation, loss of property and costs of health-related bodily injury. The costs of insuring against construction defects and building material products claims and health-related bodily injury are high and the amount of coverage offered by insurance companies is also currently limited. As a consequence, some or all of the financial risk associated with building material products and construction defects may be the Group's sole obligation, and the Group may be liable in amounts that exceed available limits on the Group's comprehensive general liability policies or that are excluded from coverage.

Any failure adequately to protect the Group's intellectual property rights could result in the loss of these rights or the imposition of significant costs

The Group relies primarily on a combination of patents, registered trademarks and restrictions on disclosure to protect the Group's intellectual property (see "*Business — Intellectual Property*"). However, Russia generally offers less intellectual property protection than countries in Western Europe or North America. Any inability to protect the Group's proprietary rights against infringement or misappropriation could materially harm the Group's future financial results and its ability to develop business. In addition, the Group may need to engage in litigation in order to enforce its intellectual property rights in the future or to determine the validity and scope of the Group's rights and the rights of others. Any litigation could result in substantial costs and diversion of management and other resources, either of which could adversely affect the Group's business, financial condition, results of operations and prospects. If the Group fails to adequately protect its intellectual property rights, the Group could lose such rights or be liable for significant costs, any of which could adversely affect the Group's business, financial condition and results of operations.

Failures of the Group's IT systems or third-party intrusions into such systems could adversely affect its business

The Group's business and operations may be negatively affected by failures of the Group's key IT systems and equipment, unauthorised access to confidential information and a distortion of information during data transfers or a disruption of activities during the introduction of a new IT system. IT systems are vulnerable to a number of problems, such as software or hardware malfunctions, malicious hacking, cyber terrorism, physical damage to vital IT centers 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 and the overall manageability of the Group. While the Group has invested in upgrading its technologies, the Group cannot provide any assurance that its IT systems will continue to function in a manner that will not result in significant disruptions or temporary loss of functionality. Any of these factors could materially adversely affect the Group's business, financial condition and results of operations.

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 have attempted in the past and may attempt in the future to gain access to the Group's computer systems, networks or databases through the Internet or otherwise. Although the Group has measures in place to ensure the cybersecurity of its computer systems and 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. A breach of the Group's cybersecurity systems might adversely affect the Group's ability to operate its business and materially adversely affect the Group's business, financial condition and results of operations.

In the ordinary course of its business, the Group receives and maintains certain personal financial and other information about its customers and employees. The use and handling of this personal information is regulated by evolving and increasingly demanding laws and regulations as well as by certain third-party contracts. If the Group or any of its third-party service providers fail to transmit customer information in a secure manner, if its security and information systems are compromised as a result of data corruption or loss, a cyberattack or a network security incident, or if the Group's employees, franchisees or vendors fail to comply with data protection laws and regulations (and as a result, information about the Group's customers and employees is obtained by unauthorized persons or used inappropriately), the Group could be subject to liabilities and penalties, damage to its reputation, litigation or government enforcement actions, substantial costs and a loss of consumer confidence, all of which may materially adversely affect the Group's business, financial condition and results of operations.

The Group's insurance coverage may not be sufficient to cover operational risks

The insurance industry is not yet well developed in Russia, and many forms of insurance protection common in more economically developed countries are not yet available in Russia on comparable terms, including coverage for business interruption. The Group maintains insurance against some, but not all, potential risks and losses affecting its operations, and the Group cannot provide any assurances that its insurance will be adequate to cover all of the Group's losses or liabilities. The Group also cannot provide any assurances that insurance will continue to be available to the Group on commercially reasonable terms.

At present, the Group has no coverage for business interruption, third party liability in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations, or for loss of key management personnel. If a significant event were to affect one of the Group's production facilities, the Group could experience substantial property loss and significant disruptions in the Group's production for which it would not be compensated. Additionally, depending on the severity of the property damage, the Group may not be able to rebuild damaged property in a timely manner or at all. The Group does not maintain separate funds or otherwise set aside reserves for these types of events. Any such loss or third-party claim for damages may have a material adverse effect on the Group's business, financial condition and results of operations.

New or more stringent environmental or health and safety laws or stricter enforcement of existing environmental or health and safety laws in Russia may affect the Group's operations

Construction and development companies in Russia 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.

Furthermore, environmental laws and regulations impose certain restrictions and encumbrances on the properties that the Group holds and/or develops. For example, some of the Group's land plots under development are located in areas that have special environmental protection, such as prohibitions against cutting down trees, rules regulating the storage of construction waste and, in certain circumstances, the outright prohibition of any construction activities (e.g., territories bordering a waterline). In addition, the development of a project may be subject to certain obligations, including, among other things, planting of greenery and clean-up measures. These requirements may be costly and time consuming and may result in delays in the commencement or continuation of development of the Group's projects.

The Group believes that its current legal and regulatory compliance programs adequately address these concerns and that the Group is in substantial compliance with applicable laws and regulations. However, if the Group's compliance with current and future environmental laws and regulations is challenged or the Group is deemed to have violated these requirements, remedying these violations could require material expenditures, which could materially adversely affect the Group's business, financial condition and results of operations.

In addition, the Group may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances located on or in a property owned or leased by the Group. In addition to these costs, which may be substantial, the Group's ability to sell or lease the contaminated property or to borrow using such property as security may be substantially hindered. According to Russian law, the Group may be obligated to pay a government entity or third party for property damage and for the investigation and clean-up costs incurred by such parties in connection with the contamination. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from environmental contamination emanating from that site. The Group generally commission environmental assessments of properties that it acquires in order to identify and minimize potential environmental liabilities. However, such assessments may not reveal all environmental liabilities at, or potentially affecting, these properties.

Any of these requirements, restrictions or liabilities could materially adversely affect the Group's business, financial condition and results of operations.

The Group's competitive position and future prospects are dependent on the experience and expertise its senior management

The Group's ability to maintain its competitive position and to implement its business strategy is dependent on the services of senior management team and other key personnel. Competition in Russia for personnel with relevant expertise is intense due to the small number of qualified individuals. As a result, the Group may not be able to retain and attract qualified personnel to fill key positions. A loss or decline in the services of members of the Group's senior management team or an inability to attract, retain and motivate qualified key personnel could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

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

The interests of the principal shareholder of the Group could conflict with those of the new shareholders

The Group is beneficially controlled by Mr. Gordeev, who as at 30 June 2021 indirectly controlled 59.33% of participatory interest of the Company. See "*Principal Shareholders*". Mr. Gordeev exerts significant influence over the Group's strategy, management, policies and affairs and all matters requiring shareholder approval though he, as the General Director, does not have a vote in the Investment Committee. In particular, this gives him control over the Group, and the ability to elect a majority of the Company's directors, amend the charter, issue additional shares and approve corporate actions and transactions requiring the approval of a majority of the Group's shareholders. While the Group believes that such influence has been, and will continue to be, important for the development, pursuit and implementation of the Group's strategy, policies and affairs, there can be no assurance that the interests or views of Mr. Gordeev in relation to the development of the Group's business will not conflict with the interests of the shareholders. To the extent that the interests of Mr. Gordeev were to conflict with the interests of the shareholders, this could have a material adverse effect on the Group's business, financial condition and results of operations and the price of the Shares.

The Group has engaged and will continue to engage in related party transactions

In the past, the Group has engaged in transactions with related parties under common control of the Group's beneficial owner, Mr. Gordeev, and with VTB Bank, one of the Group's indirect shareholders. See "*Related Party Transactions*". The Group's management expects that the Group will continue to enter into related party transactions in the future. The Group enters into transactions with related parties in the ordinary course of business for the purchase and sale of goods and services and in relation to the provision of financing agreements to and from the Group entities. For example, in 2020 the Group received project financing from VTB Bank in the principal amount of RUB71,437 million. Transactions with related parties are performed on an arms' length basis.

There can be no assurance that terms of such related party transactions will not in the future differ significantly from the terms on which third party transactions at arms' length are concluded. The practice of related party transactions may result in transactions concluded on terms less favourable to the Group than would otherwise have been negotiated with third parties. All of this could have an adverse effect on the Group's business, financial condition and results of operations.

The Group may be subject to interest rate risks

The Group is subject to market risk deriving from changes in interest rates, which may affect the Group's cost of financing in the future. Interest rates fluctuations may be caused by a number of factors, many of which are beyond the Group's control. Despite the Group taking steps to mitigate the risk of incurring losses due to changing interest rates, no assurance can be given that the Group will be able to manage the risk in an efficient manner, and a significant increase in rates could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, the Group's sales are dependent on the affordability of mortgage financing to individuals. For example, the share of mortgage-financed sales in the Group's total sales was 76% in 2020. The rates prevailing in the market and, thus, the affordability of mortgage financing, are chiefly tied to the CBR key rate, which has been steadily decreasing from 17.0% at the end of 2014 to 4.25% in July 2020. However the trend for decrease of the interest rate by the CBR has reversed and the CBR increased the key rate to 4.50% on 19 March 2021, to 5.0% on 23 April 2021, to 5.5% on 11 June 2021 and to 6.5% on 23 July 2021. The key rate set by the CBR as at the date of this Offering Memorandum is 6.75%. No assurance can be given that the key interest rate will not be raised further, or that it will be reduced or maintained at the same level by the CBR. Any further increase in the key rate in the future could lead to an increase in mortgage rates, which could negatively affect availability and affordability of mortgage lending to individuals. This could adversely affect the Group's customers' purchasing capacity, which, in turn, could have a material adverse effect on the Group's business, results of operations and the financial condition.

The Group may not be able to generate funding sufficient to sustain growth of its operations

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 plans to make significant capital expenditures in its business, including purchasing land and acquiring or upgrading production facilities or equipment. The Group's development capital expenditures (cash flows), except for cash paid for the acquisition of land plots/right-of-use assets amounted to RUB94,228 million, RUB169,261 million, RUB171,899 million and RUB147,828 million in the first half of 2021, 2020, 2019 and 2018, respectively. The Group's ability to fund planned capital expenditures will depend on its ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond the Group's control. To meet set requirements, the Group may need to attract additional equity or debt financing, especially in international capital markets or from international lenders. In particular, the Group may issue bonds in the near term subject to market conditions. It is possible that these foreign sources of financing may not be available or may be available only at an unacceptable cost.

Among other things, increased levels of indebtedness, and particularly increases in the level of secured indebtedness, could potentially: (1) limit the Group's ability to obtain additional financing; (2) limit the Group's flexibility in planning for, or reacting to, changes in the markets in which it competes; (3) place the Group at a competitive disadvantage relative to its competitors with superior financial resources; (4) lead to a partial or complete loss of control over the Group's key subsidiaries or properties; (5) render the Group more vulnerable to general adverse economic and industry conditions, (6) require the Group to dedicate all or a substantial part of its cash flow to service debt; and (7) limit or eliminate the Group's ability to pay dividends.

As at 30 June 2021, the Group's non-current and current loans and borrowings were RUB337,485 million. The Group's ability to service, repay and refinance its indebtedness and to fund planned investments will depend on the Group's ability to generate cash in the future. If the Group is unable to generate sufficient cash flow or access international capital markets or incur additional indebtedness, it may take certain actions, including delaying or reducing real estate investments, restructuring or refinancing indebtedness, selling investment properties or other assets or seeking additional equity capital. The Group may be unable to take any of these actions on acceptable terms or in a timely manner. Furthermore, such actions may not be sufficient to allow the Group to service debt obligations in full and, in any event, may have a material adverse effect on the Group's business. Alternatively, the Group may default under the terms of existing indebtedness, and the holders of the Group's indebtedness would be able to accelerate the maturity of such indebtedness, which could cause defaults under, and potential acceleration of, other indebtedness. Furthermore, the Group's inability to service its debt through internally generated cash flows or other sources of liquidity may put the Group in default of obligations to its creditors.

Any of the foregoing factors may limit the amount of capital available to meet the Group's operating requirements. If the Group cannot obtain adequate funds to satisfy its capital requirements, the Group may need to limit its operations significantly, which could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, certain of the Group's loan agreements include financial covenants, such as in relation to the level of financial indebtedness that can be incurred by the Group. See "*Management's Discussion and Analysis of Financial Condition — Borrowings — Loans and borrowings*". If the Group is unable to comply with these covenants in the future, it could be required to renegotiate the credit facilities, request waivers or replace them in order to prevent a default. The Group has obtained written confirmation from lender banks under certain credit facilities that they (i) have no objections to the Offering and/or (ii) agree that no consent is required in respect thereof under such credit facilities, and, accordingly, the Group has not obtained any further consents or covenant waivers under such credit facilities in respect of the Offering. However, if either lender bank subsequently decides that any such additional consent or waiver is required in connection with the Offering, the Group would need to request any such additional consent or waiver. There can be no assurance that the Group would be able to take any such action on terms that are acceptable to it, if at all. If the Group is unable to comply with the terms of its debt, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Deterioration in the Group's brand image or adverse media reports and public statements with respect to the Group's significant shareholders could adversely affect the Group's business

The Group relies to a significant extent on its brand name and image to attract potential customers. Any negative incident or negative publicity concerning the Group or its properties 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 reduce consumer trust. Consumer demand for the Group's products and brand value could be significantly diminished if the Group fails to preserve the quality of its products or to deliver a consistently positive consumer experience in its residential complexes, or if the Group is perceived to act in an unethical or socially irresponsible manner. The Group is particularly reliant on its brand recognition and image to generate sales through its nationwide sales network in certain regions of Russia where it does not have property projects. Any negative publicity and resulting decrease in brand value, and/or failure to establish the Group's brand in these regions could have a material adverse effect on the Group's business, results of operations and financial position.

Mr. Gordeev is the controlling shareholder of the Group and has significant influence over its strategy and other matters requiring shareholder approval, such as appointment and election of members of the Board of Directors, amendments to the Charter, etc. This may have an adverse impact on the Group's business and reputation, irrespective of whether such statements have any basis in fact.

Risks Relating to the Group's Strategy

The Group's strategy could be less successful than the Group anticipates

The Group's ability to execute its strategy depends on a variety of factors, some of which are within the Group's control only to some degree (such as its ability to attract clients and investors and its skill in structuring and executing transactions), and some of which are completely outside of the Group's control (such as global economic conditions, raw materials prices, demand for certain products and competition in the industry). The Group cannot be certain that its strategy will meet its aims and objectives, and any failure to achieve its strategic goals may have a material adverse effect on its business, financial condition and results of operations.

In particular, the Group has invested significantly in the development of Kvarta and UNITS (see also "*Business—UNITS*"). There can be no assurance that the development of these platforms will be successfully implemented by the Group or that the actual economic returns from these investments will not differ significantly from the Group's expectations, particularly due to the growing competition in these segments (see "*—The Group operates in a highly competitive industry*").

The Group may not be able to achieve its production plan or sales targets

The Group has made certain forward-looking statements in this Offering Memorandum relating to its planned completion of the development projects. The Group may not achieve this production plan as a result of a number of factors, including the risks described in this Offering Memorandum. Furthermore, the periods in which the Group completes its projects may not coincide with the actual recognition of revenues related to the projects in the Group's financial statements. In addition, some of the Group's developments include a large number of residential buildings that are concentrated in certain neighbourhoods in Moscow and the Moscow region. There can be no guarantee that the Group will be able to sell all of the residences in a particular development or neighbourhood, particularly if market conditions deteriorate.

The success of the Group's business strategy depends on the Group's ability to locate and acquire land suitable for development at attractive prices and upon favourable terms and conditions

The Group's historical growth and profitability have been attributable in part to the Group's ability to locate and acquire land at attractive prices and on favourable terms and conditions, and the success of the Group's business strategy and future profitability depends upon the Group's continued ability to do so. In the past the Group has also been able to acquire land suitable for different types of developments, but there can be no assurance that the Group will continue to be able to acquire land suitable for development in the future at attractive prices or on favourable terms and conditions. In addition, the Group also faces the risk that competitors may anticipate certain potential investment opportunities ahead of the Group, which could adversely affect the Group's business, financial condition and results of operations.

The Group's results of operations may be highly variable which may adversely affect the Group's ability to plan the Group's budget or business activities

The Group has in the past experienced and may continue to experience significant variations in revenues and profits from period to period**.** These variations can generally be attributed to the fact that, at times, the Group's revenues and profits are earned upon the completion of a project. For example, the Group may have periods in which it completes and sells a large number of projects, which could generate high levels of revenues for that period, but may have fewer uncompleted or significantly delayed projects or 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, resulting in lower revenues, but has 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 sells in any particular period will have a significant effect on the Group's results of operations and the sources and amount of cash from operations. Financial results for a given period may also be adjusted for changes in operational plans and, in general, may not be indicative of the relative medium-term contribution of each of the Group's business segments to its business or of the Group's overall financial condition or prospects.

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

The Group may face risks relating to expansion of its operations and acquisitions

The Group's management may consider acquisitions of assets or companies that will enable the Group, separately or in the aggregate, to strengthen its market position, expand its product offering and reduce production costs through operational synergies and greater control of raw material supplies.

The success of any acquisition in the future will depend, in large part, on the Group's ability to manage the process of integration of the acquired assets or companies into the Group's corporate structure and operations and address such challenges as cultural differences, redundancies of personnel, incompatibility of equipment and information technology, production failures or delays, loss of significant customers, conflicts with minority shareholders in acquired companies and their material subsidiaries, the possible disruption of the Group's own business, the assumption of liabilities relating to the acquired assets or businesses, the possibility that indemnification agreements with the sellers of such assets may be unenforceable or insufficient to cover potential liabilities, the impairment of relationships with employees and counterparties as a result of difficulties arising out of integration, poor records or internal controls and difficulty in establishing immediate control over cash flows. If the Group fails to integrate its acquisitions successfully, it could have a material adverse effect on the Group's business, financial condition and results of operations.

Furthermore, as part of its strategy, in mid-term the Group plans to expand its operations into certain countries in Southeast and South Asia such as the Philippines and India (see "*Strategy—Expand the Group's operations into attractive new segments, products and markets*"). These jurisdictions are emerging markets subject to greater political, economic, social and legal risks than more developed countries. In many respects, the inherent risks in transacting business in these countries are similar to, or even more significant than, those in Russia, particularly the risks set out under "— *Risks relating to the Russian Federation*" below. Moreover, these countries are new operating environments for the Group, which are geographically distant from the Group's Russian operations and are subject to different regulatory regimes. Laws and corporate practices vary across the countries of Southeast and South Asia and are generally not as well developed as in Western jurisdictions or in Russia. The Group has limited history of operations outside Russia and thus, the Group may have to incur additional costs and allocate extra resources to ensure that its business in the respective countries is in compliance with applicable local laws and regulations, international business practices, and the Group's internal policies. Any failure to ensure such compliance, or any substantial expenses that the Group might have to incur to ensure such compliance may have a material adverse effect on the Group's business, financial condition, results of operations or prospects, and may result in the Group's failure to implement its international expansion strategy.

Risks Relating to the Russian Federation

Emerging markets such as Russia are subject to greater risks than more developed markets, including, in certain cases, significant economic, political, social and legal risks. Financial turmoil in any emerging market could disrupt the Group's business, as well as cause the price of the Shares to decline

Emerging markets such as Russia are subject to different risks as compared to more developed markets, including, in some cases, increased political, economic and legal risks. Emerging market governments and judiciaries often exercise broad, unchecked discretion and are susceptible to abuse and corruption. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Emerging markets such as the Russian Federation are subject to rapid change, and the information set out herein may become quickly outdated.

Moreover, financial turmoil in any large emerging market country tends to adversely affect the prices in equity markets of most or all emerging market countries as investors move their money to more stable, developed markets and asset classes. 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 and adversely affect its economy. In addition, during such times, companies in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn.

Political and social conditions and governmental instability could have a material adverse effect on the value of investments in Russia and the Group's business in particular

There are a number of risks associated with operating in Russia, where most of the Group's fixed assets are located. Political and social conditions in Russia may be less predictable than in less volatile markets. Any future political or social instability in Russia could result in a worsening overall economic situation, including capital flight and a slowdown of investment and business activity, which could adversely affect the Group's business.

In January 2020, a series of political reforms was proposed purporting to re-allocate powers and responsibilities among the Russian governmental authorities, including those of the State Duma and the Government. The realisation of such political steps and actions would take time, and are subject to completion of the relevant implementation procedures.

Future shifts in governmental policy and regulation in Russia also could disrupt or reverse political, economic and regulatory reforms. Since substantially all of the Group's production assets are located in Russia, any of these factors, should they materialise, 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.

In addition, rising unemployment, forced unpaid leave, wages in arrears, low disposable income and weakening economies have in some cases in the past led to and could in the future lead again to labour and social unrest, a mood of protest, and a rise in nationalism against migrant workers. Such labour and social unrest could disrupt ordinary business operations, which also could materially adversely affect the Group's business, financial condition and results of operations.

Moreover, 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 recently committed in various parts of the world. 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 countries where the Group operates, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

Economic instability could have a material adverse effect on the Group's business

The Russian economy has been subject to abrupt downturns in the past. For example, the Russian economy has been adversely affected by the introduction of sanctions against Russia and the decline of oil prices, which resulted in decline in GDP of 2.0% in 2015. The impact of the economic downturn on the Russian economy led to, among other things, a reduction in the disposable income of the general population, a crisis of bank liquidity, a significant depreciation of the Rouble against the U.S. dollar and Euro and the rise of unemployment.

According to Rosstat, in the years ended 31 December 2018 and 2019, Russia's GDP increased by 2.8% and 2.0%, respectively. In 2020, Russia's GDP contracted by 3.1% due to the outbreak of COVID-19. In the six months ended 30 June 2021, Russia's GDP increased by 4.6% as compared with the six months ended 30 June 2020. Real disposable income was increasing in year-on-year terms (by 1.0%, in 2019 as compared to 2018). However, for 2020, real disposable income decreased by 3.5% in annual terms, according to Rosstat, whereas the level of poverty stood at 12.1% (as compared to 12.3% in 2019). In the six months ended 30 June 2021, real disposable income increased by 1.7% as compared with the six months ended 30 June 2020.

The deterioration and fluctuations in these and other key economic indicators were the result of a combination of macroeconomic and geopolitical factors, including:

- a decline in the price of Brent Crude oil which was U.S.$68.68 per barrel on 31 December 2019, U.S.$51.41 per barrel on 31 December 2020 averaging U.S.$50 per barrel in December 2020 and U.S.$55 per barrel in January 2021 according to the U.S. Energy Information Agency, and continues to be volatile and unstable as discussed below;

- economic sanctions which the U.S. and the EU (as well as other nations, such as Australia, Canada, Japan and Switzerland) have imposed against Russian individuals and legal entities in connection with a public referendum in Crimea peninsula and the city of Sevastopol and the armed conflict in Eastern Ukraine have significantly interrupted international business relationships and seriously reduced the ability of Russian companies to access the international capital markets. The armed conflict in Eastern Ukraine between the Ukrainian army and local militia has destabilized the region and put further pressure on international relations between Russia and Western countries, including the United States and the EU, and has also led to the expansion of sanction programmes in respect of Russian legal entities and individuals (see "— *The current political instability and related sanctions imposed by the U.S., the U.K., the EU and other countries, or the imposition of additional sanctions may have a material adverse effect on the Group's financial condition, results of operations and prospects*");

- negative investor sentiment towards investing in Russia that resulted in higher net capital outflows as investments decreased and Russian and non-Russian investors sought out other geographies in which to hold capital and make investments. According to the CBR, such outflows reached U.S.$31.1 billion in 2017, U.S.$67.5 billion in 2018, U.S.$26.7 billion in 2019 and U.S.$47.8 in 2020;

- a global economic downturn caused by the COVID-19 outbreak (see "– *The global COVID-19 pandemic and the disruption caused by various countermeasures to reduce its spread, could have a material adverse effect on the Group's business, financial condition and results of operations*");

- a depreciation of the Rouble against the U.S. dollar and Euro**.**

In 2020, the Russian economy experienced additional pressure caused by a decrease in oil prices as a result of Russia and OPEC failing to reach an agreement over proposed oil production cuts, as well as falling demand for oil triggered by the significant slowdown of business activity and a deteriorating global macroeconomic outlook caused by the spread of the COVID-19 pandemic. In early March 2020, the price of Brent Crude fell from U.S.$45.3 per barrel on 6 March 2020 to U.S.$33.3 per barrel on 12 March 2020. This drop in oil prices caused volatility in the global financial markets and caused the Rouble to fall in value. In the second half of 2020, oil prices rebounded to levels above U.S.$40 per barrel. As of 1 September 2021, the price of Brent crude was U.S.$72.13 per barrel.

Any deterioration in the general economic conditions in Russia could adversely influence the level of demand for various products and services, including those provided by the Group and therefore could have a material adverse effect on the Group's business, financial condition and results of operations.

The current political instability and related sanctions imposed by the U.S., the U.K., the EU and other countries, or the imposition of additional sanctions may have a material adverse effect on the Group's financial condition, results of operations and prospects

In late 2013 and the first half of 2014, deteriorating economic conditions and general social unrest culminated in a wide-scale crisis provoking armed confrontations between various political groups in Ukraine. In March 2014, following a public referendum the Crimea peninsula and the city of Sevastopol became new separate constituents of the Russian Federation.

Following these events, a number of countries imposed various sanctions against Russia and refused to recognise the referendum in Crimea, and the subsequent accession of Crimea and Sevastopol to the Russian Federation, as legal. The United States and the EU (as well as other states, such as Canada, Switzerland, Australia and Japan) have imposed "blocking" sanctions on a number of Russian and Ukrainian persons and entities, including current and former officials and individuals, companies, banks and businessmen, with the consequences that entities and individuals in the U.S. and EU cannot do business with them or provide funds or economic resources to them, with assets in the relevant sanctioning jurisdictions subject to seizure and the individuals to visa bans. In addition, the U.S. and EU have applied "sectoral" sanctions, which imposed restrictions on the ability of several Russian leading banks, leading companies in the oil and gas sector and certain defence companies to access capital markets or otherwise obtain funding from persons in the U.S. and EU. Moreover, the EU and the U.S. prohibited the provision, exportation, or re-exportation, directly or indirectly, of goods, services (except for financial services), or technology in support of exploration or production for deepwater, Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation and that involve certain companies in the Russian energy sector. The U.S. executive order implementing sectoral sanctions also permits sanctions to be applied against companies in the mining sector. The current sanctions regime is a result of multiple extensions by the U.S. and EU in the term and scope of sanctions. With respect to "blocking" sanctions, a significant extension took place on 6 April 2018, when Office of Foreign Assets Control (the "**OFAC**") added 38 Russian business persons, officials and entities, some of which are entities with securities listed on the London Stock Exchange, the Hong Kong Stock Exchange and/or the Moscow Stock Exchange, to the list of Specially Designated Nationals and Blocked Persons (the "**SDNs**"). On 27 January 2019, the sanctions previously imposed on EN+ Group plc, United Company RUSAL plc and JSC EuroSibEnergo were lifted following negotiations between the U.S. Department of Treasury's Office of Foreign Assets Control and the above companies, which have agreed to provide additional information regarding their operations.

In addition, on 2 August 2017, the U.S. President signed into law the Countering America's Adversaries Through Sanctions Act (the "**CAATSA**") that includes additional sanctions that may be introduced against Russian entities. The CAATSA, inter alia, a) codifies the existing sanctions against Russia established by former President Obama's executive orders, reduces the permitted terms of financing under the existing sectoral sanctions and restricts supplies of equipment and services for new deepwater, Arctic offshore, or shale projects anywhere in the world in which a Russian sanctioned entity holds a 33% or higher interest; b) gives the U.S. Treasury Secretary the power to impose sanctions against state-owned companies in Russia in the railways, metals, and mining sectors; c) requires the U.S. President, subject to the ability to claim a national interest waiver, to impose certain secondary sanctions that were discretionary under existing U.S. sanctions legislation (including, but not limited to, secondary sanctions for investing in or supporting special Russian crude oil projects and the facilitation of transactions on behalf of Russian SDNs); d) allows the U.S. President to introduce secondary sanctions on foreign persons (including those that invest in the construction or servicing of Russian energy export pipelines); and e) requires the U.S. President, subject to the ability to claim a national interest waiver, to impose asset-blocking and travel sanctions, including certain secondary sanctions, on any person who knowingly engages in significant activities that undermine the cybersecurity of any person or government, including a democratic institution, on behalf of the Russian Government. In addition, the CAATSA requires the U.S. administration to submit various reports to the U.S. Congress. In late January 2018, several such reports had been published, including a report under Section 242 of the CAATSA on the effects of expanding the sanctions to include sovereign debt and derivative products, as well as a report under Section 241 of the CAATSA that identified certain Russian individuals, including the Majority Shareholder. The identification of any individuals or entities in such reports under Section 241 of the CAATSA does not automatically lead to the imposition of new sanctions.

In August 2018, the U.S. State Department imposed new sanctions on Russia under the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 (the "**CBW Act**"). The initial set of sanctions under the CBW Act included, among other things, the termination of sales of any defence articles and services and a prohibition on the export to Russia of certain national security-sensitive goods and technology. In November 2018, the U.S. Department of State declared its intention to impose further sanctions in accordance with the CBW Act, including, among other things, a prohibition on U.S. banks to provide financing to the Russian sovereign, extensive bans on exports and imports involving Russia and the possible suspension of aviation rights into the United States. On 2 August 2019, OFAC proceeded to issue a directive that 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. On 12 September 2018, the U.S. President has signed an executive order that provides for the imposition of sanctions on countries, organizations and persons that the U.S. government determines have interfered in the U.S. elections.

In December 2019, the U.S. President signed into law a bill passed by the U.S. Congress that provides for the introduction of certain sanctions on persons providing certain assistance in the construction of the Nord Stream 2 pipeline project. On 1 January 2021, the National Defense Authorisation Act for Fiscal Year 2021 (the "**Defence Budget 2021**") and the Protecting Europe's Energy Security Clarification Act of 2020 (the "**PEESCA**") as part of the Defence Budget 2021 were enacted into law when the U.S. Congress overrode the U.S. President's veto of the legislation. The Defence Budget 2021 and PEESCA mandate 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 the Nord Stream 2 pipeline. It is currently not possible to predict what impact these potential new sanctions or any retaliating measures by the Russian Government may have on the Russian economy or the Group's business.

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. The current initiatives, if enacted, could affect, among other things, the 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.

The latest sanctions imposed by the U.S. on 15 April 2021 include the designation by OFAC of a number of companies and individuals on the SDN List and the prohibition of U.S. financial institutions, from 14 June 2021, from participating in the primary market for any new ruble or non-ruble denominated bonds issued by, or lending any ruble or non-ruble denominated funds to, the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation. Currently, the U.S. authorities are considering a bill imposing new sanctions against Russia which, if adopted, would ban U.S. citizens from buying or selling newly issued Russian sovereign debt on both primary and secondary markets.

The sanctions imposed by the U.S., the U.K. and the EU have had an adverse effect on the Russian economy prompting downgrades of the credit ratings of the Russian Federation and a number of major Russian companies that are ultimately controlled by the Russian Federation, causing extensive capital outflows from Russia and impairing the ability of Russian issuers to access international capital markets.

Relations between Russia, the U.S., certain EU members and the U.K. have been strained due to a number of issues, including geopolitical confrontations, economic interests and trade wars, as well as internal political and social events, and there can be no assurance that the governments of the EU and U.S. or other countries will not impose further sanctions against Russia or specific individuals, entities or economy sectors. Furthermore, no longer being a part of the EU following Brexit, the U.K. has imposed its own sanctions regime, which mostly follows the approach of the EU but deviates in certain areas.

Further geopolitical confrontations and any escalation of tensions between Russia and the U.S., the U.K. and/or the EU, the imposition of further sanctions, or continued uncertainty regarding the scope thereof, could have a prolonged adverse impact on the Russian economy. These impacts could be more severe than those experienced to date. In particular, should either the U.S., the U.K. or the EU expand their respective sanctions to include existing or future customers, suppliers or other counterparties of the Group, a large sector of the Russian economy or otherwise, such an expansion could result in the Group's dealings with designated persons, if any, being materially adversely impacted, the suspension or potential curtailment of business operations between the Group and the designated persons could occur, and substantial legal and other compliance costs and risks on the Group's business operations could emerge. All of the above could have a material adverse impact on the Group's business, financial condition, results of operations or prospects.

No sanctions have been imposed in respect of any individual or entity within the Group by either the U.S. or the EU. However, no assurance can be given that any of those persons or entities will not be so designated in the future, or broader sanctions against Russia that affect the Group, may not be imposed. Entities within the Group, including Limited Liability Company "PIK Corporation", are neither U.S. persons nor E.U. persons, and therefore are restricted in dealings with sanctioned persons only to the extent those dealings are subject to U.S. and/or E.U. jurisdiction, such as through the involvement of U.S. and/or E.U. persons or entities, business conducted on the territory of the U.S. or E.U., clearing in U.S. Dollars, or some other nexus to the relevant jurisdiction. None of the proceeds of the offering will be used to fund activities or persons that are subject to specifically targeted sanctions introduced by the U.S. and the E.U. In the ordinary course of business, the Group, like many major Russian companies, has commercial operations with Russian persons and entities that are currently under sanctions, including, among others, VTB Bank which is the Company's shareholder and which the Group has received project financing from. However, such operations are limited to the territory of the Russian Federation and are permissible pursuant to applicable law. Although the Group's transactions and commercial relations with these entities are not prohibited or otherwise negatively affected by sanctions, should the sanctions regime in respect of these entities be widened or should new sanctions be introduced in respect of counterparties of the Group, the Group's business could be adversely affected. If the Group violates sanctions regimes to which it may be subject, penalties could include a prohibition or limitation on its ability to obtain goods and services in the international market or to access U.S. or other capital markets or financing. Any violations of sanctions by the Group could have a material adverse effect on the Group's business. In these circumstances, the Group may be unable to effect payments to discharge any of its indebtedness, which would constitute an event of default and will affect the Shares consequently. In addition, investors in possession or control of the Shares, who are subject to the jurisdiction of any relevant sanctions regimes may be required to block those Shares and may be restricted in their ability to sell, transfer or otherwise deal in or receive distributions with respect to the Shares, which could make such Shares partially or completely illiquid. Potential shareholders may be deterred from buying the Shares for the same reason. This would adversely affect the market value of the Shares, and could result in reduced liquidity in the trading market for the Shares and have a material adverse effect on their market value.

The Russian banking system is still developing

Russia's banking and other financial systems are under on-going development. There are currently a limited number of creditworthy Russian banks, most of which are headquartered in Moscow. Many Russian banks do not meet international banking standards, and the transparency of the Russian banking sector still does not meet internationally accepted norms. Bank supervision may be inadequate with respect to lending criteria, credit quality, loan loss reserves, diversification of exposure or other rules.

Over the last several years, the CBR has undertaken a "clean-up" campaign aimed at removing fraudulent, failing or undercapitalized financial institutions from the banking sector to make it more robust, stable and transparent in the event of any potential systemic shocks. As part of this campaign, the CBR revoked banking licences or introduced financial rehabilitation for a large number of banks, which the CBR believed were undermining the sustainability and reliability of the sector. Recessionary trends in the Russian economy and stricter enforcement action by the CBR have previously 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.

While the overall liquidity of the banking sector remained relatively stable from 2017 to 2020, the Russian financial sector has faced turbulence due to the COVID-19 pandemic, which has led to a drop in the average household income, a deterioration in the credit quality of borrowers, an increase in provisioning levels and, consequently, led to an overall decrease in the profitability of the banking sector.

As at 30 June 2021, most of the Group's cash and cash equivalents were held on deposit and accounts with major state-owned Russian banks. The Group's business and financial position could be adversely affected by any further deterioration and increased instability of, and the lack of liquidity in, the Russian banking sector.

The revocation of the licenses or insolvency of any major banks in which the Group maintains its accounts and uses for settlement operations could result in losses for the Group. Furthermore, any funding shortages or other banking disruptions experienced by the Group's major bank partners could have a material adverse effect on its ability to execute planned developments or to obtain the financing required for the Group's operations, which could have a material adverse effect on the Group's business, financial condition, results of operations, future prospects and the price of the Shares.

The condition of Russia's physical infrastructure could disrupt or impair the Group's normal business activity, and efforts by the government to improve the country's infrastructure may result in increased costs for the Group

Russia's physical infrastructure largely dates back to Soviet times and some of it has not been adequately funded and maintained in recent years. Train and road networks, power distribution (low-voltage) facilities and building stock are particularly affected. The deterioration of Russia's physical infrastructure harms the national economy, disrupts the transportation of goods and supplies, adds costs to doing business in the Russian Federation and can interrupt business operations. Further deterioration in Russia's physical infrastructure could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks Relating to the Russian Legal System and Legislation

The Russian legal system and Russian legislation is in a developmental stage and this may create an uncertain environment for investment and business activity

Although Russia has made substantial progress in developing an adequate legal framework required for the proper functioning of a market economy, the relatively recent nature of much of Russian legislation and the rapid evolution of the Russian legal system may place the enforceability and underlying constitutionality of laws in doubt and result in ambiguities and inconsistencies in their application. In addition, Russian legislation sometimes leaves substantial gaps in the regulatory infrastructure.

Among the risks of the current Russian legal system are:

- inconsistencies among laws and regulations;
- the limited judicial and administrative guidance on interpreting Russian legislation;
- substantial gaps in the regulatory structure due to delay or absence of implementing legislation;
- the relative lack of independence of the judiciary;
- limited court personnel, especially in lower courts, with the ability to interpret developing Russian legislation, particularly business and corporate law;
- a high degree of discretion on the part of state authorities; and
- bankruptcy procedures that may be subject to abuse.

As a result of these factors, even the best efforts to comply with Russian law may not always result in full compliance. In addition, all of the above weaknesses could affect the Group's ability to enforce its rights under contracts and licenses or to defend itself against claims by others and could affect the ability of investors to have their rights upheld in a Russian court.

Selective or arbitrary government action could materially adversely affect the Group's business

The Group operates in an uncertain regulatory environment. State authorities in Russia have a high degree of discretion and may at times exercise their discretion arbitrarily, without hearing or prior notice, or in a manner that could be unduly influenced by political or commercial considerations. Selective or arbitrary governmental actions have included unscheduled inspections by regulators, suspension or withdrawal of licenses and permits, unexpected tax audits, criminal prosecutions and civil actions. In addition, state authorities have also tried, in certain circumstances, by regulation or government act, to interfere with the performance of, nullify or terminate contracts. Furthermore, federal and local authorities have used common defects in matters surrounding the documentation of business activities as pretexts for court claims and other demands to invalidate such activities or to void transactions, sometimes to further interests different from the formal substance of the claims. In addition, there is no assurance that new regulations that impose restrictions in relation to the use by end-customer industries of the products the Group manufactures will not be adopted by government authorities in furtherance of various political or commercial interests. The occurrence of such selective or arbitrary action against the Group could have a material adverse effect on the Group's business, financial condition and results of operations.

Furthermore, effective legal redress in Russian courts may be uncertain. For example, in 2020, the Company's subsidiary LLC Mayak received a claim for vicarious liability in the amount of RUB 156.2 million as an alleged controlling person of an unrelated insolvent entity. To secure the claim, the court of first instance upon the claimant's request imposed an attachment over the participatory interests in all direct subsidiaries of LLC Mayak restricting its ability to dispose of or encumber such participatory interests until the court decides on the merits of the case. Although, the Group will continue to use all available legal remedies to defend its rights in respect of LLC Mayak and its assets, there can be no assurance that the court will uphold LLC Mayak‘s position in this case.

Russia's real property law is subject to uncertainty and inconsistency

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 estate to the same extent as is common in some of the more developed market economies. Land use and title systems rely on complex traditional ownership systems. As a result, the title of land that the Group might invest in may be unclear or in doubt. Moreover, the validity of the Group's right to title or use of its properties may be successfully challenged or invalidated due to technical violations or defects in title. Such instability creates uncertainties in the operating environment in the emerging market nations, which could hinder the Group's long-term planning efforts and may prevent the Group from carrying out its business strategy effectively and efficiently. 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 right to use such real property, which could have a material adverse effect on the Group's business, financial condition, results of operations, future prospects and the price of the Shares.

Shareholder liability under Russian legislation could cause the Group to become liable for the obligations of its subsidiaries

Under Russian law, the Company may be primarily liable for the obligations of its Russian subsidiaries jointly and severally if: (i) the Company has the ability to make decisions for such Russian subsidiaries as a result of its ownership interest, the terms of a binding contract or in any other way; and (ii) the relevant Russian subsidiary concluded the transaction giving rise to the obligations pursuant to the Company's instructions or with the consent of the Company. In addition, the Company may have secondary liability for the obligations of its Russian subsidiaries if the subsidiary becomes insolvent or bankrupt as a result of the action of the Company. Accordingly, the Company could be liable in some cases for the debts of its subsidiaries, which could have a material adverse effect on the Group's business, results of operations and financial condition.

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. For example, pursuant to Russian law, if net assets of a Russian company calculated pursuant to the Russian accounting standards are below the amount of its charter capital as at the end of its third or any subsequent financial year, the company must either decrease its charter capital or be subject to liquidation. If the company fails to comply with these requirements, authorities may seek the involuntary liquidation of such a company in court, and such company's creditors may accelerate their claims or demand early performance of the company's obligations as well as demand compensation of any damages incurred. The Group's subsidiaries and/or associates may have failed, from time to time, to fully comply with all applicable legal requirements. In the past, such formal non-compliance with Russian law as negative net assets of a company as at the end of the second and each consecutive financial year was used by Russian courts as a basis for the liquidation of Russian entities. 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 do not normally 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 Group's subsidiaries and/or associates 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.

Legislation to protect against nationalisation and expropriation may not be enforced in the event of a nationalisation or expropriation of the Group's assets

Although the Russian Government has enacted legislation to protect property against expropriation and nationalisation and to provide for fair compensation to be paid if such events were to occur, there can be no certainty that such protections will be enforced. This uncertainty is due to several factors, including the lack of state budgetary resources, the lack of an independent judicial system and sufficient mechanisms to enforce judgments, and corruption among Russian state officials. The concept of property rights is not well developed in Russia and there is not a great deal 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. While management considers that the Group's assets are not liable to be nationalised or expropriated, any expropriation or nationalisation of any of the Group's assets without fair compensation may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risk Relating to the 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 into existing laws and the interpretation thereof. *See* "*—Risks relating to Russian taxation—Certain changes to Russian tax laws announced in 2020 and 2021*".

Although the Russian tax climate and the quality of tax legislation and administration have significantly improved since the introduction of the Tax Code, the possibility exists that the Russian Federation may impose arbitrary and/or onerous taxes and penalties in the future.

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 is often unclear, unstable or non-existent.

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.

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 in practice may 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 inconsistent judgment of local tax authorities and the failure by Russian tax authorities to address many of the existing problems. Consequently, it is 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.

In July 2017, the general anti-avoidance rules, which supplement the previously existing concept set by the Resolution of 12 October 2006 No 53 of the Plenum of the Supreme Arbitration Court of the Russian Federation (the "**Resolution No. 53**") were introduced in the Tax Code. This concept defines "unjustified tax benefit" mainly by reference to circumstances such as absence of business purpose or transactions where the form does not match the substance. Application of this concept to the Group may lead to disallowance of tax benefits resulting from a transaction or the re-characterisation of a transaction for tax purposes. 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 applying the "unjustified tax benefit" concept in a broader manner than may have been intended. This concept was further developed in Article 54.1 of the Tax Code, which elaborates on new anti-avoidance principles which provide for a more substantive approach of evaluating operations and counterparties.

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 to allow Russian tax authorities to tax foreign income attributable to Russian companies.

In light of such policies the Tax Code was amended to include controlled foreign companies rules and other anti-avoidance instruments and impose significant limitations on tax planning. These factors raise 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.

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 (e.g. starting from 1 January 2019 the standard VAT rate increased from 18% to 20%), 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. Introduction of new taxes or amendments to current rules of taxation may affect the Group's overall tax efficiency 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, including those relating to the Offering and the tax treatment of repurchase of Forward GDRs. Such additional tax exposures could have a material adverse effect on the Group's business, financial condition and results of operations and/or prospects, and the value of the Shares.

Certain changes to Russian tax laws announced in 2020 and 2021

In 2020 and 2021, the Russian President and the Russian Government announced certain changes to Russian tax legislation that may affect the Group or the Shareholders.

Double tax treaties

The Russian Government was directed to revise Russian double tax treaties, which are often used for tax planning, in order to increase withholding tax rates up to 15% for Russian-sourced dividend and interest income or, if negotiations are unsuccessful, to denunciate such treaties. Consequently, the Russian Ministry of Finance initiated negotiations with the competent authorities of Cyprus, Malta, the Netherlands and Luxembourg.

Russia signed a protocol of the amendments to the Russia-Cyprus double tax treaty in September 2020, a protocol of the amendments to Russia-Malta double tax treaty in October 2020 and a protocol of the amendments to the Russia-Luxembourg double tax treaty in November 2020. Negotiations between Russia and the Netherlands were unsuccessful and the respective double tax treaty will be terminated from 1 January 2022. This means, among others, that dividend distributions from the Russian company of the Group to its Dutch parent entity shall be subject to 15% taxation at source in Russia. The other potential Russian tax risks, like double taxation of income received by the Dutch entity in case of its involuntary recognition as a Russian tax resident, shall be also considered.

In accordance with the protocols of amendments to Russia-Cyprus, Russia-Malta and Russia-Luxembourg tax treaties new tax rates of 15% will be applied to both dividend and interest income starting from 1 January 2021. However, in certain cases reduced tax rates will remain in place.

In addition, in May 2021, it was also announced that the Russian Federation may introduce progressive tax rates on Russian-sourced dividends paid outside of the Russian Federation. It is currently unclear when, how and to what extent this initiative would be introduced into Russian legislation.

These changes may adversely affect the tax position of Russian businesses that rely on dividend distributions from companies in the jurisdictions affected and investors from the respective countries. Any additional tax exposure could have a material adverse effect on the Group's business, financial condition and results of operations and/or prospects, and the value of the Shares. *See also* "*—Risks relating to Russian taxation—Payments of dividends (if any) on the Shares may be subject to Russian withholding tax*".

Personal income tax

Starting from 1 January 2021 income of Russian tax-resident individuals exceeding RUB 5 million per annum is subject to personal income tax at a rate of 15% instead of the previous flat 13% rate.

Individual Russian tax resident investors should seek professional tax advice in this respect.

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 Shareholders 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 value of the Shares.

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

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 an amended tax return decreasing the tax payable. Therefore, previous tax audits may not preclude from 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.

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 burden 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, financial condition and results of operations and/or prospects, and the value of the Shares.

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

Russia has transfer pricing legislation.

Due to the complexity 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/or make adjustments that could affect the Group's tax position unless the Group is able to prove the use of arm's length prices controlled transactions.

The imposition of additional tax liabilities under the Russian transfer pricing rules may have a material adverse effect on Group's business, financial condition and results of operations.

The Group is subject to tax risks relating to bad faith suppliers

The Group purchases goods, 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 noncompliance 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/or prospects, and the value 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 standard rate of 15%. Such Russian withholding tax may generally be subject to reductions 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 the double tax treaty, provided the Russian tax documentation requirements or other conditions as described below are satisfied.

Starting from 1 January 2015, the Tax Code explicitly requires that in order to enjoy benefits under the 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 tax residency certificate, the 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. Russian tax law provides neither the form of such confirmation nor the list of documents which can demonstrate the beneficial owner's status of receipt with respect to the received income. In recent years, the Russian tax authorities started to challenge the structures involving payments outside of Russia, and in most cases the Russian courts tend to support the tax authorities' position. Thus, there can be no assurance that treaty relief at source will be available in practice.

In addition, on 18 June 2019 Russia deposited the instrument of ratification for the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the "**MLI**"). The MLI came into force in Russia with effect from 1 October 2019. Starting from 2021 MLI is enforced with respect to the jurisdictions for which the respective notifications to OECD depository were made. We expect that further number of the jurisdictions for which MLI will be enforced are to be expanded. The implementation of MLI has led to the introduction of a variety of measures designed to update double tax treaties and reduce opportunities for tax avoidance. In particular, the MLI sets forth additional requirements for the application of the reduced tax rates. Currently, it is not entirely clear to what extent each individual double tax treaty to which the Russian Federation is a party would be affected by the MLI. These developments may potentially have an adverse impact on the availability of double taxation treaty benefits to the investors of securities in Russian companies.

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. There is a special regime for the taxation of income on securities issued by Russian issuers and held in certain types of accounts with Russian custodians. In particular, there is information disclosure requirement in respect of persons executing rights attached to shares issued by Russian issuers, registered by 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 kept in these accounts that are opened with a Russian custodian, Russian withholding tax is calculated and withheld by such Russian custodian. This is based on the disclosure of the summarised 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. This applies unless the exercise of rights attached to such Shares is performed by such asset manager on behalf of a foreign investment fund which, in accordance with its bylaws, is classified as a mutual collective scheme.

If the required information is properly disclosed in accordance with the Tax Code, the Russian custodian should withhold Russian withholding tax at a tax rate envisaged either by the Tax Code or by the relevant double tax treaty, provided that application of such rate is not subject to conditions connected with ownership interest, 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 Tax Code described above), in the absence of proper disclosure, the Russian custodian is required 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 attached to the Shares under either the Tax Code or the relevant double tax treaty may apply for a refund in accordance with the general tax refund procedure envisaged by the Tax Code.

It is unclear whether, for non-resident individual investors, a reduction of withholding income tax provided by a respective double tax treaty between the Russian Federation and the country of the tax residence of such non-resident individual investors could be obtained 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 income tax is withheld by a Russian income tax payer, such non-resident individual investors may apply for a refund within three years from the end of the tax period in which the tax was withheld. The documentation required to obtain such a refund is prescribed by the Tax Code. 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.

These rules contain some unclear provisions that could be interpreted in a way that is unfavourable for investors into the Shares. For example, new provisions of the Tax Code are not clear on how the requirement to disclose information on the persons exercising rights attached to the Shares corresponds to the general requirement of the Tax Code and Russian double tax treaties in respect of "beneficial ownership right" to income or "actual right of ownership" as a condition to the application of the double tax treaty relief. It is also unclear as how the procedures of collection of such 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.

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% for the legal entity and 13% or 15% for the individual (applying to income that exceeds RUB 5 million) of the gross dividend amount payable to such Russian resident investor.

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

Risks Relating to the Shares and the Trading Market

The liquidity and the trading price of the Shares may be volatile

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 the financial condition or the trading price of the Shares.

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

Generally, existing holders of shares in 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 statutory 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*" for more detail on the application of the relevant 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 to Federal Law No. 160-FZ On Foreign Investments in the Russian Federation dated 9 July 1999, as amended, and the Strategic Investments Law, have entered into force. The first package, inter alia, extended the list of persons which are prohibited from obtaining control over Russian strategic companies and acquiring 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 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 Investments 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 Investments 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 the financial condition or the trading price of the Shares.

Future sales of Shares may adversely affect their market price

Sales, or the possibility of sales, of substantial numbers of additional Shares following the Offering could have an adverse effect on the trading price of the Shares or impair the Group's ability to raise equity capital in the future. Each of the Controlling Shareholder, the Selling Subsidiary and the Company has agreed that it, nor any person acting on its behalf, and to procure that none of its affiliates, will, subject to certain exemptions, without the consent of the Joint Global Coordinators and Joint Bookrunners, issue, offer, sell or otherwise transfer any of their Shares or securities convertible or exchangeable into or exercisable therefor until the expiry of 180 days after the Share Delivery Date. See "*Plan of Distribution—Lock-up Provisions*".

Moreover, the Company may, in the future, issue additional Shares or any other securities convertible or exchangeable into 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 Shares on MOEX could be revoked or the level of listing could be downgraded, which could significantly limit the Group's investor base and adversely affect the price of the Shares

The Ordinary Shares have been included in the "Level 1" quotation list on MOEX. There is no assurance or guarantee that, as a result of the Offering, the Company will comply with the free float level requirements applicable to companies having shares included on the "Level 1" quotation list. Failure to meet the free float requirements for a continued period of time could result in the downgrade of the listing level of the Shares or to the delisting of the Shares from MOEX. For some Russian institutional investors and certain international investors, the listing of Shares on the highest level of the quotation list of a relevant recognised stock exchange may be a requirement for the purchase or holding of such Shares. The downgrade of the listing of the Ordinary Shares or the delisting of the Ordinary Shares from MOEX could significantly limit the Company'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 Selling Subsidiary, the Company and its directors and executive officers

The Selling Subsidiary's and the Company's presence outside the U.K. and the U.S. may limit the legal recourse of investors against them. The Company is organised under the laws of the Russian Federation. A majority of the Selling Subsidiary and 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 Selling Subsidiary's and the Company's assets and the assets of the current directors and members of the 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 Selling Subsidiary, 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 Selling Subsidiary, 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.

There is no treaty between the U.K. and Russia providing for reciprocal recognition and enforcement of foreign court judgments in civil and commercial matters. These limitations may deprive investors of effective legal recourse for claims related to their investment in the Shares. The Agreements provide for actions brought by any party thereto against the Selling Subsidiary or the Company to be settled by arbitration in accordance with the rules of the London Court of International Arbitration in the first instance). Russia 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 Russia due to a number of factors, including the inexperience of the Russian courts in international commercial transactions, official and unofficial political resistance to the enforcement of awards against Russian companies in favour of foreign investors and Russian courts' inability to enforce such awards, and corruption in Russia. In addition, the Law on Arbitration and the related amendments to the Russian legislation, which came into force in September 2016, introduced significant changes to the arbitrability of disputes and the way the arbitration process is regulated. In particular, such laws limit the arbitrability of corporate disputes to permanent arbitration institutions that have received the necessary regulatory approvals in the Russian Federation and meet certain formal criteria (including compliance of the rules of the permanent arbitration institution with the law, existence of a recommended panel of arbitrators, accuracy of information and reputational requirements).

The Company may decide not to pay dividends in the future and the Dividend Policy may change

Although the Company has paid dividends on the Shares in the past and has announced the Dividend Policy, it 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) 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 important from time to time. 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. 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.

Investors may face exchange rate-associated risks

The Group intends to pay dividends, if any, on the Shares in Roubles. See "*Dividend Policy*". Currently, Russian currency control legislation pertaining to the payment of dividends does not prohibit payment of Rouble dividends on shares to non-Russian residents. However, there can be no assurance that it will not be reversed in the future. 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 within Russia for the conversion of Roubles into U.S. dollars or other foreign currencies, including the interbank currency exchange and over-the-counter and currency future markets, 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, which may also adversely affect trading price of the Shares.

The Offering may not be completed

The Offering may not be completed in certain circumstances, including (without limitation) where (a) the Underwriters are of the opinion that a material adverse change or disruption effecting international financial markets or commercial banking or settlement/clearance services has occurred; (b) trading is suspended on MOEX; (c) the Underwriters are of the opinion that any of the representations, warranties given by the Company and the Selling Subsidiary are rendered untrue, incorrect or misleading by a change in circumstances resulting in any statement in the Offer Documents becoming untrue, incorrect or misleading; (d) trading in any securities of the Company has been suspended or limited by MOEX or any over-the counter market; and (e) certain conditions and representations by the Selling Subsidiary and the Company contained in the Underwriting Agreement and the Underwriting Support Agreement are not fulfilled or are breached, respectively. If such circumstances were to arise, or if one or more of such conditions were not fulfilled, or if there is a breach of any such representations, the Offering may be terminated by the Underwriters at any time prior to the closing of the Offering and the shares will not be delivered to investors.

There can be no assurance that the Company will not be classified as a passive foreign investment company ("PFIC") for U.S. federal income tax purposes, and such classification could result in materially adverse U.S. federal income tax consequences for U.S. investors

If the Company is classified as a PFIC for any taxable year, U.S. investors may be subject to adverse U.S. federal income tax consequences, described below under "*Taxation—U.S. Federal Income Tax Considerations—Passive Foreign Investment Company*". In general, the Company will be a PFIC for U.S. federal income tax purposes for any taxable year if at least (i) 75% of its gross income is classified as "passive income" (the "**income test**") or (ii) 50% of the value of its assets (determined on the basis of a quarterly average) produce or are held for the production of passive income (the "**asset test**").

Based on the historic and anticipated composition of income, assets and operations of the Company and expected price of the Shares, the Company does not expect to be a PFIC for the current taxable year or for the foreseeable future. However, the determination of whether the Company is a PFIC is made annually. Moreover, the value of the Company's assets for purposes of the PFIC determination will generally be determined by reference to the public price of the Shares, which may fluctuate significantly. Therefore, there is no assurance that the Company would not be a PFIC in the future due to, for example, changes in the composition of the Company's assets or income, as well as changes in the Company's market capitalization.

Certain adverse U.S. federal income tax consequences could apply to a U.S. Holder (as defined in "Certain United States federal income tax considerations") if the Company is treated as a PFIC for any taxable year during which such U.S. Holder holds the Shares. U.S. investors are urged to consult their tax advisors regarding the possible application of the PFIC rules. For a more detailed discussion of the U.S. federal income tax consequences of PFIC classification to U.S. investors, see "*Taxation—U.S. Federal Income Tax Considerations—Passive Foreign Investment Company*".

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 the Underwriters 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, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by any of the Underwriters, any of their respective affiliates or any selling agent as to the past, present or future. 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 Underwriters 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. Colliers and C&W accept responsibility for the conclusions contained in their respective Valuation Reports and these conclusions are, to the best of Colliers' and C&W's knowledge, respectively, in accordance with the facts and contain no omissions likely to affect their 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 Underwriters 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 Underwriters 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 Underwriters are acting exclusively for the Selling Subsidiary and 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 or any transaction, matter, or arrangement referred to in this Offering Memorandum. To the fullest extent permitted by applicable law, none of the Underwriters 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, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by any of the Underwriters, any of their respective affiliates or any selling agent as to the past, present or future. Each of the Underwriters 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 Underwriters 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 Underwriters and any of their respective affiliates acting as an investor for its or their own account or accounts. The Underwriters 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 Share Delivery Date, and the Company and the Underwriters 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 Underwriters 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. 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.

NOTICE TO CERTAIN INVESTORS

Notice to 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" (the "**Qualified Investors**") within the meaning of Article 2(e) of the Prospectus Regulation. 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 Qualified Investors. This Offering Memorandum and its contents should not be acted upon or relied 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, the Selling Subsidiary or any of the Underwriters to produce a prospectus for such offer. None of the Company, the Selling Subsidiary or the Underwriters has authorised or authorises the making of any offer of the Shares through any financial intermediary, other than offers made by the Underwriters which constitute the final placement of the Shares contemplated in this Offering Memorandum.

For the purposes of this provision, the expression "**Prospectus Regulation**" means Regulation 2017/1129 of the European Parliament and of the Council dated 14 June 2017 and includes any relevant implementing measure in each relevant member state of the EEA.

Notice to EEA Retail Investors

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Shares has led to the conclusion that: (i) the type of market for the Shares is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Shares to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Shares (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Shares (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Notice to U.K. Investors

This Offering Memorandum is directed solely at (i) persons outside the United Kingdom, (ii) persons with professional experience in matters relating to investments falling within Article 19(5) of Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the "Order"), (iii) high net worth entities, or (iv) any other persons to whom an invitation or inducement to engage in investment activities may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons in (i)-(iv) above being "relevant persons"). Any investment activity to which this communication relates will only be available to and will only be engaged with relevant persons. Any person who is not a relevant person should not act or rely on this communication.

This Offering Memorandum has been prepared on the basis that any offer of the Shares in the United Kingdom will be made pursuant to an exemption under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") (the "**UK Prospectus Regulation**") from a requirement to publish a prospectus for offers of the Shares. This Offering Memorandum is not a prospectus for the purpose of the UK Prospectus Regulation.

UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Shares has led to the conclusion that: (i) the target market for the Shares is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (the "**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Shares to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Shares (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the

FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Shares (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

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 Underwriters 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 Underwriters 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

The financial information set out in this Offering Memorandum with respect to the Group has, except where expressly stated otherwise, and subject to rounding, been derived from the Consolidated Financial Statements (as defined below).

The consolidated financial information of the Group set out in this Offering Memorandum, as at and for the six months ended 30 June 2021 and 2020, has been extracted or derived, without material adjustment, from the reviewed consolidated interim condensed financial statements of the Company as at and for the six-month period ended 30 June 2021 as set forth on pages F-2 to F-43 in this Offering Memorandum (the "**Consolidated Interim Condensed Financial Statements**"). The consolidated financial information of the Group set out in this Offering Memorandum, as at and for the years ended 31 December 2020, 2019 and 2018, has been extracted or derived, without material adjustment, from the Company's audited consolidated financial statements for 2020 (the "**2020 Consolidated Financial Statements**") as set forth on pages F-44 to F-133 and from the Company's audited consolidated financial statements for 2019 (the "**2019 Consolidated Financial Statements**") as set forth on pages F-134 to F-212 in this Offering Memorandum (collectively, the "**Annual Financial Statements**", and together with the Group's Consolidated Interim Condensed Financial Statements, the "**Consolidated Financial Statements**"). The Group's Consolidated Interim Condensed Financial Statements have been prepared in accordance with International Accounting Standard 34 – "*Interim Financial Reporting*" and the Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The Annual Financial Statements were audited and the Consolidated Interim Condensed Financial Statements were reviewed, by JSC KPMG.

Non-IFRS Measures

General

The Group has included certain measures in this Offering Memorandum, as defined below, that are not measures defined by IFRS. The Group has included them for the reasons described below; however, these measures should not be used instead of, or considered as alternatives to, the Group's historical financial results based on IFRS.

The Group has defined:

"**Adjusted EBITDA**" as total comprehensive income for the reporting period before income tax expense, interest income, significant financing component on contracts with customers and the effect of discounting costs to completion, included in other financial costs, interest expense after capitalisation and depreciation of property, plant and equipment and amortisation of intangible assets. See "*Selected Consolidated Financial and Other Information—Non-IFRS Measures*". Reconciliation of "Adjusted EBITDA" is corresponding to reconciliation of "EBITDA" in Note 39 of the Group's Annual Financial Statements and Note 31 of the Consolidated Interim Condensed Financial Statements.

"**Further Adjusted EBITDA**" as Adjusted EBITDA before significant financing component and interest expense savings from project financing of construction of real estate sold through the use of escrow accounts recognised in revenue, before gain on reversal of)/ impairment losses on non-financial assets, net, before gain on reversal of)/impairment loss included in cost of sales, net, (profit)/loss from change in fair value of investment property, negative goodwill from acquisition of subsidiaries, impairment loss on financial assets, net, reversal of write-off of accounts payable, foreign exchange (gain)/loss, net, loss on disposal of property, plant and equipment, intangible assets and other assets, gain on disposal of subsidiaries, associates and investment property, net, penalties and fines, including provision for litigations, write-off of other materials, other finance income, elimination of revaluation of cash-settled financial instruments and financial liability, interest expense written off to cost of sales, discount the provision for costs to complete accrued to cost of sales. See "*Selected Consolidated Financial and Other Information—Non-IFRS Measures*". Reconciliation of "Further Adjusted EBITDA" is corresponding to reconciliation of "Adjusted EBITDA" in Note 39 of the Annual Financial Statements and Note 31 of the Consolidated Interim Condensed Financial Statements.

"**Adjusted EBITDA margin**" as Adjusted EBITDA divided by revenue and multiplied by 100%.

"**Adjusted net debt**" as loans and borrowings, included in current and non-current liabilities, less cash and cash equivalents and less escrow accounts balances. See "*Selected Consolidated Financial and Other Information—Non-IFRS Measures*" and Note 39 of the Annual Financial Statements and Note 31 of the Consolidated Interim Condensed Financial Statements. Reconciliation of "Adjusted net debt" is corresponding to reconciliation of "Net debt except for escrow accounts balances" in Note 39 of the Group's Annual Financial Statements and Note 31 of the Group's Consolidated Interim Condensed Financial Statements.

"**Adjusted net debt to Adjusted EBITDA**" as Adjusted net debt divided by Adjusted EBITDA (except for the six months periods where LTM Adjusted EBITDA is used).

"**Development capital expenditures (cash flows), except for cash paid for the acquisition of land plots/right-of-use assets**" represent cash used for project development during a reporting period, except for land and related costs. This metric is used as a denominator in calculation of the cash collections from real estate sales to consolidated development expenditure ratio as defined by certain of the Group's loan agreements as a financial covenant. This measure is calculated as changes in construction-in-progress, intended for sale; finished goods and goods for resale, right-of-use asset, advances to suppliers and contractors in development projects, advances issued for land plot acquisition, accounts payable under development contracts and other trade payables, accounts payable for acquisition of land plots, liabilities to transfer real estate objects in land plot acquisition transactions and long-term lease liabilities; provisions for costs to complete and provision for unprofitable contracts, elimination of effect capitalisation of interest expense on construction-in-progress, reclassification of investment property to inventories, reclassification from inventories to property, plant and equipment and vice versa; and cost of sales of real estate objects and development projects, elimination of capitalised interest expense recognised in the cost of sale of real estate objects, acquisition of land plots and lease rights, including acquisition of subsidiaries, change in accounts payable for acquisition of land plots, liabilities to transfer real estate objects in land plot acquisition transactions and long-term lease liabilities and change in advances issued under land plot/right-of-use asset acquisition contracts.

"**LTM Adjusted EBITDA**" as Adjusted EBITDA for the year ended 31 December 2020 and Adjusted EBITDA for the six months ended 30 June 2021 less Adjusted EBITDA for the six months ended 30 June 2020.

"**Net income margin**" as profit for the reporting period divided by revenue and multiplied by 100%.

The Group believes that the inclusion of non-IFRS metrics is necessary because they (i) enhance an investor's understanding of the Group's financial performance, (ii) are used by the Group's management as important supplemental measures to assess the Group's operating performance, including the Group's ability to fund discretionary spending such as capital expenditures and other investments and the Group's ability to incur and service debt, and (iii) Adjusted EBITDA and most of other non-IFRS metrics are the measures incorporated into certain of the Group's financial ratios in the Group's loan agreements.

The Non-IFRS measures are presented as supplemental measures of the Group's operating performance and financial position, which the Group believes are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in real estate sectors. Such supplemental measures have limitations as analytical tools, and investors should not consider them in isolation, or any combination of them together, as a substitute for analysis of the Group's operating results, debt and liquidity as reported under IFRS. Other companies may calculate the Non-IFRS measures differently or may use the Non-IFRS measures for different purposes than the Group, limiting their usefulness as a comparative measure.

Segment Revenue Percentages

Throughout this Offering Memorandum, information on the Group's segments and business units is presented as a percentage of revenues to show the percentage that each segment's or business' revenues contribute to the Group's total revenues. This percentage is calculated by using the relevant revenue before inter-segment eliminations and without taking into account unallocated expenses or income.

Rounding

Some numerical figures included in this Offering Memorandum have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them. Also, some absolute and percentage changes were calculated using amounts in millions of

Russian Roubles, therefore, absolute and percentage changes presented in millions of Russian Roubles may not be arithmetical calculation from numbers presented in billions of Russian Roubles.

Industry and Market Data

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

Otherwise, market data used in this Offering Memorandum, including statistics in respect of the Group's competitors' sales volumes and market share, has been extracted from official and industry sources and other sources the Groups believes to be reliable including, without limitation, in the sections headed "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry*" and "*Business*". Such information, data and statistics may be approximations or estimates or use rounded numbers. The Group has relied on the accuracy of this information without independent verification.

In particular, the Group has cited Rosstat, the CBR, MinStroy, the U.S. Energy Information Agency, the Ministry of Healthcare of the Russian Federation, Bloomberg, OECD, Brand Finance, the Russian Federal Service for State Registration, Cadastre and Cartography ("**Rosreestr"**), DOM.RF, Unified Register of Developers, as sources in this Offering Memorandum under the caption "*Industry*", "*Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", which, in each case, are independent sources.

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

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

Real Estate Market Values

All real estate market values presented herein are: (i) with respect to the Group's land bank (excluding the following development projects acquired by the Group after 31 December 2020: Vladivostok, Borisenko, SPB, Ligovskiy, Moscow, Plekhanova 11, Moscow, 2nd Irtyshskiy, Nizhny Novgorod, Rzhavka, TRC, Kuzminki (Zelenodolskya), Kuvekino (IZhS), Tokarevo, SPB, Korablestroiteley, Orekhovaya Sopka, Khabarovsk, Kartamazovo, SPB, Magnitogorskaya, Kazan Konstantinovka, SPB Lermontovskiy, SPB Malyi, SPB, VNIIRA (Shkiperskiy), Yuzhno-Sakhalinsk, UYuN (together the "**New Development Projects**"); and the following development projects operated by LLC Sigma Holding: Lyublinskiy Park, Amurskiy Park, Signalny 6, Rustaveli 14, Kronstadtskiy 9, Kronstadtskiy 14, Second Nagatinsky, Mitinsky Forest, Derbenevskaya 20, Kol'skaya 8, Polyarnaya 39, Kronstadtskiy 11, Rustaveli 14 (surroundings), Nagatinsky (surroundings), Lyublinskiy Park (surroundings), Kronstadtskiy 16,18 (together, the "**New Moscow Land**")), from the report of Cushman & Wakefield, an independent appraiser, as at 31 December 2020 (the "**C&W Land Bank Valuation Report**"), (ii) with respect to the New Development Projects, from the report of Cushman & Wakefield, an independent appraiser, as at 18 August 2021 (the "**C&W New Development Projects Valuation Report**" and together with the C&W Land Bank Valuation Report the "**C&W Valuation Reports**") and (iii) with respect to the New Moscow Land from the report of Colliers, an independent appraiser, as at 27 September 2021 (hereinafter referred to as the "**Colliers Valuation Report**"). The C&W Land Bank Valuation Report is appended hereto as Annex A, the C&W

New Development Projects Valuation Report is appended hereto Annex B and Colliers Valuation Report is Appended hereto as Annex C.

The market value of a development as assessed by C&W and Colliers is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. C&W appraised (i) with respect to the Group's land bank (excluding the New Development Projects and the New Moscow Land) 101 projects at various stages of development as of 31 December 2020 and (ii) with respect to the New Development Projects, 18 projects at various stages of development as of 18 August 2021. Colliers appraised, with respect to the New Moscow Land, 16 projects at various stages of development as of 10 August 2021.

Each property has been valued on the basis of market value in accordance with the appropriate sections of the Valuation Technical and Performance Standards contained within the "Red Book" prepared by Royal Institution of Chartered Surveyors, incorporating the IVSC International Valuation Standards. This is an internationally accepted basis of valuation. The valuations and a complete discussion of the valuation methodology and other assumptions, methodologies and qualifications are contained in the Valuation Reports and elsewhere in this Offering Memorandum. See the Valuation Reports and "*Business—Key projects*".

Each of C&W, whose business address is at 26 Tverskoy Boulevard, Moscow, 125009, Russia, and Colliers, whose business address is at 10 Presnenskaya Naberezhnaya, Moscow, Russia has given and has not withdrawn its written consent to the inclusion of their respective Valuation Reports in this Offering Memorandum and to the inclusion of the references to the Valuation Reports and has authorised the contents of that part of the Offering Memorandum for the purposes of the Offering Memorandum.

Certain Definitions

For the purposes of this Offering Memorandum, the following definitions shall apply throughout, unless the context otherwise requires:

"**Activity subject to Sanctions**" means any activity specified or referenced in the United States Countering America's Adversaries Through Sanctions Act, Pub. L. No 115-44 (2017) (the "**CAATS**"), Ukraine Freedom Support Act of 2014 (22 U.S.C. 8921 et seq.) (the "**UFSA**"), and Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act of 2014 (22 U.S.C. 8901 et seq.) (the "**Ukraine Act**"), as a basis for the imposition of sanctions or penalties on any person pursuant to CAATS and/or UFSA and/or Ukraine Act as a result of such person engaging in such activity;

"**Sanctions**" means any sanctions or other similar restrictive measures administered and/or enforced by any Sanctions Authority;

"**Sanctions Authority**" means (a) the United States; (b) the United Nations; (c) the European Union (or any of its member states); (d) the United Kingdom; and (e) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the OFAC, the United States Department of State, the United States Department of Commerce, the United Nations Security Council, Her Majesty's Treasury; and

"**Sanctioned Country**" means a country or territory that is the subject or the target of country-wide or territory-wide Sanctions (that, as at the date of this Offering Memorandum), are Crimea and Sevastopol, Cuba, Iran, North Korea and Syria.

CURRENCIES AND EXCHANGE RATES

All references in this Offering Memorandum to:

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

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

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

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

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

	Exchange Rate			
	High	**Low**	**Average**	**Period End**
Year/Period	(*Rouble / U.S. dollar*)			
2018	69.97	55.67	62.71	69.47
2019	69.47	61.72	64.74	61.91
2020	80.88	60.95	72.15	73.88
January 2021	76.25	73.36	74.23	76.25
February 2021	76.25	73.29	74.38	75.25
March 2021	76.17	72.96	74.42	75.70
April 2021	77.77	74.38	76.10	74.38
May 2021	75.26	73.40	74.04	73.59
June 2021	73.50	71.68	72.51	72.37
July 2021	75.20	72.72	73.92	73.14
August 2021	74.36	72.79	73.58	73.57

Solely for the convenience of the reader, and except as otherwise specified, this Offering Memorandum contains translations of certain Rouble amounts into U.S. dollars given as of 30 June 2021 at the conversion rate of RUB 72.37 to USD 1.00, which was the official exchange rate quoted by the CBR on 30 June 2021, as of 31 December 2020 at the conversion rate of RUB 73.88 to USD 1.00, which was the official exchange rate quoted by the CBR on 31 December 2020, as of 31 December 2019 at the conversion rate of RUB 61.91 to USD 1.00, which was the official exchange rate quoted by the CBR on 31 December 2019, as of 31 December 2018 at the conversion rate of RUB 69.47 to USD 1.00, which was the official exchange rate quoted by the CBR on 31 December 2018. No representation is made that the Rouble amounts referred to in this Offering Memorandum could have been or could be converted into U.S. dollars at the above exchange rate or at any other rate. For a discussion of the effects of fluctuating exchange rates on the Group's results of operations, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Risk*".

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 Selling Subsidiary, the Company and its directors and executive officers*".

AVAILABLE INFORMATION

For so long as any 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 "*Overview*", "*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, including the Russian banking sector;
- 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 meet its funding obligations and develop and maintain additional sources of financing;
- 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 gross proceeds from the Offering are expected to be approximately U.S.$500 million.

The Selling Subsidiary will use all the proceeds from the Offering for the general corporate purposes of the Group, including debt repayment and business expansion.

In particular, the Selling Subsidiary will use up to RUB11,600 million of the gross proceeds from the Offering to repurchase some or all of the Forward GDRs from VTB Bank under the Forward GDRs Purchase Agreement (each as defined and further described in "*Management's Discussion and Analysis of Financial Condition—Liquidity and Capital Resources—2017 Forward Agreement*"). Following the repurchase by the Selling Subsidiary of such Forward GDRs, the Company will also be entitled to receive the Settlement Amount under the 2017 Forward Agreement (each as defined and further described in "*Management's Discussion and Analysis of Financial Condition—Liquidity and Capital Resources—2017 Forward Agreement*"), which the Company intends to use for general corporate purposes, including debt repayment and the expansion of its new business in Russia and internationally including: (a) UNITS and (b) Kvarta (see "*Business*").

The gross proceeds of the Offering, the amount of the gross proceeds to be used to repurchase the Forward GDRs, the amount of the Forward GDRs to be repurchased and the Settlement Amount are expected to be published on or about the Pricing Date.

Neither the Selling Subsidiary nor the Company will, directly or indirectly, use the proceeds of the Offering or lend, contribute or otherwise make available all or part of such proceeds to any subsidiary, joint venture partner or any other person (x) (i) to fund or facilitate any activities of or business with any person that, at the time of such funding or facilitation, is the subject or the target of Sanctions or (ii) to fund or facilitate any activities of or business in or involving any Sanctioned Country, in each case with respect to (i) or (ii) above, if such funding, facilitation, activity or business, as the case may be, would result in violation of any Sanctions if it were carried out by an EU, UK, U.S. person or any other person (including any person participating in the Offering, whether as an Underwriter, advisor, investor or otherwise), (y) in any other manner that would result in a violation by any EU, UK, U.S. or any other person (including any person participating in the Offering, whether as an Underwriter, advisor, investor or otherwise) of such Sanctions, or (z) to fund or facilitate any Activity subject to Sanctions.

DIVIDEND POLICY

On 1 April 2021, the Company adopted a dividend policy (the "**Dividend Policy**"), pursuant to which the Company, subject to applicable requirements of Russian law, intends to pay dividends on outstanding Ordinary Shares based on six-month financial results. The Company intends to pay dividends in the amount of at least 30% of the net profit, adjusted for non-cash income, including for a significant component of financing, calculated on the basis of the Company's consolidated financial statements in accordance with IFRS. 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. The decision to pay dividends is made by the General Shareholders' Meeting upon the recommendation of the Board of Directors. The Board of Directors of the Company will exercise discretion on dividends, taking into account restrictions imposed by the needs of debt management, financing the production, investment activities of the Company, the state of the economic environment, and the results of a comparative analysis conducted by the Company on a regular basis of international and Russian companies comparable to the Company in terms of the share of profits allocated to dividend payments. Dividends are payable from net profit and will depend on financial statements prepared in accordance with the requirements of Russian law. If the basis for calculating dividends and a comparative analysis of payments by analogous companies allow paying dividends in an amount exceeding the value of net profit under RAS, then the Board of Directors of the Company may recommend to the General Shareholders' Meeting of the Company to decide on the payment of dividends from retained earnings of RAS.

In May 2021, the Group declared and paid dividends in the amount of RUB30,006 million, or RUB45.43 per Ordinary Share.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's consolidated cash and cash equivalents, and capitalisation as at 30 June 2021, derived from the Group's Consolidated Interim Condensed Financial Statements included elsewhere in this Offering Memorandum. This information should be read in conjunction with "Selected Consolidated Financial and Other Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Interim Condensed Financial Statements included elsewhere in this Offering Memorandum.

	As of 30 June 2021
	(*in RUB million*)
Non-current borrowings	
Non-current loans and borrowings	233,463
Non-current liabilities from long-term lease contracts	8,979
Total non-current borrowings	**242,442**
Current borrowings	
Current loans and borrowings	104,022
Current liabilities from long-term lease contracts	5,811
Total current borrowings	**109,833**
Total equity	
Share capital	41,295
Additional paid-in capital	(8,470)
Retained earnings	186,379
Translation reserve	2
Non-controlling interests	2,485
Total equity	**221,691**
Total capitalisation(1)	**573,966**

(1) Represents the sum of total equity, total current borrowings and total non-current borrowings.

In August 2021, the Group acquired 50% of the charter capital of LLC Sigma Holding from an unrelated third party individual. LLC Sigma Holding operates 16 development projects, 10 of which are in the active stage of development and 6 more will be launched in the near future. As at 10 August 2021, these development projects had the total unsold area of 2,941 thousand sq. m., of which the residential sellable area comprised 3,290.6 thousand sq. m. and commercial sellable area comprised 134.0 thousand sq. m. According to the Colliers Valuation Report, the market value of the 100% share in LLC Sigma Holding was RUB 90,082 million as at 10 August 2021. As the result of the acquisition, the Group's non-current loans and borrowings increased by RUB 45 billion.

Securities Loan Agreement

On 23 September 2021, the Selling Subsidiary entered into a securities loan agreement with Benolita Holdings Limited ("**Benolita**") (the "**Securities Loan Agreement**"), pursuant to which the Selling Subsidiary borrowed 49,990,198 Shares from Benolita (the "**Borrowed Shares**") for the purpose of the Offering. The Selling Subsidiary will sell approximately 27 million Borrowed Shares in the Offering and will use up to RUB11,600 million of the gross proceeds from the Offering to repurchase some or all of the Forward GDRs from VTB Bank under the Forward GDRs Purchase Agreement. The remaining proceeds from the Offering will be used by the Selling Subsidiary for the general corporate purposes of the Group, including debt repayment and business expansion (see "*Use of Proceeds*"). Such Forward GDRs, once repurchased from VTB Bank by the Selling Subsidiary, will be converted into Ordinary Shares and delivered to Benolita, together with any outstanding Borrowed Shares that were not sold in the Offering, in settlement of the Selling Subsidiary's obligations under the Securities Loan Agreement.

2017 Forward Agreement

The Company has notified VTB Bank that it designated the Selling Subsidiary to repurchase some or all of the Forward GDRs from VTB Bank by entering into a Forward GDRs Purchase Agreement in accordance with the 2017 Forward Agreement (see "*Management's Discussion and Analysis of Financial Condition—Liquidity and Capital Resources—2017 Forward Agreement*"). Following the repurchase by the Selling Subsidiary of such Forward GDRs, the Company will also be entitled to receive the Settlement Amount under the 2017 Forward

Agreement (see "*Management's Discussion and Analysis of Financial Condition—Liquidity and Capital Resources—2017 Forward Agreement*"), which the Company intends to use for general corporate purposes, including debt repayment and the expansion of its new business in Russia and internationally including: (a) UNITS and (b) Kvarta (see "*Business*"). If the Selling Subsidiary repurchases all of the Forward GDRs, the 2017 Forward Agreement will terminate.

Except as described above, there have been no material changes in the total capitalisation of the Group since 30 June 2021.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables present selected consolidated financial information as at 30 June 2021 and for the six-month periods ended 30 June 2021 and 30 June 2020 and as at and for the years ended 31 December 2020, 2019 and 2018 and has been derived from the Consolidated Financial Statements included in this Offering Memorandum. This section should be read in conjunction with the Consolidated Financial Statements and the Shares thereto, as well as the sections entitled "Management's Discussion and Analysis of Financial Condition" and "Presentation of Financial and Other Information".

Data from Statements of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
			(in RUB million)		
Revenue	**189,279**	**138,529**	**380,161**	**280,635**	**245,757**
Revenue from sales of real estate properties accounted for at historical cost[1]	-	-	219,274	170,054	154,992
Revenue from sales of real estate properties acquired through business combinations and recognized at fair value on initial recognition[1]	-	-	75,305	63,264	80,799
Other revenue[1]	-	-	85,582	47,317	9,966
Cost of sales	**(143,262)**	**(103,653)**	**(275,976)**	**(204,928)**	**(191,528)**
Cost of sales of real estate properties accounted for at historical cost[2]	-	-	(149,993)	(113,913)	(107,959)
Cost of sales of real estate properties acquired through business combinations and recognized at fair value on initial recognition[2]	-	-	(61,794)	(53,933)	(77,255)
Cost of other sales[2]	-	-	(64,189)	(37,082)	(6,314)
Gross profit	**46,017**	**34,876**	**104,185**	**75,707**	**54,229**
Gross profit from sales of real estate properties accounted for at historical cost[2]	-	-	69,281	56,141	47,033
Gross profit from sales of real estate properties acquired through business combinations and recognized at fair value on initial recognition[2]	-	-	13,511	9,331	3,544
Gross profit from other sales[2]	-	-	21,393	10,235	3,652
Net gain/(loss) on disposal of subsidiaries, associates and investment property	66	10	620	668	(30)
Distribution expenses	(2,714)	(3,604)	(6,264)	(8,125)	(5,844)
Administrative expenses	(7,225)	(6,284)	(10,755)	(10,631)	(9,423)
Profit/(loss) from change in fair value of investment property	606	-	480	(20)	(70)
(Impairment losses on non-financial assets, net)/ Reversal of impairment losses on non-financial assets, net	(163)	(116)	996	91	(180)
Other income/(expenses), net	(1,534)	(1,309)	(1,363)	2,865	(2,049)
Profit from operating activities	**35,053**	**23,573**	**87,899**	**60,555**	**36,633**
Finance income	57,994	5,300	28,369	7,695	6,489
Finance costs	(6,809)	(3,149)	(8,213)	(3,701)	(3,569)
Significant financing component from contracts with customers	(1,533)	(1,870)	(2,568)	(5,166)	(3,910)
Profit/(loss) from financing activities	**49,652**	**281**	**17,588**	**(1,172)**	**(990)**
Share in profit/(losses) of equity-accounted investees, net of income tax	4	(114)	(212)	(145)	(11)
Profit before income tax	**84,709**	**23,740**	**105,275**	**59,238**	**35,632**
Income tax expense	(15,286)	(5,754)	(18,782)	(14,125)	(8,739)
Foreign currency translation differences for foreign operations	2	-	-	-	-
Total comprehensive income for the reporting period	**69,425**	**17,986**	**86,493**	**45,113**	**26,893**
Attributable to:					
Shareholders of the Company	69,083	18,201	86,381	44,900	26,115

	Six months ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
Non-controlling interests	342	(215)	112	213	778
Total comprehensive income for the reporting period	**69,425**	**17,986**	**86,493**	**45,113**	**26,893**

(1) The information for the six months ended 30 June 2021 and 2020 was not presented in the Consolidated Interim Condensed Financial Statements.
(2) The information for the six months ended 30 June 2021 and 2020 was not presented in the Consolidated Interim Condensed Financial Statements.

Consolidated Statement of Financial Position Data

	Six months ended 30 June		As of 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
			(in RUB million)		
ASSETS					
Total non-current assets	**161,303**	**70,439**	**96,473**	**68,243**	**60,225**
Property, plant and equipment	39,206	35,171	35,546	34,453	26,189
Intangible assets and goodwill	14,569	13,354	14,033	13,454	1,881
Investment property	7,437	6,400	6,880	6,626	18,086
Equity-accounted investees	220	10	8	703	-
Other investments	232	330	218	263	378
Accounts receivable, including contract assets	271	1,242	663	1,774	1,597
Financial instruments measured at fair value through profit and loss	91,157	12,432	34,378	10,377	4,434
Deferred tax assets	8,211	1,500	4,747	593	7,660
Total current assets	**647,969**	**464,511**	**552,335**	**403,760**	**306,113**
Inventories	360,750	295,108	306,990	270,967	214,794
Other investments	2,924	1,058	454	217	340
Current income tax assets	3,583	1,852	1,785	1,475	1,479
Accounts receivable, including contract assets	225,695	87,085	145,341	64,130	30,052
Cash and cash equivalents	52,918	78,051	96,527	66,208	58,601
Other current assets	2,099	1,357	1,238	763	847
Total assets	**809,272**	**534,950**	**648,808**	**472,003**	**366,338**
Equity and Liabilities					
Total equity	**221,691**	**128,204**	**182,311**	**110,288**	**80,063**
Share capital	41,295	41,295	41,295	41,295	41,295
Additional paid-in capital	(8,470)	(8,470)	(8,470)	(8,470)	(8,470)
Retained earnings	186,379	94,163	147,343	75,962	45,370
Translation reserve	2	-	-	-	-
Total equity attributable to owners of the Company	**219,206**	**126,988**	**180,168**	**108,787**	**78,195**
Non-controlling interests	2,485	1,216	2,143	1,501	1,868
Total non-current liabilities	**298,997**	**180,209**	**248,955**	**143,872**	**70,380**
Provisions	187	-	153	-	-
Loans and borrowings	233,463	145,192	197,329	109,608	41,527
Accounts payable	13,558	5,226	7,450	9,807	7,390
Liabilities from long-term lease contracts	8,979	4,871	10,210	4,601	1,611
Deferred tax liabilities	42,810	24,920	33,813	19,856	19,852
Total current liabilities	**288,584**	**226,537**	**217,542**	**217,843**	**215,895**
Loans and borrowings	104,022	30,627	34,766	29,939	20,719
Accounts payable, including contract liabilities(1)	146,410	160,697	145,263	157,569	162,514
Liabilities from long-term lease contracts	5,811	2,668	3,753	2,023	2,164
Provisions(2)	28,313	30,561	27,341	25,971	28,037
Current income tax liabilities	4,028	1,984	6,419	2,341	2,461
Total liabilities	**587,581**	**406,746**	**466,497**	**361,715**	**286,275**
Total equity and liabilities	**809,272**	**534,950**	**648,808**	**472,003**	**366,338**

(1) Accounts payable, including contract liabilities for the year ended 31 December 2019 were retrospectively revised from RUB159,738 million as per the Group's 2019 Consolidated Financial Statements to RUB157,569 million as per the 2020 Consolidated Financial Statements.
(2) Provisions for the year ended 31 December 2019 were retrospectively revised from RUB23,802 million as per the Group's 2019 Consolidated Financial Statements to RUB25,971 million as per the 2020 Consolidated Financial Statements.

Consolidated Statement of Cash Flows Data

	Six months ended 30 June		**For the year ended 31 December**		
	2021	**2020**	**2020**	**2019**	**2018**
			(in RUB million)		
Cash flows from operating activities					
Profit for the reporting period	**69,423**	**17,986**	**86,493**	**45,113**	**26,893**
Adjustments for:					
Depreciation of property, plant and equipment and amortisation of intangible assets	2,285	1,721	3,479	3,024	2,237
Impairment losses/(gain) on non-financial assets, net	163	116	(996)	(415)	(1,018)
Loss/(gain) from disposal of property, plant and equipment intangible assets and other assets	692	423	437	(47)	279
Loss/(Profit) from change in fair value of investment property	(606)	-	(480)	20	70
Net loss/(gain) on disposal of subsidiaries, associates and investment property	(66)	(10)	(620)	(668)	30
Share in (profit)/losses of equity-accounted investees, net of income tax	(4)	114	212	145	11
Finance income	(57,994)	(5,300)	(28,369)	(7,695)	(6,489)
Finance costs	6,809	3,149	8,213	3,701	3,569
Negative goodwill	-	-	(120)	(4,719)	(1,298)
Income tax expense	15,286	5,754	18,782	14,125	8,739
	35,988	**23,953**	**87,031**	**52,584**	**33,023**
Changes in:					
Inventories and other current assets	(49,639)	(19,343)	(25,798)	(43,017)	3,065
Accounts receivable, including contract assets	(86,934)	(23,549)	(84,309)	(29,421)	5,467
Accounts, payable including contract liabilities and changes in provision for taxes, other than income tax	6,691	(2,616)	(14,175)	(2,583)	7,574
Provisions	317	4,611	2,086	(3,670)	(1,860)
Cash flows from/(used in) operations before income taxes and interest	**(93,307)**	**(16,944)**	**(35,165)**	**(26,107)**	**47,269**
Income tax paid	(13,775)	(2,485)	(6,326)	(8,390)	(5,446)
Interest paid[1]	(6,397)	(4,244)	(9,089)	(8,659)	(8,861)
Net cash used in operating activities	**(113,479)**	**(23,673)**	**(50,580)**	**(43,156)**	**32,962**
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment	91	34	385	241	28
Interest received	1,721	1,707	3,359	2,981	2,462
Acquisition of property, plant and equipment and other intangible assets	(4,416)	(976)	(3,168)	(4,150)	(3,882)
Acquisition of subsidiaries, net of cash acquired	-	163	274	(1,437)	(528)
Acquisition of equity accounted investees, including advances issued for acquisition of investees	(341)	-	(300)	(740)	-
Proceeds from disposal of associates and subsidiaries, net of cash	757	1,964	3,970	45	(5)
Proceeds from disposal of investment property and refund of prepayments received for the sale of investment property	(4,796)	66	4,883	-	573
Loans issued	(2,668)	(219)	(484)	(221)	(356)

	Six months ended 30 June		For the year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
Repayment of loans issued	271	20	314	268	25
Net cash from/(used in) investing activity	**(9,381)**	**2,759**	**9,233**	**(3,013)**	**(1,777)**
Cash flows from financing activities					
Payments for cash-settled financial instruments	(860)	(1,287)	(2,161)	(2,805)	(2,248)
Payments for lease liabilities(2)	(2,655)	(1,238)	(2,696)	(2,421)	(1,853)
Proceeds from borrowings	150,518	64,645	129,695	81,750	6,721
Repayment of borrowing	(26,600)	(23,725)	(37,612)	(4,082)	(1,527)
Proceeds from issuance of bonds	-	15	7,015	21,636	17,219
Repurchase of bonds	(11,040)	(5,660)	(7,430)	(25,271)	(21,206)
Acquisition of non-controlling interests without change in control	(50)	-	(150)	(22)	(162)
Payment of dividends	(30,039)	-	(15,000)	(15,000)	(15,000)
Net cash from/(used in) financing activities	**79,274**	**32,750**	**71,661**	**53,785**	**(18,056)**
Net (decrease)/increase in cash and cash equivalents,	(43,586)	11,836	30,314	7,616	13,129
Effect of exchange rate fluctuations on cash equivalents	(23)	7	5	(9)	20
Cash and cash equivalents at the beginning of the period	96,527	66,208	66,208	58,601	45,452
Cash and cash equivalents at the end of the period	**52,918**	**78,051**	**96,527**	**66,208**	**58,601**

(1) Interest paid for the year ended 31 December 2019 was retrospectively revised from RUB8,070 million as per the Group's 2019 Consolidated Financial Statements to RUB8,659 million as per the Group's 2020 Consolidated Financial Statements.

(2) Payments for lease liabilities for the year ended 31 December 2019 were retrospectively revised from RUB3,010 million as per the Group's 2019 Consolidated Financial Statements to RUB2,421 million as per the Group's 2020 Consolidated Financial Statements.

Non-IFRS Measures

Adjusted net debt

	Six months ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
			(in RUB million)		
Total loans and borrowings	337,485	175,819	232,095	139,547	62,246
Less: Cash and cash equivalents	(52,918)	(78,051)	(96,527)	(66,208)	(58,601)
Less: Escrow accounts balances	(162,766)	(36,200)	(90,303)	(16,061)	(1,145)
Adjusted net debt	**121,801**	**61,568**	**45,265**	**57,278**	**2,500**

Adjusted EBITDA

	Six months ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
			(in RUB million)		
Total comprehensive income for the reporting period	69,425	17,986	86,493	45,113	26,893
Plus: Depreciation of property, plant and equipment and amortisation of intangible assets	2,285	1,721	3,479	3,024	2,237
Plus: Interest expense after capitalisation	4,654	2,044	4,753	2,837	2,901
Plus: Significant financing component on contracts with customers and the effect of discounting costs to completion, included in other financial costs	2,259	1,870	2,568	5,166	3,910
Less: Interest income	(1,991)	(1,918)	(4,034)	(3,223)	(2,749)
Plus: Income tax expense	15,286	5,754	18,782	14,125	8,739
Adjusted EBITDA	**91,918**	**27,457**	**112,041**	**67,042**	**41,931**

Further Adjusted EBITDA

	Six months ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
			(in RUB million)		
Adjusted EBITDA	91,918	27,457	112,041	67,042	41,931
Less: Significant financing component and interest expense savings from project financing of construction of real estate sold through the use of escrow accounts recognised in revenue	(4,999)	(3,336)	(7,889)	(7,430)	(10,069)
Discount the provision for cost to complete accrued to cost of sales	(1,072)	-	-	-	-
(Gain on reversal of)/Impairment losses on non-financial assets, net	163	116	(996)	(91)	180
(Gain on reversal of)/impairment loss included in cost of sales, net	(124)	479	380	324	(1,198)
(Profit)/loss from change in fair value of investment property	(606)	-	(480)	20	70
Negative goodwill from acquisition of subsidiaries	-	-	(120)	(4,719)	(1,298)
Impairment loss on financial assets, net	888	629	1,598	408	668
Reversal of write-off of accounts payable	(20)	(7)	(122)	(525)	(114)
Foreign exchange loss/(gain), net	(2)	39	(24)	(31)	(264)
Loss/(gain) on disposal of property, plant and equipment, intangible assets and other assets	692	423	5	18	200
Loss/(gain) on disposal of subsidiaries, associates and investment property, net	(66)	(10)	(620)	(668)	30
Penalties and fines, including provision for litigation	552	471	1,038	1,858	1,787
Write-off of other materials	66	15	208	194	79
Other financial income	(62)	(307)	(49)	(778)	(179)
Elimination of revaluation of cash-settled financial instruments and financial liability	(55,919)	(3,068)	(24,140)	(3,138)	(3,183)
Interest expense written off to cost of sales	4,481	2,948	8,496	5,762	3,127
Further Adjusted EBITDA	**35,890**	**25,849**	**89,326**	**58,246**	**31,767**

Adjusted Net debt to Adjusted EBITDA

	Twelve months ended 30 June	Year ended 31 December		
	2021	2020	2019	2018
		(in RUB million)		
Adjusted Net Debt	121,801	45,265	57,278	2,500
Divided by				
Adjusted EBITDA(1)	176,502	112,041	67,042	41,931
Adjusted net debt to Adjusted EBITDA	**0.69**	**0.40**	**0.85**	**0.06**

(1) LTM Adjusted EBITDA is used for calculation of Adjusted net debt to Adjusted EBITDA for the six months ended 30 June 2021.

Development capital expenditures (cash flows), except for cash paid for the acquisition of land plots/right-of-use assets

	Six month ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018 (restated)
			(in RUB million)		
Changes in:					
Construction-in-progress, intended for sale	45,810	17,122	23,468	53,186	1,782

	Six month ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018 (restated)**
			(in RUB million)		
Finished goods and goods for resale......	4,228	4,235	1,720	(482)	4,338
Right-of-use asset................................	1,171	1,207	8,208	1,912	(1,489)
Advances to suppliers and contractors in development projects	10,115	(2,294)	(4,341)	4,672	(813)
Advances issued for land plot acquisition...	17,164	(1,204)	3,939	2,534	(4,908)
Accounts payable under development contracts and other trade payables	(1,079)	2,116	(3,440)	5,123	(4,318)
Accounts payable for acquisition of land plots, liabilities to transfer real estate objects in land plot acquisition transactions and long-term lease liabilities	(6,934)	(1,681)	(1,648)	(3,157)	67
Provisions for costs to complete and provision for unprofitable contracts...	(1,079)	(4,588)	(2,830)	(3,385)	1,860
Elimination of effect capitalisation of interest expense on construction-in-progress..	(3,390)	(3,613)	(5,132)	(4,624)	(7,051)
Reclassification of investment property to inventories	–	–	–	(11,412)	(5,407)
Reclassification from inventories to property, plant and equipment and vice versa	1,648	1,429	933	3,937	3
	67,654	**12,729**	**20,877**	**48,304**	**(15,936)**
Cost of sales of real estate objects and development projects	98,790	78,361	215,647	167,846	185,214
Elimination of capitalised interest expense recognised in the cost of sale of real estate objects..........................	(4,396)	(2,881)	(8,272)	(5,462)	(872)
Acquisition of land plots and lease rights, including acquisition of subsidiaries	(57,590)	(24,250)	(56,700)	(37,390)	(21,490)
Change in accounts payable for acquisition of land plots, liabilities to transfer real estate objects in land plot acquisition transactions and long-term lease liabilities	6,934	538	1,648	4,645	2,474
Change in advances issued under land plot/right-of-use asset acquisition contracts...	(17,164)	1,204	(3,939)	(6,044)	(1,562)
Development capital expenditures (cash flows), except for cash paid for the acquisition of land plots/right-of-use assets	**94,228**	**65,701**	**169,261**	**171,899**	**147,828**

LTM Adjusted EBITDA

	As of and for the twelve months ended 30 June
	2021
Adjusted EBITDA for the year ended 31 December 2020	112,041
Plus	
Adjusted EBITDA for the six months ended 30 June 2021..........................	91,918
Less	
Adjusted EBITDA for the six months ended 30 June 2020..........................	27,457
LTM Adjusted EBITDA	**176,502**

Please refer to "*Presentation of Financial and Other Information—Non-IFRS Measures*" for disclosure of Non-IFRS measures used in this Offering Memorandum.

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 30 June 2021 and for the six-month periods ended 30 June 2021 and 2020 and as at and for the years ended 31 December 2020, 2019 and 2018, should be read in conjunction with the Consolidated Financial Statements and related Shares included elsewhere in this Offering Memorandum and Presentation of Financial and Other Information.

The following overview includes forward-looking statements that reflect the current view of the management and involve inherent risks and uncertainties. The actual results of the Group could differ materially from those contained in such forward-looking statements as a result of factors discussed below and elsewhere in this Offering Memorandum, particularly in "Risk Factors".

Selected consolidated financial information in this section has been derived from the reviewed and audited Consolidated Financial Statements, in each case without material adjustments, unless otherwise stated, as well as the Group's management financial reports.

Overview

The Group is a vertically integrated real estate developer with the largest land bank in Russia by market value and one of the largest land banks in Russia by area according to the Group's estimates based on data published by Russian developers. As at 31 December 2020, the Group's total unsold area comprised 16.6 million sq. m., according to the C&W Land Bank Valuation Report (as defined below). The Group operates as a developer in 14 regions of Russia, with the main emphasis on Moscow and the Moscow region. As of 31 December 2020, the Group's project portfolio encompassed 101 projects including 46 located in Moscow, 23 in the Moscow region and 28 in other regions of Russia and 4 international projects. According to the C&W Land Bank Valuation Report, the combined market value of the Group's properties was RUB689 billion as at 31 December 2020. In 2021, the Group has expanded its land bank with 18 New Development Projects (as defined below) having total unsold area of 2,719 thousand sq. m. and market value of RUB 79,582 million as at 18 August 2021 according to C&W New Development Projects Valuation Report (as defined below). Furthermore, in August 2021, the Group acquired 50% of the charter capital of LLC Sigma Holding, which operates 16 development projects having total unsold area of 2,941 thousand sq. m. as at 10 August 2021 (see "*Management's Discussion and Analysis of Financial Condition—Recent Developments*"). According to the Colliers Valuation Report, the market value of the 100% share in LLC Sigma Holding was RUB 90,082 million as at 10 August 2021. Overall, the Group's total unsold area comprised 21.5 million sq. m. as at 1 September 2021 according to the Group's calculations.

The Group has been operating on the Russian real estate market since 1994, and is today the largest developer in Russia by value of its land bank according to the Group's estimates based on data published by Russian developers, with a main specialization in the construction of modern affordable and technologically advanced housing along with all the associated social and commercial infrastructure. In 2020, the Group completed construction of 2,425 thousand sq. m. and delivered over 40,000 units, or 2,355 thousand sq. m., with all sales made online starting from April 2020. As of the date of this Offering Memorandum, the Group is the leading homebuilder in Russia with over 7 million sq. m. area under construction which comprise 5.8% of the housing market as at 1 September 2021 according to the Unified Register of Developers (approximately two times more compared to the Group's closest Russian competitor). While the Group is primarily focused on the mass-market residential real estate segment, it intends to expand its operations into the construction and sale of mid-market, high-end and suburban residential real estate projects. Furthermore, the Group is considering expansion into logistics and industrial parks in Russia. In particular, the Group launched its first mid-segment project in September 2021 under the 'Forma' brand, and it expects to launch high-end projects under the 'Mono' brand as well as suburban projects by the end of 2021. See "—*Strategy*".

As a vertically integrated business, the Group conducts a full cycle of property development using building information modelling (BIM) technologies, from the purchase of a land plot, preparation of designs and planning, and ending with the construction itself, which results in reduced costs, improved quality control and shorter construction cycle. The vertically integrated business model is supported by the Group's in-house production capacity. The Group operates 14 production facilities in Moscow and other regions of Russia for the production of, *inter alia*, reinforced concrete structures, reinforced mesh and cages, small piece materials (paving blocks, kerbs, street furniture, Acotec panels), window units, bathroom pods, elevators and wide-ranging innovative IoT products for smart home. The Group also plans to open two new production facilities in Moscow and the Philippines in 2023 with planned annual capacity of 1,000,000 and 500,000 sq. m., respectively. In addition to its own production facilities the Group has long-term partnerships with a broad base of leading suppliers and contractors to create flexible and adaptive ecosystem of suppliers and contractors that can scale up in a timely manner.

The Group is also the largest private managing housing company in Russia by area under management according to the Group's estimates based on public data. As of the date of this Offering Memorandum, the Group manages 50 million sq. m. of private housing assets in 20 regions across the country.

The Group has built an ecosystem that disrupts traditional housing and construction markets leveraging a distinct first mover advantage, technological superiority and industry leadership. The Group is also the only residential real estate developer in Russia that has an internal R&D department employing 100 people with R&D budget of U.S.$ 15 million, and more than 15 patented proprietary methods of architectural urban solutions developed by an in-house architecture bureau with more than 3,000 architects, as well as strong construction capacities and IT solutions, which allows the Group to significantly reduce construction costs and at the same time to step up the speed and quality of construction.

The Group has the number one brand of housing development in Russia, which was named one of the top 30 strongest brands in the country in 2020 by the British consulting company Brand Finance. According to Brand Finance, the value of PIK brand amounted to RUB 52 billion and the brand awareness reached 98% in 2020.

In the six months ended 30 June 2021 and 2020, the Group generated revenue of RUB189,279 million and RUB138,529 million, total comprehensive income for the reporting period of RUB69,425 million and RUB17,986, Adjusted EBITDA of RUB91,918 million and RUB27,457 million, Adjusted EBITDA margin of 49% and 20% and net income margin of 37% and 13%, respectively.

For the years ended 31 December 2020, 2019 and 2018, the Group generated revenue of RUB380,161 million, RUB280,635 million and RUB245,757 million, profit and total comprehensive income for the reporting period of RUB86,493 million, RUB45,113 million and RUB26,893 million, Adjusted EBITDA of RUB112,041 million, RUB67,042 million and RUB41,931 million, Adjusted EBITDA margin of 29%, 24% and 17% and net income margin of 23%, 16% and 11%, respectively.

Recent Developments

In August 2021, the Group acquired 50% of the charter capital of LLC Sigma Holding from an unrelated third party individual. LLC Sigma Holding operates 16 development projects, 10 of which are in the active stage of development and 6 more will be launched in the near future. As at 10 August 2021, these development projects had the total unsold area of 2,941 thousand sq. m., of which the residential sellable area comprised 3,290.6 thousand sq. m. and commercial sellable area comprised 134.0 thousand sq. m. According to the Colliers Valuation Report, the market value of the 100% share in LLC Sigma Holding was RUB 90,082 million as at 10 August 2021.

Securities Loan Agreement

On 23 September 2021, the Selling Subsidiary entered into a Securities Loan Agreement with Benolita, pursuant to which the Selling Subsidiary borrowed the Borrowed Shares for the purpose of the Offering. The Selling Subsidiary will sell approximately 27 million Borrowed Shares in the Offering and will use up to RUB11,600 million of the gross proceeds from the Offering to repurchase some or all of the Forward GDRs from VTB Bank under the Forward GDRs Purchase Agreement. The remaining proceeds from the Offering will be used by the Selling Subsidiary for the general corporate purposes of the Group, including debt repayment and business expansion (see "*Use of Proceeds*"). Such Forward GDRs, once repurchased from VTB Bank by the Selling Subsidiary, will be converted into Ordinary Shares and delivered to Benolita, together with any outstanding Borrowed Shares that were not sold in the Offering, in settlement of the Selling Subsidiary's obligations under the Securities Loan Agreement.

Repurchase of the Forward GDRs in accordance with the 2017 Forward Agreement

The Company has notified VTB Bank that it designated the Selling Subsidiary to repurchase some or all of the Forward GDRs from VTB Bank by entering into a Forward GDRs Purchase Agreement in accordance with the 2017 Forward Agreement (see "*Management's Discussion and Analysis of Financial Condition—Liquidity and capital resources—2017 Forward Agreement*"). Following the repurchase by the Selling Subsidiary of such Forward GDRs, the Company will also be entitled to receive the Settlement Amount under the 2017 Forward Agreement (see "*Management's Discussion and Analysis of Financial Condition—Liquidity and Capital*

Resources—2017 Forward Agreement"), which the Company intends to use for general corporate purposes, including debt repayment and the expansion of its new business in Russia and internationally including: (a) UNITS and (b) Kvarta (see "*Business*"). If the Selling Subsidiary repurchases all of the Forward GDRs, the 2017 Forward Agreement will terminate.

Key Factors Affecting the Group's Business and Results of Operations

The following factors have affected, and are expected to continue to affect, the Group's business, results of operations, financial condition and prospects.

Demand and market conditions in the Russian real estate market

The Group's revenue is substantially dependent on its ability to sell the real estate properties it builds and on demand for the real estate-related products and services it provides. Demand for real estate properties, products and services depends on overall levels of supply and demand in the real estate market, which, in turn, is impacted by prevailing economic conditions, the level of supply of comparable housing in the market, changes in customer preferences, the availability and cost of rental housing, the cyclical nature of the real estate market, changes in interest rates and inflation, levels of employment, disposable income and personal savings, the availability of mortgage financing, and other considerations (see "*Risk Factors—The Group's business and results of operations depend on the conditions of the real estate market in Russia"*).

Although the Group has recently commenced operations outside of Russia and intends to develop the Group's international operations in the future (see "*—Expand the Group's operations into attractive new segments, products and markets*"), the Group's business is primarily located in Russia. It is therefore heavily influenced by the overall condition of the Russian housing market, particularly in the regions in which the Group conducts the majority of its operations (i.e. Moscow and the Moscow Metropolitan Area), and the availability and cost of mortgage financing in Russia. Consequently, the Group's business and financial results are impacted by macroeconomic conditions in Russia, which are, in turn, impacted by macroeconomic conditions in Europe and the global economy. For example, economic downturns in Russia in the period between 2014 and 2017 resulting from, *inter alia*, the introduction of sanctions against Russia and the decline of oil prices, led to a general reduction in disposable incomes in Russia, an increase in unemployment and, consequently, reduced demand for, and corresponding substantial declines in the value of, commercial and residential real estate. In addition, such economic conditions also adversely affected the availability of mortgage financing for prospective purchasers of real estate. As a consequence, the deterioration of macro-economic conditions in Russia had a material adverse effect on the real estate development and construction sectors of the Russian economy. See "*Industry—Russian Residential Real Estate Market Overview*".

The spread of COVID-19 from the first quarter of 2020 adversely affected the Russian economy resulting in a 3.0% decrease in GDP in 2020, a rise in unemployment (5.8% in 2020 against 4.6% in 2019) and a decline in real disposable incomes (3.5% in 2020 compared to 2019) according to Rosstat. In March 2020, to slow the spread of the COVID-19 pandemic, the Russian Government placed a country-wide lockdown, introducing several "non-working weeks", bans on public events, closures of public places, border controls and travel and other restrictions. In addition, the Government of Moscow imposed a temporary ban on construction works that lasted from 13 April to 12 May 2020. As a result, the Group had to suspend construction on all of its development projects in Moscow.

However, although the COVID-19 pandemic had a dramatic effect on the Russian economy, consumer confidence has improved since the second quarter of 2020 according to Rosstat. Interest rates were at historic lows in the second half of 2020, GDP has been higher than expected and the vaccine rollout has had a positive impact on the country's economic prospects. Further, policies and measures implemented by the Russian government have helped to support the Russian economy and have served to mitigate the impact of the dislocation of the economy caused by COVID-19. Such support measures have included: (i) the temporary cancellation of fines for delayed building construction activities effective from 3 April 2020 until 1 January 2021 and one year extension of valid building permits expiring between 7 April 2020 and 1 January 2021, (ii) the introduction of a special mortgage program with a subsidized rate of 6.5% in the amount of up to RUB 6 million in the regions and up to RUB 12 million in Moscow, the Moscow region, St. Petersburg and the Leningrad region, which has been extended until 1 July 2022 at a subsidized rate of 7.0% in the amount of up to RUB 3 million for all regions, (iii) measures relaxing requirements for mortgage reserves designed to stimulate mortgage lending, (iv) child allowances and subsidies for multiple-child families (known as a maternity capital programme) and (v) the introduction of the federal program DOM.RF on the buyout of housing from developers. In aggregate, these measures have helped to boost mortgage origination in Russia and the Group's mortgage sales as a proportion of its total sales of real estate have increased from 66% to 76%. Therefore, despite the impact of COVID-19, the Group's new contract sales for the six months ended 30 June 2021 increased to 1,088 thousand sq. m. and RUB189,012 million compared to 889 thousand sq. m. and RUB119,811 million for the six months ended 30 June 2020.

There can be no assurance that the recent growth of the real estate market in Russia will continue in the future. In particular, no assurance can be made that the state support measures, such as the mortgage subsidy program with a subsidized rate of 7.0%, will be further extended on the same terms or at all. The termination or reduction of any such support measures may have a material adverse impact on the Russian economy and the Russian real estate market, which, in turn, may adversely affect the Group's operating environment. See "*Risk Factors—The Group operates in a cyclical industry and may be adversely affected by a downturn in the real estate industry*".

Sales price and number of units

The Group's results of operations are significantly influenced by the number of units it constructs and sells and the price at which such sales are made. The average selling price of the Group's units is primarily affected by market demand and by the type, size and location of the Group's developments. In 2020, the Group's average selling price was 148.9 thousand RUB per sq. m. The Group has some visibility on its future revenues in part due to its pre-sales of units. Approximately 100% of the purchase price of a pre-sold unit is received in advance from the customer during construction and held in escrow pending completion. The Group's total cash collections were RUB225,495 million and RUB370,837 million in the first half of 2021 and the year ended 31 December 2020, respectively.

The total number of units that the Group constructs depends mainly on the number of ongoing developments and the type of developments the Group undertakes and the Group's ability to obtain financing. While these variables are largely within the Group's control, the number of units is also impacted by external factors, in particular the availability of planning approvals and government policy and regulation with respect to housing or homebuilding, such as zoning and environmental regulation, as well as other factors such as the availability of land on the sites that are commercially viable and suitable for the Group's purposes. As at 31 December 2020, the Group had an unsold land bank portfolio of 16.6 million sq. m. with a valuation of RUB689 billion according to C&W Land Bank Valuation Report, which the Group believes will enable the Group to deliver units for over 6 years. For additional information on the status of the Group's development projects, see "*Business—Key Projects*".

Cost structure and expenses

The Group's main cost drivers are the cost of land and development costs. As at 30 June 2021, around 43% of the development costs are construction costs. The remaining costs consist of soft costs (such as architectural, engineering, financing, and legal fees, and other pre- and post-construction expenses, which typically represent around 14% of the total development costs) and financial costs (which typically represent around 10% of the total development costs).

The Group's operating expenditure attributable to income tax expense was RUB15,286 million in the six months ended 30 June 2021. The incurrence of marketing costs and a portion of the local taxes is not dependent on or affected by the evolution of sales. Therefore, these costs are fixed and they are accounted as expenses when incurred and are not capitalized. The Group believes the structure of its operating expenditure, which consists mostly of variable costs, allows it flexibility and scalability. The Group's overhead costs mainly consist of costs related to personnel and, to a lesser extent, general expenses, corporate marketing and IT, business development and rentals. As the Group continues to digitalize its operations and procedures and diversify its operations through the development of technological solutions and the PIK Ecosystem, the Group believes that it will be able to further control and reduce its operating cost base.

The Group's results are also affected by its financial expenses. Since the introduction of amendments to the Shared Construction Law, which came into effect on 1 July 2019, the Group finances its developments primarily through project financing obtained from Russian commercial banks. Therefore, the Group's financial expenses are primarily influenced by the interest rates and the volume of the Group's interest-bearing liabilities and the interest rate maturity strategy the Group adopts in its project financing arrangements. For the six months ended 30 June 2021, the Group recorded finance costs of RUB6,809 million. In the year ended 31 December 2020, it recorded finance costs of RUB8,213 million, primarily attributable to total interest expense after capitalisation of RUB4,753 million, compared to finance costs of RUB3,701 million in 2019 and RUB3,569 million in 2018 primarily attributable to total interest expense after capitalisation of RUB2,837 million and RUB2,901 million, respectively.

Ability to deliver projects on time and on budget

The Group's results are significantly impacted by its ability to meet projected development targets and delivery dates. According to the C&W Valuation Report, as of 31 December 2020, 36% of the Group's total unsold project area comprised residential and commercial projects in the design stage, 64% comprised residential and commercial projects under construction. Property developments typically require substantial capital outlays during construction periods and these are generally funded with project financing. The incurred project financing is typically repaid out of funds pre-paid by individuals to escrow accounts upon commissioning of the relevant residential project. Therefore, the Group starts recording positive cash flows from a construction project once it is commissioned, and if pre-paid amounts exceed the outstanding amount of the project financing incurred for that project.

Furthermore, under shared construction agreements, the purchaser is further entitled to withdraw from the agreement if the Group does not meet the deadlines agreed between the parties in the shared construction agreement (e.g., deadline for obtaining the construction permit, construction progress or completion of works). Any inability to complete projects, deliver products or perform services on time or at a competitive cost could result in the Group incurring contractual penalties and other associated monetary losses, as well as in legal claims against the Group in connection with any of the foregoing and could negatively affect its business, financial condition and results of operations. See "*Risk Factors—The Group's projects may be subject to delay, non-completion and financial loss*".

Acquisitions and disposals

During the periods under review, the Group's results of operations were affected by certain asset acquisitions completed by the Group.

For example, in 2018, the Group acquired a 100% interest in a utility system company providing heating, water supply, water discharge and electricity services for RUB1,220 million. The Group also purchased a 100% interest in general contractor for immaterial consideration. As a result of this acquisition, the Group recognised income of RUB1,168 million.

In 2019, the Group acquired an additional 31.01% interest in a company providing residential real estate rental services for RUB360 million. As a result, the Group's share in the company increased to 51%, and, therefore, financial results of the company were consolidated in the Groups' Consolidated Financial Statements.

In addition, the Group acquired a 99.99% interest in a service company providing residential buildings' maintenance services and its subsidiaries. The transaction also included agreements on the acquisition and subsequent sale of 17 companies providing housing and utility services. As these companies were acquired solely for resale, their acquisition was recognised as assets held for sale. As a result of the acquisition, the Group recognised negative goodwill from acquisition of subsidiaries of RUB4,719 million.

In 2020, the Group acquired a 70% share in two Russian companies, which provide contract services to design and construct external infrastructure facilities including water pipelines, sewerage systems, heating networks, as well as landscaping services, for the total consideration paid of RUB197 million. As part of business combinations, the Group recognised assets and liabilities at fair value at the acquisition at the acquisition date, with such fair value determined by the independent appraiser engaged by management. As at 31 December 2020, the Group recognised change in acquisition of subsidiaries, net of cash acquired in the amount of RUB274 million.

The Group also purchased several land plots for future development in Moscow, Moscow Region and other Regions of Russia for the total amount of RUB 47,277 million mostly through the acquisition of control in companies that own these land plots, as well as land plots in the amount of RUB9,423 million in the Group's projects that are already under development.

In the six months ended 30 June 2021, the Group acquired an additional interest in a company specialised on environmentally friendly disposal of electronic and electrical equipment waste for total consideration paid of RUB196 million. In addition, the Group acquired several land plots and right-of-use assets for future development in Moscow, Moscow region and other regions of Russia for the total amount of RUB47,202 million mostly through the acquisition of control in companies that own these land plots. In August 2021, the Selling Subsidiary acquired 50% of the charter capital of LLC Sigma Holding from an unrelated third party individual.

Any further acquisitions or disposals that the Group may undertake in the future, may affect the Group's results of operations. In particular, the Group's management and Mr. Gordeev are evaluating the possibility of spinningoff the Group's modular construction business represented by UNITS in 2023-2024 and Kvarta platform in 2022-2023 into separate businesses, which would be controlled by Mr. Gordeev, and depending on the market conditions subsequent public offering of shares in such businesses. As of the date of this Offering Memorandum, no decision has been made in relation to these potential spin-offs.

Consolidated Financial Results Overview

The table below sets forth a summary of the Group's consolidated financial results for the six months ended 30 June 2021 and 2020 and for the years ended 31 December 2020, 31 December 2019 and 31 December 2018:

	Six months ended 30 June		**Year ended 31 December**		
	2021	**2020**	**2020**	**2019**	**2018**
			(in RUB million)		
Revenue	**189,279**	**138,529**	**380,161**	**280,635**	**245,757**
Revenue from sales of real estate properties accounted for at historical cost(1)	-	-	219,274	170,054	154,992
Revenue from sales of real estate properties acquired through business combinations and recognised at fair value on initial recognition(1)	-	-	75,305	63,264	80,799
Other revenue(1)	-	-	85,582	47,317	9,966
Cost of sales	**(143,262)**	**(103,653)**	**(275,976)**	**(204,928)**	**(191,528)**
Cost of sales of real estate properties accounted for at historical cost(2)	-	-	(149,993)	(113,913)	(107,959)
Cost of sales of real estate properties acquired through business combinations and recognized on fair value at initial recognition(2)	-	-	(61,794)	(53,933)	(77,255)
Cost of other sales(2)	-	-	(64,189)	(37,082)	(6,314)
Gross profit	**46,017**	**34,876**	**104,185**	**75,707**	**54,229**
Gross profit from sales of real estate properties accounted for at historical cost(2)	-	-	69,281	56,141	47,033
Gross profit from sales of real estate properties acquired through business combinations and recognised at fair value at initial recognition(2)	-	-	13,511	9,331	3,544
Gross profit from other sales(2)	-	-	21,393	10,235	3,652
Profit from operating activities	**35,053**	**23,573**	**87,899**	**60,555**	**36,633**
Net gain/(loss) on disposal of subsidiaries, associates and investment property	66	10	620	668	(30)
Distribution expenses	(2,714)	(3,604)	(6,264)	(8,125)	(5,844)
Administrative expenses	(7,225)	(6,284)	(10,755)	(10,631)	(9,423)
Profit/(loss) from change in fair value of investment property	606	-	480	(20)	(70)
(Impairment losses on non-financial assets, net)/ Reversal of impairment losses on non-financial assets, net	(163)	(116)	996	91	(180)
Other (expenses)/income, net	(1,534)	(1,309)	(1,363)	2,865	(2,049)
Loss/profit from financial activities	**49,652**	**281**	**17,588**	**(1,172)**	**(990)**
Finance income	57,994	5,300	28,369	7,695	6,489
Finance costs	(6,809)	(3,149)	(8,213)	(3,701)	(3,569)
Significant financing component from contracts with customers	(1,533)	(1,870)	(2,568)	(5,166)	(3,910)
Share in profit/(losses) of equity-accounted investees, net of income tax	4	(114)	(212)	(145)	(11)
Profit before income tax	**84,709**	**23,740**	**105,275**	**59,238**	**35,632**
Income tax expense	(15,286)	(5,754)	(18,782)	(14,125)	(8,739)

	Six months ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
Foreign currency translation differences for foreign operations...........................	2	-	-	-	-
Total comprehensive income for the reporting period.................................	**69,425**	**17,986**	**86,493**	**45,113**	**26,893**
Attributable to:					
Shareholders of the Company..................	69,083	18,201	86,381	44,900	26,115
Non-controlling interests.........................	342	(215)	112	213	778
Total comprehensive income for the reporting period.................................	**69,425**	**17,986**	**86,493**	**45,113**	**26,893**

(1) The information for the six months ended 30 June 2021 and 2020 was not presented in the Consolidated Interim Condensed Financial Statements.
(2) The information for the six months ended 30 June 2021 and 2020 was not presented in the Consolidated Interim Condensed Financial Statements.

Results of Operations for the Six Months Ended 30 June 2021 and 2020

Revenue

The Group's total revenue from contracts with customers increased by RUB 50,750 million, or 36.6% to RUB 189,279 million for the six months ended 30 June 2021 from RUB 138,529 million for the six months ended 30 June 2020 primarily due to increase in revenue from sales of real estate and construction revenue by RUB 44,926 million, or 36.6% and increase in revenue from other sales by RUB 5,824 million, or 36.6%.

The table below shows a breakdown of the Group's revenue by product for the periods indicated:

	Six months ended 30 June	
	2021	2020
	(in RUB million)	
Revenue from sales of real estate and construction revenue....................................	**167,560**	**122,634**
Revenue from sales of residential properties recognised over time...............................	132,866	98,829
Revenue from construction services recognised over time..	26,745	15,633
Revenue from sales of non-residential premises and parking spaces recognised over time..	7,816	8,138
Other development revenue...	133	34
Revenue from other sales..	**21,719**	**15,895**
Revenue from other sales of goods and services recognised at a point in time	8,288	3,153
Revenue from maintenance services, recognised over time	13,431	12,742
Total revenue from contracts with customers...	**189,279**	**138,529**

Revenue from sales of real estate and other development revenue

The Group's revenue from sales of real estate and construction revenue increased by RUB 44,926 million, or 36.6% to RUB 167,560 million for the six months ended 30 June 2021 from RUB 122,634 million for the six months ended 30 June 2020 primarily due to (i) increase in revenue from sales of residential properties recognised over time by RUB 34,037 million, or 34.4%, to RUB 132,866 million for the six months ended 30 June 2021 from RUB 98,829 million for the six months ended 30 June 2020, which was primarily attributable to increase in new contract sales of residential properties by area and by value to 493 thousand sq. m. and RUB 81,995 million, in the six months ended 30 June 2021 from 414 thousand sq. m. and RUB 57,240 million, in the six months ended 30 June 2020, respectively, and (ii) increase in revenue from construction services recognised over time by RUB 11,112 million, or 71.1%, to RUB 26,745 million for the six months ended 30 June 2021 from RUB 15,633 million for the six months ended 30 June 2020.

Revenue from other sales

The Group's revenue from other sales increased by RUB 5,824 million, or 36.6% to RUB 21,719 million for the six months ended 30 June 2021 from RUB 15,895 million for the six months ended 30 June 2020 due to increase in revenue from other sales of goods and services recognised at a point in time by RUB 5,135 million, or 162.9%, to RUB 8,288 million for the six months ended 30 June 2021 from RUB 3,153 million for the six months ended 30 June 2020 and increase in revenue from maintenance services, recognised over time by RUB 689 million, or

5.4%, to RUB 13,431 million for the six months ended 30 June 2021 from RUB 12,742 million for the six months ended 30 June 2020. See also “*Business—Operations*”.

Cost of sales

The Group’s cost of sales increased by RUB 39,609 million, or 38.2% to RUB 143,262 million for the six months ended 30 June 2021 from RUB 103,653 million for the six months ended 30 June 2020 due to overall increase in new contract sales, prices on materials and inflation in that period.

Administrative expenses

The Group’s administrative expenses increased by RUB 941 million, or 15.0% to RUB 7,225 million for the six months ended 30 June 2021 from RUB 6,284 million for the six months ended 30 June 2020 mainly due to increase of costs for professional and other services by RUB 186 million, or 44.0% to RUB 609 million for the six months ended 30 June 2021 from RUB 423 million for the six months ended 30 June 2020, increase of taxes by RUB 106 million, or 38.0% to RUB 385 million for the six months ended 30 June 2021 from RUB 279 million for the six months ended 30 June 2020, increase of depreciation of property, plant and equipment, amortisation of intangible assets and right-of-use assets by RUB 347 million, or 119.7% to RUB 637 million for the six months ended 30 June 2021 from RUB 290 million for the six months ended 30 June 2020 and increase of other administrative expenses by RUB 199 million, or 55.4% to RUB 558 million for the six months ended 30 June 2021 from RUB 359 million for the six months ended 30 June 2020.

The table below shows the Group’s administrative expenses for the periods indicated:

	Six months ended 30 June	
	2021	**2020**
	(in RUB million)	
Personnel costs	3,971	3,851
Professional and other services	609	423
Research and development	598	522
Taxes	385	279
Depreciation of property, plant and equipment, amortisation of intangible assets and right-of-use assets	637	290
Rent	192	214
Material costs	275	346
Other administrative expenses	558	359
Administrative expenses	**7,225**	**6,284**

Personnel costs

The Group’s personnel costs remained flat and amounted to RUB 3,971 million for the six months ended 30 June 2021 and RUB 3,851 million for the six months ended 30 June 2020.

Professional and other services

The Group’s costs for professional and other services increased by RUB 186 million, or 44.0%, to RUB 609 million for the six months ended 30 June 2021 from RUB 423 million for the six months ended 30 June 2020 primarily due to increased expenses on third-party services for the collection of trade receivables attributable to the Maintenance segment and legal services costs in the six months ended 30 June 2021.

Research and development

The Group’s costs for research and development increased by RUB 76 million, or 14.6% to RUB 598 million for the six months ended 30 June 2021 from RUB 522 million for the six months ended 30 June 2020 primarily due to increased costs for the development and maintenance of the Group’s software products in the six months ended 30 June 2021.

Taxes

The Group’s taxes increased by RUB 106 million, or 38.0% to RUB 385 million for the six months ended 30 June 2021 from RUB 279 million for the six months ended 30 June 2020 primarily due to increase in land and property tax payments resulting from increased land tax base in the six months ended 30 June 2021 compared to the same period in 2020.

Depreciation of property, plant and equipment, amortisation of intangible assets and right-of-use assets

The Group's costs for depreciation of property, plant and equipment, amortisation of intangible assets and right-of-use assets increased by RUB 347 million, or 119.7% to RUB 637 million for the six months ended 30 June 2021 from RUB 290 million for the six months ended 30 June 2020 primarily due to increase in the Group's property, plant and equipment to RUB 39,206 million for the six months ended 30 June 2021 from RUB 35,171 million for the six months ended 30 June 2020.

Rent

The Group's costs for rent decreased by RUB 22 million, or 10.3% to RUB 192 million for the six months ended 30 June 2021 from RUB 214 million for the six months ended 30 June 2020 primarily due to decrease in properties operated by the Group under lease (which were not accounted for as right-of-use assets under IFRS 16) resulting from the transition of the Group's employees to remote work.

Material costs

The Group's material costs decreased by RUB 71 million, or 20.5% to RUB 275 million for the six months ended 30 June 2021 from RUB 346 million for the six months ended 30 June 2020 due to reduced utility costs related to the Group's rented premises as a result of the transition of the Group's employees to remote work.

Other administrative expenses

The Group's other administrative expenses increased by RUB 199 million, or 55.4% to RUB 558 million for the six months ended 30 June 2021 from RUB 359 million for the six months ended 30 June 2020 primarily due to increase in costs for short-term licenses related to third party IT systems usage.

Distribution expenses

The Group's distribution expenses decreased by RUB 890 million, or 24.7% to RUB 2,714 million for the six months ended 30 June 2021 from RUB 3,604 million for the six months ended 30 June 2020 primarily due to decrease in advertising expenses in the six months ended 30 June 2021.

Other (expenses)/income net

The Group's other expenses, net increased by RUB 225 million, or 17.2% to RUB 1,534 million for the six months ended 30 June 2021 from RUB 1,309 million for the six months ended 30 June 2020 primarily due to additional charges in respect of value-added tax ("**VAT**") that was recognized in the six months ended 30 June 2021 following a revision of VAT tax base for the previous periods.

Profit from operating activities

The Group's profit from operating activities increased by RUB 11,480 million, or 48.7% to RUB 35,053 million for the six months ended 30 June 2021 from RUB 23,573 million for the six months ended 30 June 2020 mainly due to increase of gross profit by RUB 11,141 million, or 31.9%, to RUB 46,017 million for the six months ended 30 June 2021 from RUB 34,876 million for the six months ended 30 June 2020 and increase in profit from change in fair value of investment property in the amount of RUB 606 million.

Finance income

The Group's finance income increased by RUB 52,694 million, or 994.2% to RUB 57,994 million for the six months ended 30 June 2021 from RUB 5,300 million for the six months ended 30 June 2020 mainly due to significant revaluation of cash-settled financial instruments entered into by the Group with VTB Bank primarily due to a significant increase in the share price of the Company.

Finance costs

The Group's finance costs increased by RUB 3,660 million, or 116.2% to RUB 6,809 million for the six months ended 30 June 2021 from RUB 3,149 million for the six months ended 30 June 2020 primarily due to increase in interest expense before capitalization in inventories by RUB 4,377 million, or 56.%, to RUB 12,224 million for the six months ended 30 June 2021 from RUB 7,847 million for the six months ended 30 June 2020 resulting from a new project financing provided by different banks to the Group in the six months ended 30 June 2021, and increase in other finance costs by RUB 940 million, or 1,205.1%, from RUB 78 million to RUB 1,018 million which included the effect of discounting the provision for costs to complete in the amount of RUB 726 million.

Profit/loss from financing activities

The Group's profit from financing activities increased by RUB 49,371 million, or 17,569.8% to RUB 49,652 million for the six months ended 30 June 2021 from RUB 281 million for the six months ended 30 June 2020 mainly due to the revaluation of cash-settled financial instruments entered into by the Group with VTB Bank.

Income tax expense

The Group's income tax expense increased by RUB 9,532 million, or 165.7% to RUB 15,286 million for the six months ended 30 June 2021 from RUB 5,754 million for the six months ended 30 June 2020 due to increase of profit before income tax by RUB 60,969 million, or 256.8% which was partially offset by decrease in effective income tax rate from 24% for the six months ended 30 June 2020 to 18% for the six months ended 30 June 2021.

Total comprehensive income for the reporting period

The Group's total comprehensive income for the reporting period increased by RUB 51,439 million, or 286.0% to RUB 69,425 million for the six months ended 30 June 2021 from RUB 17,986 million for the six months ended 30 June 2020 mainly due to (i) increase of profit before income tax by RUB 60,969 million, or 256.8%, to RUB84,709 million in the six months ended 30 June 2021 from RUB23,740 million in the six months ended 30 June 2020 and (ii) decrease in the effective income tax rate from 24% for the six months ended 30 June 2020 to 18% for the six months ended 30 June 2021.

Results of Operations for the Years Ended 31 December 2020, 2019 and 2018.

Revenue

The Group's total revenue from contracts with customers increased by RUB 99,526 million, or 35.5% to RUB 380,161 million for the year ended 31 December 2020 from RUB 280,635 million for the year ended 31 December 2019 due to increase in revenue from sales of real estate and other development revenue by RUB 65,773 million, or 28.2%, and increase in revenue from other sales by RUB 33,753 million, or 71.6%.

The Group's total revenue from contracts with customers increased by RUB 34,878 million, or 14.2% to RUB 280,635 million for the year ended 31 December 2019 from RUB 245,757 million for the year ended 31 December 2018 primarily due to increase in revenue from other sales by RUB 37,702 million, or 398.8%, mainly driven by the increase in revenue from construction services recognised over time by RUB 24,044 million, or 924.8%.

The table below shows the Group's revenue for the periods indicated:

	Year ended 31 December		
	2020	**2019**	**2018**
		(in RUB million)	
Revenue from sales of real estate and other development revenue.........	**299,251**	**233,478**	**236,302**
Revenue from sales of residential properties recognised over time	275,579	215,885	219,105
Revenue from sales of non-residential premises and parking spaces recognised over time..	19,000	17,433	16,686
Other development revenue	4,672	160	511
Revenue from other sales	**80,910**	**47,157**	**9,455**
Revenue from other sales of goods and services recognised at a point in time...	8,366	4,321	2,538
Revenue from construction services recognised over time	48,311	26,644	2,600
Revenue from maintenance services, recognised over time.........................	24,233	16,192	4,317
Total revenue from contracts with customers	**380,161**	**280,635**	**245,757**

Revenue from sales of real estate and other development revenue

The Group's revenue from sales of real estate and other development revenue increased by RUB 65,773 million, or 28.2%, to RUB 299,251 million for the year ended 31 December 2020 from RUB 233,478 million for the year ended 31 December 2019 primarily due to increase in contract sales by area and by value to 1,855 thousand sq.

m. and RUB 261,730 million in 2020 from 1,909 thousand sq. m. and RUB 229,102 million, in 2019, respectively, and increase in the average price of residential properties per sq. m. to RUB 136 thousand in 2020 from RUB 118 thousand in 2019.

The Group's revenue from sales of real estate and other development revenue remained relatively flat and amounted to RUB 233,478 million for the year ended 31 December 2019 and RUB 236,302 million for the year ended 31 December 2018.

Revenue from other sales

The Group's revenue from other sales increased by RUB 33,753 million, or 71.6% to RUB 80,910 million for the year ended 31 December 2020 from RUB 47,157 million for the year ended 31 December 2019 due to increase in revenue from construction services, recognised over time by RUB 21,667 million, or 81.3%, to RUB 48,311 million for the year ended 31 December 2020 from RUB 26,644 million for the year ended 31 December 2019, increase in revenue from other sales of goods and services, recognised at a point in time by RUB 4,045 million, or 93.6%, to RUB 8,366 million for the year ended 31 December 2020 from RUB 4,321 million for the year ended 31 December 2019, and increase in revenue from maintenance services, recognised over time by RUB 8,041 million, or 49.7%, to RUB 24,233 million for the year ended 31 December 2020 from RUB 16,192 million for the year ended 31 December 2019.

The Group's revenue from other sales increased by RUB 37,702 million, or 398.8% to RUB 47,157 million for the year ended 31 December 2019 from RUB 9,455 million for the year ended 31 December 2018 due to increase in revenue from construction services by RUB 24,044 million, or 924.8%, to RUB 26,644 million for the year ended 31 December 2019 from RUB 2,600 million for the year ended 31 December 2018, increase in revenue from other sales of goods and services by RUB 1,783 million, or 70.3%, to RUB 4,321 million for the year ended 31 December 2019 from RUB 2,538 million for the year ended 31 December 2018, and increase in revenue from maintenance services by RUB 11,875 million, or 275.1%, to RUB 16,192 million for the year ended 31 December 2019 from RUB 4,317 million for the year ended 31 December 2018.

Cost of sales

The Group's cost of sales increased by RUB 71,048 million, or 34.7%, to RUB 275,976 million for the year ended 31 December 2020 from RUB 204,928 million for the year ended 31 December 2019 primarily due to increase in new contract sales by area to 1,557 thousand sq. m., in 2020 from 1,328 thousand sq. m., in 2019 and construction and other costs related to such increase, as well as overall increase in prices on materials and inflation in that period.

The Group's cost of sales increased by RUB 13,400 million, or 7%, to RUB 204,928 million for the year ended 31 December 2019 from RUB 191,528 million for the year ended 31 December 2018 primarily due to increase in new contract sales by area to 1,328 thousand sq. m., in 2019 from 1,253 thousand sq. m., in 2018 and construction and other costs related to such increase.

Administrative expenses

The Group's administrative expenses remained relatively stable and amounted to RUB 10,755 million for the year ended 31 December 2020 and RUB 10,631 million for the year ended 31 December 2019.

The Group's administrative expenses increased by RUB 1,208 million, or 12.8%, to RUB 10,631 million for the year ended 31 December 2019 from RUB 9,423 million for the year ended 31 December 2018 primarily due to increase in costs for professional and other services by RUB 446 million, or 62.7%, and increase in material costs by RUB 197 million, or 58.1%, increase in other administrative expenses by RUB 404 million, or 88%, and increase in costs for rent by RUB 90 million, or 96.8%.

The table below shows the Group's administrative expenses for the periods indicated:

	Year ended 31 December		
	2020	**2019**	**2018**
	(in RUB million)		
Personnel costs	5,765	6,181	6,185
Professional and other services	782	1,157	711
Research and development	1,097	640	612
Taxes	771	484	458

	Year ended 31 December		
	2020	2019	2018
		(in RUB million)	
Depreciation of property, plant and equipment, amortisation of intangible assets and right-of-use assets[(1)]	735	587	566
Rent[(2)]	249	183	93
Material costs	585	536	339
Other administrative expenses............	771	863	459
Administrative expenses	**10,755**	**10,631**	**9,423**

(1) Depreciation of property, plant and equipment, amortisation of intangible assets and right-of-use assets for the year ended 31 December 2019 was retrospectively revised from RUB533 million as per the 2019 Consolidated Financial Statements to RUB587 million as per the 2020 Consolidated Financial Statements.

(2) The amounts for the year ended 31 December 2019 was retrospectively revised from RUB237 million as per the 2019 Consolidated Financial Statements to RUB183 million as per the 2020 Consolidated Financial Statements.

Personnel costs

The Group's personnel costs decreased by RUB 416 million, or 6.7%, to RUB 5,765 million for the year ended 31 December 2020 from RUB 6,181 million for the year ended 31 December 2019 primarily due to decrease in annual leave and bonus provision due to dismissal of several top managers and reclassification of salaries and social taxes which formerly comprised a part of the personnel costs into research and development administrative expenses.

The Group's personnel costs remained stable and amounted to RUB 6,181 million and RUB 6,185 million for the year ended 31 December 2019 and for the year ended 31 December 2018, respectively.

Professional and other services

The Group's costs for professional and other services decreased by RUB 375 million, or 32.4%, to RUB 782 million for the year ended 31 December 2020 from RUB 1,157 million for the year ended 31 December 2019 primarily due to decrease in the Group's expenses on external consulting and legal services.

The Group's costs for professional and other services increased by RUB 446 million, or 62.7%, to RUB 1,157 million for the year ended 31 December 2019 from RUB 711 million for the year ended 31 December 2018 primarily due to increased expenses on external legal services in 2019.

Research and development

The Group's costs for research and development increased by RUB 457 million, or 71.4%, to RUB 1,097 million for the year ended 31 December 2020 from RUB 640 million for the year ended 31 December 2019 primarily due to an increased IT-team personnel costs.

The Group's costs for research and development increased by RUB 28 million, or 4.6%, to RUB 640 million for the year ended 31 December 2019 from RUB 612 million for the year ended 31 December 2018 primarily due to increased expenses on the development and use of software in 2019.

Taxes

The Group's taxes increased by RUB 287 million, or 59.3%, to RUB 771 million for the year ended 31 December 2020 from RUB 484 million for the year ended 31 December 2019 primarily due to increased land and property tax base and a non-refundable VAT

The Group's taxes increased by RUB 26 million, or 5.7%, to RUB 484 million for the year ended 31 December 2019 from RUB 458 million for the year ended 31 December 2018 primarily due to an increase in expenses generated by the newly acquired subsidiaries.

Depreciation of property, plant and equipment, amortisation of intangible assets and right-of-use assets

The Group's costs for depreciation of property, plant and equipment, amortisation of intangible assets and right-of-use assets increased by RUB 148 million, or 25.2%, to RUB 735 million for the year ended 31 December 2020 from RUB 587 million for the year ended 31 December 2019 primarily due to increase in the Group's property, plant and equipment by RUB 1,093 million, or 3.2%, to RUB 35,546 million as at 31 December 2020 compared to RUB 34,453 million as at 31 December 2019.

The Group's depreciation of property, plant and equipment, amortisation of intangible assets and right-of-use assets slightly increased by RUB 21 million, or 3.7%, to RUB 587 million for the year ended 31 December 2019 from RUB 566 million for the year ended 31 December 2018.

Rent

The Group's costs for rent increased by RUB 66 million, or 36.1%, to RUB 249 million for the year ended 31 December 2020 from RUB 183 million for the year ended 31 December 2019 primarily due to increase in properties operated by the Group under lease (which were not accounted for as right-of-use assets under IFRS 16) in 2020 compared to 2019.

The Group's costs for rent increased by RUB 90 million, or 96.8%, to RUB 183 million for the year ended 31 December 2019 from RUB 93 million for the year ended 31 December 2018 primarily due to increase in properties operated by the Group under lease (which were not accounted for as right-of-use assets under IFRS 16) and increase in utility costs of rented premises in 2019 compared to 2018.

Material costs

The Group's material costs increased by RUB 49 million, or 9.1%, to RUB 585 million for the year ended 31 December 2020 from RUB 536 million for the year ended 31 December 2019 primarily due to expenses generated by the newly acquired business and increase in the cost of electricity.

The Group's material costs increased by RUB 197 million, or 58.1%, to RUB 536 million for the year ended 31 December 2019 from RUB 339 million for the year ended 31 December 2018 primarily due to increase in utility costs related to the Group's rented premises.

Other administrative expenses

The Group's other administrative expenses decreased by RUB 92 million, or 10.7%, to RUB 771 million for the year ended 31 December 2020 from RUB 863 million for the year ended 31 December 2019 primarily due to reduction in the Group's costs on IT service providers driven by increased use of in-house IT technical support

The Group's other administrative expenses increased by RUB 404 million, or 88%, to RUB 863 million for the year ended 31 December 2019 from RUB 459 million for the year ended 31 December 2018 primarily due to increase in costs for subscription and short-term licenses and expenses generated by the business providing residential buildings maintenance services acquired by the Group in 2019.

Distribution expenses

The Group's distribution expenses decreased by RUB 1,861 million, or 22.9%, to RUB 6,264 million for the year ended 31 December 2020 from RUB 8,125 million for the year ended 31 December 2019 primarily due to change in method of including non-refundable VAT on intragroup agency expenses charged by the parent company to subsidiaries from charging to distribution expenses immediately to changing based on percentage of completion of construction works.

The Group's distribution expenses increased by RUB 2,281 million, or 39%, to RUB 8,125 million for the year ended 31 December 2019 from RUB 5,844 million for the year ended 31 December 2018 primarily due to increase in non-refundable VAT costs on increased intragroup agency fees.

Other (expenses)/income net

The Group's other expenses, net were RUB 1,363 million for the year ended 31 December 2020, as compared to other income, net of RUB 2,865 million for the year ended 31 December 2019. This change was primarily due to decrease in negative goodwill from acquisition of subsidiaries to RUB 120 million in 2020 compared to RUB 4,719 million in 2019. The Group recognized negative goodwill of RUB 4,719 million as a result of the acquisition of certain companies providing residential buildings maintenance services in 2019. The Group also recognized decrease in penalties of RUB 820 million which was offset by increase in loss from write-off of intangible assets of RUB 379 million and increase in results from sale and write-off of other assets from income of RUB 65 million to loss of RUB 432 million.

The Group's other income, net was RUB 2,865 million for the year ended 31 December 2019, as compared to Other expenses, net of RUB 2,049 million for the year ended 31 December 2018. This change of RUB 4,914 million, or 239.8%, was primarily due to increase in negative goodwill from acquisition of subsidiaries to RUB 4,719 million in 2019 compared to RUB 1,298 million in 2018 as a result of the acquisition of certain companies providing residential buildings maintenance services in 2019.

Profit from operating activities

The Group's profit from operating activities increased by RUB 27,344 million, or 45.2%, to RUB 87,899 million for the year ended 31 December 2020 from RUB 60,555 million for the year ended 31 December 2019 primarily due to increase in the Group's gross profit by RUB 28,478 million, or 37.6%, decrease in distribution expenses by RUB 1,861 million, or 22.9%, profit from change in fair value of investment property of the Group's land plots of RUB 480 million in 2020 compared to a loss of RUB 20 million in 2019, reversal of impairment losses on non-financial assets, net of RUB 996 million partially offset by other expenses, net of RUB 1,363 million in 2020 compared to other income, net of RUB 2,865 million in 2019.

The Group's profit from operating activities increased by RUB 23,922 million, or 65.3%, to RUB 60,555 million for the year ended 31 December 2019 from RUB 36,633 million for the year ended 31 December 2018 primarily due to increase in the Group's gross profit by RUB 21,478 million, or 39.6%, other income net of RUB 2,865 million in 2019 compared to other expenses net of RUB 2,049 million in 2018, a gain on disposal of subsidiaries, development rights and investment property, net, of RUB 668 million compared to a loss of RUB 30 million in 2018, partially offset by increase in distribution expenses by RUB 2,281 million, or 39%, and increase in administrative expenses by RUB 1,208 million, or 12.8%.

Finance income

The Group's finance income increased by RUB 20,674 million, or 268.7%, to RUB 28,369 million for the year ended 31 December 2020 from RUB 7,695 million for the year ended 31 December 2019 primarily due to a RUB 21,480 million change in fair value of the Group's cash settled financial instruments in 2020, increase in interest income by RUB 811 million, or 25.2%, resulting from conclusion of new deposit agreements and a RUB 2,300 million gain on modification of terms of a long-term financial instrument in 2020 resulting from the prepayment by the Group at an early payment discount of the long-term debt for land plots acquired in previous reporting periods partially offset by decrease in other finance income by RUB 729 million, or 93.7%, as a result of absence of income on discounts received under land acquisition agreements and decrease in write-off of accounts payable by RUB 403 million, or 76.8% as a result of writing off expired and unclaimed trade payables balances.

The Group's finance income increased by RUB 1,206 million, or 18.6%, to RUB 7,695 million for the year ended 31 December 2019 from RUB 6,489 million for the year ended 31 December 2018 primarily due to (i) increase in interest income by RUB 474 million, or 17.2%, caused by increase in the interest on short-term deposits, (ii) increase in other financial income by RUB 599 million, or 334.6%, as a result of income from several transactions.

Finance costs

The Group's finance costs increased by RUB 4,512 million, or 121.9%, to RUB 8,213 million for the year ended 31 December 2020 from RUB 3,701 million for the year ended 31 December 2019 primarily due to (i) increase in interest expense before capitalization in inventories by RUB 5,041 million, or 47.7%, caused by increase in the interest on borrowings, (ii) increase in loss on impairment of financial assets by RUB 1,190 million mainly as a result of additional loss on accounts receivable of "Maintenance" segment and (iii) increase in other finance costs by RUB 1,444 million due to costs recognized on long-term contracts of land acquisition.

The Group's finance costs remained relatively stable in 2019 and 2018 and amounted to RUB 3,701 million for the year ended 31 December 2019 and RUB 3,569 million for the year ended 31 December 2018.

Profit/loss from financing activities

The Group recognized a profit from financing activities of RUB 17,588 million for the year ended 31 December 2020 compared to a loss of RUB 1,172 million for the year ended 31 December 2019. This change was mainly the result of revaluation of cash-settled financial instruments entered into by the Group with VTB Bank.

The Group recognized a loss from financing activities of RUB 1,172 million for the year ended 31 December 2019 as compared to a loss of RUB 990 million for the year ended 31 December 2018. This increase was primarily the result of an increase in significant financing component recognised in 2019.

Income tax expense

The Group's income tax expense increased by RUB 4,657 million, or 33%, to RUB 18,782 million for the year ended 31 December 2020 from RUB 14,125 million for the year ended 31 December 2019 primarily due to increase in income tax expense at applicable tax rate by RUB 9,208 million, or 77.7% caused by increase in profit before income tax by RUB 46,037 million, or 77.7%, partially offset by a RUB 1,468 million recognition and use of tax assets for losses previously unrecognized, decrease in non-deductible expenses by RUB 1,381 million, or 81.2%, and a reversal of tax provision of RUB 1,128 million in 2020.

The Group's income tax expense increased by RUB 5,386 million, or 61.6%, to RUB 14,125 million for the year ended 31 December 2019 from RUB 8,739 million for the year ended 31 December 2018 primarily due to increase in income tax expense at applicable tax rate by RUB 4,721 million, or 66.3%, caused by increase in profit before income tax by RUB 23,606 million, or 66.2%, increase in non-deductible expenses by RUB 581 million, or 51.9%, accrual of tax provision of RUB 391 million in 2019 compared to RUB 12 million in 2018, partially offset by increase in gain on negative goodwill by RUB 349 million, or 134.2%.

Profit and total comprehensive income for the reporting period

The Group's profit and total comprehensive income for the reporting period increased by RUB 41,380 million, or 91.7%, to RUB 86,493 million for the year ended 31 December 2020 from RUB 45,113 million for the year ended 31 December 2019 due to increase in profit before income tax by RUB 46,037 million, or 77.7% partially offset by increase in income tax expense by RUB 4,657 million, or 33%, in each case for the reasons described above.

The Group's profit and total comprehensive income for the reporting period increased by RUB 18,220 million, or 67.7%, to RUB 45,113 million for the year ended 31 December 2019 from RUB 26,893 million for the year ended 31 December 2018 due to increase in profit before income tax by RUB 23,606 million, or 66.2%, partially offset by increase in income tax expense by RUB 5,386 million, or 61.6%, in each case, for the reasons described above.

Segmental Information

The table below shows a breakdown of the Group's revenues by operating segments for the periods indicated.

	Development			Commercial construction			Maintenance			Industrial segment			PropTech			Other			Total		
	Year ended 31 December			Year ended 31 December			Year ended 31 December			Year ended 31 December			Year ended 31 December			Year ended 31 December			Year ended 31 December		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
	(in RUB million)																				
External revenues...	299,251	233,478	236,302	48,311	26,644	2,600	24,233	16,192	4,317	3,363	2,376	1,605	2,936	963	17	2,067	982	916	**380,161**	**280,635**	**245,757**
Inter-segment revenue	4,477	1,396	1,145	25,228	12,620	934	4,111	2,205	2,247	35,404	37,290	23,132	29	17	-	177	154	163	**69,426**	**53,682**	**27,621**
Total revenue for reportable segments .	**303,728**	**234,874**	**237,447**	**73,539**	**39,264**	**3,534**	**28,344**	**18,397**	**6,564**	**38,767**	**39,666**	**24,737**	**2,965**	**980**	**17**	**2,244**	**1,136**	**1,079**	**449,587**	**334,317**	**273,378**
Gross profit for reportable segments .	**87,700**	**65,620**	**50,989**	**8,036**	**4,730**	**1,658**	**7,320**	**4,588**	**1,347**	**478**	**406**	**275**	**426**	**55**	**-**	**225**	**308**	**(40)**	**104,185**	**75,707**	**54,229**
Gross margin	**29%**	**28%**	**22%**	**17%**	**18%**	**64%**	**30%**	**28%**	**31%**	**14%**	**17%**	**17%**	**15%**	**6%**	**0%**	**11%**	**31%**	**(4)%**	**27%**	**27%**	**22%**

According to the Group's strategic growth directions, management structure and reporting in the six months ended 30 June 2021, management reconsidered the composition of reportable segments, analysed regularly. Comparative information for the first half of 2020 is presented in accordance with the updated composition of reportable segments.

	Development and Construction		**Maintenance**		**Industrial segment**		**PropTech**		**Other**		**Total**	
	Six months ended		**Six months ended**		**Six months ended**		**Six months ended**		**Six months ended**		**Six months ended**	
	30 June 2021	**30 June 2020**	**30 June 2021**	**30 June 2020**	**30 June 2021**	**30 June 2020**	**30 June 2021**	**30 June 2020**	**30 June 2021**	**30 June 2020**	**30 June 2021**	**30 June 2020**
	(in RUB million)											
External revenues.........	167,560	122,634	13,431	12,742	2,171	1,031	5,112	1,235	1,005	887	**189,279**	**138,529**
Inter-segment revenue..........	2,599	2,705	1,524	2,187	16,796	14,639	13	13	166	85	**21,098**	**19,629**
Total revenue for reportable segments........	**170,159**	**125,339**	**14,955**	**14,929**	**18,967**	**15,670**	**5,125**	**1,248**	**1,171**	**972**	**210,377**	**158,158**
Gross profit for reportable segments........	**40,252**	**30,538**	**4,440**	**3,921**	**289**	**284**	**775**	**109**	**261**	**24**	**46,017**	**34,876**
Gross margin	**24%**	**25%**	**33%**	**31%**	**13%**	**28%**	**15%**	**9%**	**26%**	**3%**	**24%**	**25%**

Liquidity and capital resources

Capital resources

The Group has historically financed its capital requirements and the requirements of its investment program from cash provided by a range of sources, but principally from cash from operations (principally cash from pre-sales of residential properties), bank loans, local bonds issuances and other financing sources. With new industry regulation in place and transition to a new business model, the primary source of financing is project financing.

Proceeds from sales of real estate in multiple-dwelling buildings under construction are blocked in escrow accounts and become available once the relevant buildings are commissioned. Despite the Group's inability to use blocked proceeds, the significant amount of cash collections from sales in the construction stage and the extra coverage that cash held in escrow accounts provides for project loan debt, allows the Group to reduce the cost of project financing to preferential interest rate ranging from 0.01% to 3.5%, while market rates for comparable financing without escrow accounts are in the 8-10% range. A gradual transition to the new model with escrow accounts inevitably leads to a significant increase in debt levels of all industry players, however, offsetting debt with cash blocked in escrow accounts would imply that net debt ratios grow insignificantly.

Furthermore, significant funds accumulated in escrow accounts at the completion of construction enable the Group to prepay project financing when these funds are released and can be freely used. Apart from project financing, the Group will continue to use public debt instruments, as well as different types of corporate debt instruments, to invest into its business, acquire new projects and finance costs associated with such acquisitions at early development stages before the Group has an opportunity to raise project financing. The Group believes that it has applied a prudent approach to managing its liquidity and capital resources. The Group's Adjusted net debt to Adjusted EBITDA ratio was 0.4x, 0.85x and 0.06x as of 31 December 2020, 2019 and 2018 respectively, which is consistent with the Group's target for keeping the ratio below 4x.

Working Capital Statement

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

Cash flows

The table below shows a breakdown of the Group's cash flows for the periods indicated:

	Six months ended 30 June		**Year ended 31 December**		
	2021	**2020**	**2020**	**2019**	**2018**
			(in RUB million)		
Cash flows from operating activities					
Profit for the reporting period	69,423	17,986	86,493	45,113	26,893
Net cash from/(used in) operating activities[1]	(113,479)	(23,673)	(50,580)	(43,156)	32,962
Net cash from/(used in) investing activities	(9,381)	2,759	9,233	(3,013)	(1,777)
Net cash from/(used in) financing activities	79,274	32,750	71,661	53,785	(18,056)

(1) Cash flows from operating activities do not include cash receipts to escrow accounts in the amount of RUB 81,810 million and RUB 20,139 million for the six months ended 30 June 2021 and 2020, respectively, and RUB 77,580 million, RUB 14,916 million and RUB 1,145 million for the years ended 31 December 2020, 2019 and 2018, respectively.

Cash flows for the six months ended 30 June 2021 and 2020

Net cash from/(used in) operating activities

Net cash used in operating activities increased by RUB 89,806 million, or 379.4%, to a cash outflow of RUB 113,479 million for the six months ended 30 June 2021 from a cash outflow of RUB 23,673 million for the six months ended 30 June 2020. The decrease was primarily the result of the acquisition by the Group of the New Development Projects in the first half of 2021.

Net cash from/(used in) investing activities

For the six months ended 30 June 2021, the Group recognised net cash used in investing activities in the amount of RUB 9,381 million compared to net cash from investing activities of RUB 2,759 million for the six months ended 30 June 2020. This change was due to refund of prepayments in the amount of RUB 4,796 million received for the sale of investment property, loans issued in 2021 in the amount of RUB 2,668 million and the acquisition of property, plant and equipment and other intangible assets in the amount of RUB 4,416 million.

Net cash from/(used in) financing activities

Net cash from financing activities increased by RUB 46,524 million, or 142.1%, to RUB 79,274 million for the six months ended 30 June 2021 from RUB 32,750 million for the six months ended 30 June 2020, which was primarily attributable to increase in proceeds from borrowings to RUB 150,518 million for the six months ended 30 June 2021 compared to RUB 64,645 million for the six months ended 30 June 2020 which was partially offset by payment of dividends in the amount of RUB 30,039 million for the six months ended 30 June 2021, repurchase of bonds in the amount of RUB11,040 million for the six months ended 30 June 2021 compared to repurchase of bonds in the amount of RUB 5,660 million for the six months ended 30 June 2020.

Cash flows for the years ended 31 December 2020, 2019 and 2018

Net cash used in operating activities

Net cash used in operating activities increased by RUB 7,424 million, or 17.2%, to a cash outflow of RUB 50,580 million in 2020 from a cash outflow of RUB 43,156million in 2019, which was primarily due to continuing transition to sales under the escrow accounts model and property, plant and equipment and other intangible assets acquisitions in 2020. Net cash used in operating activities decreased by RUB 76,118 million, or 230.9%, to a cash outflow of RUB 43,156million in 2019 from a cash inflow of RUB 32,962 million in 2018, which was primarily due to continuing transition to sales under the escrow accounts model and significant change in inventories and payables due to increased value of projects under development including acquisition of land plots and rights-of-use assets.

Net cash from/(used in) investing activities

In 2020, the Group recognised net cash from investing activities in the amount of RUB 9,233 million compared to net cash used in investing activities of RUB 3,013 million in 2019. This change was a primarily due to receipt of proceeds from disposal of associates and subsidiaries, net of cash of RUB 3,970 million, receipt of proceeds from disposal of investment property and prepayments received for the sale of investment property of RUB 4,883 million, change in acquisition of subsidiaries, net of cash acquired in the amount of RUB 274 million in 2020 as compared to RUB 1,437 million in 2019 and interest received in the amount of RUB 3,359 million in 2020 as compared to RUB 2,981 million in 2019.

In 2019, the Group's net cash used in investing activities increased by RUB 1,236 million, or 69.6%, to RUB 3,013 million in 2019 from RUB 1,777 million in 2018, which was primarily attributable to cash used for acquisition of subsidiaries, net of cash acquired of RUB 1,437 million in 2019 as compared to RUB 528 million in 2018 and cash used for acquisition of equity accounted investees of RUB 740 million.

Net cash from financing activities

Net cash from financing activities increased to RUB 71,661 million from RUB 53,785 million in the year ended 31 December 2020, which was primarily attributable to decrease in cash used for repurchase of bonds to RUB 7,430 million in 2020 compared to RUB 25,271 million in 2019, decrease in proceeds from the issuance of bonds to RUB 7,015 million in 2020 compared to RUB 21,636 million in 2019 partially offset by increase in repayment of borrowings to RUB 37,612 million in 2020 compared to RUB 4,082 million in 2019 and increase in proceeds from borrowings to RUB 129,695 million in 2020 compared to RUB 81,750 million in 2019.

In 2019, the Group recognised net cash from financing activities of RUB 53,785 million compared to net cash used in financing activities of RUB 18,056 million in 2018. This change was primarily attributable to increase in proceeds from borrowings to RUB 81,750 million in 2019 compared to RUB 6,721 million in 2018, increase in proceeds from issuance of bonds to RUB 21,636 million in 2019 compared to RUB 17,219 million in 2018 partially offset by increase in repayment of borrowings to RUB 4,082 million in 2019 compared to RUB 1,527 million in 2018 and increase in cash used for repurchase of bonds to RUB 25,271 million in 2019 compared to RUB 21,206 million in 2018.

Liquidity

Cash and cash equivalents comprise cash balances and cash deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. As at 30 June 2021 and 31 December 2020, the Group had cash and cash equivalents in the amount of RUB 52,918 million and RUB 96,527 million, respectively.

	Six months ended 30 June	**Year ended 31 December**		
	2021	**2020**	**2019**	**2018**
	(in RUB million)			
Cash on hand	2	1	1	1
Cash in banks	52,414	96,085	65,862	58,600
Restricted cash	502	441	345	-
Cash and cash equivalents	**52,918**	**96,527**	**66,208**	**58,601**
Cash balance on escrow accounts (for information purposes)				
Escrow accounts	162,766	90,303	16,061	1,145

As well as cash flows from pre-sales discussed above, the Group relies on its credit facilities and bond debt as capital resources (see "—*Borrowings*").

2017 Forward Agreement

In 2017, the Company entered into an equity financing arrangement with VTB Bank pursuant to which: (i) the Selling Subsidiary sold to VTB Bank 49,990,198 GDRs, which had been acquired earlier as the result of the tender offer made by the Selling Subsidiary, for total consideration of RUB15,000 million (the "**Initial Forward Price**"); and (ii) the Company entered into a cash-settled non-deliverable forward agreement with VTB Bank with respect to 49,990,198 GDRs (the "**2017 Forward Agreement**" and the "**Forward GDRs**", respectively), pursuant to which the Company agreed to make quarterly payments to VTB Bank (based on the agreed forward rate of the CBR's key interest rate plus 2.5% until 14 October 2019 and 2.2% from 14 October 2019).

Under the 2017 Forward Agreement, the Company is entitled to designate any entity to repurchase the Forward GDRs from VTB Bank at a price determined in accordance with the 2017 Forward Agreement based on an independent appraisal or the quotes received from reference dealers, as specified in the 2017 Forward Agreement (the "**Purchase Price**").

Further, upon the termination of the 2017 Forward Agreement, a settlement amount shall be payable on the following terms: (i) to the extent the Purchase Price exceeds the Initial Forward Price, as reduced by an amount equal to all dividends paid to VTB Bank in respect of the Forward GDRs during the term of the 2017 Forward Agreement and subject to certain other deductions as specified in the 2017 Forward Agreement (the "**Forward Price**"), VTB Bank will pay the difference between Purchase Price and the Forward Price to the Company and (ii) to the extent the Forward Price exceeds the Purchase Price, the Company will pay the difference between the Forward Price and the Purchase Price to VTB Bank.

The Company has notified VTB Bank that it designated the Selling Subsidiary to repurchase the Forward GDRs from VTB Bank by entering into a bilateral purchase agreement (the "**Forward GDRs Purchase Agreement**") in accordance with the 2017 Forward Agreement. Following the repurchase of some or all of the Forward GDRs from VTB Bank by the Selling Subsidiary, the Company will also be entitled to receive a settlement amount equal to the difference between the Purchase Price paid under the Forward GDRs Purchase Agreement and the Forward Price, in each case, in respect of the Forward GDRs repurchased (the "**Settlement Amount**"). The Company intends to use the Settlement Amount for general corporate purposes, including debt repayment and the expansion of its new business in Russia and internationally including: (a) UNITS and (b) Kvarta (see "*Business*"). If the Selling Subsidiary repurchases all of the Forward GDRs, the 2017 Forward Agreement will terminate.

The Forward GDRs, once repurchased from VTB Bank by the Selling Subsidiary, will be converted into Ordinary Shares and delivered to Benolita, together with any outstanding Borrowed Shares that were not sold in the Offering, in settlement of the Selling Subsidiary's obligations under the Securities Loan Agreement (see "*Principal Shareholders*").

2018 Forward Agreement

In May 2018, the Company entered into a three-year cash-settled non-deliverable forward agreement with VTB Bank (the "**2018 Forward Agreement**") with respect to 60,137,070 Ordinary Shares, pursuant to which the Group agreed to make quarterly payments to VTB Bank (based on the agreed forward rate of the CBR's key interest rate plus 2.1% until 14 October 2019 and 1.8% from 14 October 2019). The Group did not deliver any Ordinary Shares to VTB Bank for the purpose of the 2018 Forward Agreement. Additionally, VTB Bank entered into forward transactions with final sellers (hedging counterparties) for the required number of Ordinary Shares. The expiry date under the 2018 Forward Agreement is 30 November 2021, which can be further extended by every six months upon notification by one of the parties but no later than to 31 January 2023.

The fair value estimate of the 2018 Forward Agreement as at 30 June 2021 amounted to RUB49,551 million. See Note 24 to the 2020 Consolidated Financial Statements and Note 20 to the Consolidated Interim Condensed Financial Statements for further information on the determination of the fair value of the 2018 Forward Contract.

Borrowings

The Group's sum of loans and borrowings included in current and non-current liabilities as at 30 June 2021, 31 December 2020, 2019 and 2018, was RUB 337,485 million, RUB 232,095 million, RUB 139,547 million and RUB 62,246 million, respectively. As part of its debt management strategy, the Group may issue bonds in the near term in the international markets subject to market conditions.

The table below sets out a breakdown of the Group's current and non-current debt under loans and borrowings (excluding liabilities under leases) as at 30 June 2021, 31 December 2020, 2019 and 2018.

	Six months ended 30 June	**Year ended 31 December**		
	2021	**2020**	**2019**	**2018**
	(in RUB million)			
Non-current				
Bonds, net of those purchased by the Group	32,116	36,739	39,850	35,172
Unsecured bank loans	-	4,473	17	4,484
Unsecured loans received	115	115	-	-
Project financing	190,922	146,597	62,000	1,871
Secured bank loans	5,911	6,216	6,996	-
Interest payable	4,399	3,189	745	-
	233,463	**197,329**	**109,608**	**41,527**
Current				
Bonds, net of those purchased by the Group	6,394	12,666	9,902	18,180
Unsecured bank loans	4,473	-	4,508	9
Unsecured loans received	128	103	-	-
Project financing	81,876	16,679	13,197	1,215
Secured bank loans	7,143	2,521	1,208	-
Interest payable	4,008	2,797	1,124	1,315
	104,022	**34,766**	**29,939**	**20,719**
	337,485	**232,095**	**139,547**	**62,246**

The table below sets out a breakdown by currency of the Group's current and non-current debt under loans and borrowings as at 30 June 2021, 31 December 2020, 2019 and 2018.

	Currency	Nominal rate, %	Maturity	30 June 2021 Nominal value	30 June 2021 Carrying value	31 December 2020 Nominal value	31 December 2020 Carrying value	31 December 2019 Nominal value	31 December 2019 Carrying value	31 December 2018[(1)] Nominal value	31 December 2018[(1)] Carrying value
					(in RUB million)						
Project financing	RUB	9.75%-10.75%	2021	-	-	3,398	3,398	10,932	10,893	-	-
Project financing	RUB	10.78%-12%	2025	-	-	-	-	21,280	21,144	-	-
Project financing	RUB	From the key interest rate+2% to the key interest rate of the Central Bank of the Russian Federation +3.75%	2021-2029	142,886	142,729	80,653	80,631	11,500	11,500	-	-
Project financing	RUB	Key interest rate of the Central Bank of the Russian Federation +4%	2022	-	-	1,600	1,591	-	-	-	-
Project financing	RUB	Variable interest rate[(2)]	2023-2031	135,189	130,069	79,490	77,656	31,660	31,660	-	-
Secured bank loans	RUB	From the key interest rate+1.95% to the key interest rate of the Central Bank of the Russian Federation +2.7%	2022-2026	13,054	13,054	8,737	8,737	8,203	8,204	-	-
Unsecured bank loans	RUB	Key interest rate of the Central Bank of the Russian Federation +3.5%	2022	4,500	4,473	4,500	4,473	4,500	4,525	-	-
Unsecured loans received	RUB	5%	2023	115	115	115	115	-	-	-	-
Unsecured loans received	RUB	8.5%-10.5%	2021	128	128	103	103	-	-	-	-
Bonds	RUB	7.4%-11.25%	2021-2024	28,120	28,045	32,990	32,886	29,175	29,007	-	-
Bonds	RUB	13%	2022	-	-	-	-	6,365	6,362	-	-
Bonds	RUB	Key interest rate of the Central Bank of the Russian Federation +0.5%	2028	7,000	7,000	7,000	7,000	7,000	6,999	-	-
Bonds	RUB	Key interest rate of the Central Bank of the Russian Federation +1.4%	2022	2,475	2,475	2,475	2,475	-	-	-	-

Bonds	RUB	Key interest rate of the Central Bank of the Russian Federation +1.45%	2021	-	-	6,000	5,884	6,000	5,884	-	-
Bonds	RUB	Key interest rate of the Central Bank of the Russian Federation +1.5%	2023	990	990	1,160	1,160	1,500	1,500	-	-
				334,457	**329,078**	**228,221**	**226,109**	**138,115**	**137,678**	**-**	**-**

(1) The information for the year ended 31 December 2018 was not presented in the Consolidated Financial Statements.
(2) Variable effective rates on the Group's interest-bearing liabilities are calculated by applying base rates to funds not covered by cash on escrow accounts. These rates range from +1.6% above the key rate of the CBR where interest is capitalised up to a rate of 9.9% where interest is paid in advance of releasing funds from escrow accounts. Rates on loans fully covered by cash on escrow accounts are subject to preferential rates and additional discounts, as a result of which the rate may be reduced to 0.01%.

Non-current debt

As at 30 June 2021, the Group's non-current loans and borrowings were RUB 233,463 million and comprised primarily project financing of RUB 190,922 million and bonds, net of those purchased by the Group in the amount of RUB 32,116 million.

Current debt

As at 30 June 2021, the Group's current loans and borrowings (and current portion of non-current loans and borrowings) were RUB 104,022 million, which consisted primarily of the project financing RUB 81 876 million, secured bank loans RUB 7,143 million and bonds, net of those purchased by the Group RUB 6,394 million.

Loans and borrowings

The Group sources debt financing mostly from Russian banks. Most of the borrowings from banks are denominated in Russian Roubles and are fixed or variable rate.

Set forth below is the summary of certain material credit facilities of the Group.

In June 2018, Public Joint Stock Company "Group of Companies PIK" entered into an unsecured revolving facilities agreement, as amended, with Joint Stock Company "Alfa-Bank" for RUB 4.5 billion maturing in June 2023.

In July 2019, Public Joint Stock Company "Group of Companies PIK" entered into a credit facility agreement with PJSC "VTB Bank" for approximately of RUB 18.5 billion maturing in June 2025. The facility is secured by (1) suretyships of Limited Liability Company "PIK-Corporation", Limited Liability Company "PIK-Management" and the Selling Subsidiary; (2) the guarantee issued by Limited Liability Company "PIK-Corporation", (3) the mortgage of some land plots and real estate owned by Public Joint Stock Company "Group of Companies PIK", (4) the pledge of the 99.9 per cent. shares in Limited Liability Company "Tiron" and (5) the mortgage of some premises in the Object not sold to third parties under the shared construction agreements.

In July 2019, Public Joint Stock Company "Group of Companies PIK" entered into a credit facility agreement with PJSC "VTB Bank" for approximately of 25.1 billion maturing in December 2024. The facility is secured by (1) suretyships of the various members of the Group, (2) the mortgage of the right of leasing of some land plots and real estate owned by Public Joint Stock Company "Group of Companies PIK" (3) the pledge of rights under the bank account agreement to be concluded with Joint Stock Company "Port-City", Joint Stock Company "Losinoostrovsk plant of building materials and structures", Limited Liability Company "PIK-Corporation", Limited Liability Company "BuildExpo", Limited Liability Company "Traident", (4) the mortgage of some premises, (5) the pledge of the 100 per cent. shares in Joint Stock Company "Port-City" and (6) the pledge of the 99.9 per cent. shares in Joint Stock Company "Losinoostrovsk plant of building materials and structures".

In April 2020, Limited Liability Company "PIK-Corporation" entered into a credit facility agreement with PJSC "VTB Bank" for approximately of RUB 32 billion maturing in April 2022. The facility is secured by: (1) the mortgage of the right of leasing of some land plots, (2) the pledge of the 100 per cent. shares in Limited Liability Company "Road construction department No 34", Joint Stock Company "Perovsky courtyard", Joint Stock Company "Factory laundry - 11" and Limited Liability Company "Justina", (3) the pledge of the 99.9 per cent. shares in Propco 6, (4) the pledge of the 100 per cent. shares in Joint Stock Company "New Integration" and Joint Stock Company "Spetsializirovanny Zastroishchik "Presnensky val 27", (5) the pledge of not less than 95 per cen.t shares of the Group companies which own certain land plots pledged to the lender, (6) suretyships of the following companies: Limited Liability Company "Road construction department No 34", Joint Stock Company "Perovsky courtyard", Joint Stock Company "Factory laundry - 11" and Limited Liability Company "Justina", Joint Stock Company "New Integration", Joint Stock Company "Car plant no 42", Joint Stock Company "Spetsializirovanny Zastroishchik "Presnensky val 27", Limited Liability Company "Altes", Group companies which own certain land plots pledged to the lender, (7) the pledge of the 100 per cent. shares in the legal entity which will be formed as a result of reorganization of Joint Stock Company "New Integration" and (8) other suretyships/ guarantees of the legal entities acceptable for the lender.

In September 2019, Limited Liability Company "PIK-Corporation" entered into a credit facility agreement with PJSC "VTB Bank" for approximately of RUB 11,5 billion maturing in September 2024. The facility is secured by (1) the suretyship of Limited Liability Company "Tiron", (2) the suretyship of the Selling Subsidiary, (3) the suretyship of Limited Liability Company "Mercuriy", (4) the pledge of rights under the bank account agreement to be concluded with Limited Liability Company "Tiron" and (5) the pledge of the 99.9 per cent. shares in Limited Liability Company "Tiron".

In November 2019, Limited Liability Company "Coronella" entered into a facility agreement with Russian Agricultural Bank for approximately RUB 4.6 billion maturing in January 2023. The facility agreement is secured by (1) mortgage of land plots owned by Limited Liability Company “Ereda” or Limited Liability Company “Coronella”, (2) suretyship of Limited Liability Company “Ereda”, Limited Liability Company “PIK-Corporation”, O.P.H.L. Openprospect Holdings Limited, D.H. Private Invest Technology Limited and Sergei Eduardovich Gordeev, (3) pledge of 100 per cent. shares in O.P.H.L. Openprospect Holdings Limited and of 100 per cent. shares in D.H. Private Invest Technology Limited, (4) pledge of 99.9 per cent. shares in Limited Liability Company “GradOlimp”, of 100 per cent. shares in Limited Liability Company “Ereda” and of 100 per cent. shares in Limited Liability Company “Coronella”, (5) mortgage of some immovable property owned by Limited Liability Company “Ereda” or Limited Liability Company “Coronella”.

In February 2021, Limited Liability Company “PIK-Corporation” entered into a credit facility agreement with PJSC “VTB Bank” for approximately of RUB 20 billion maturing in February 2025. The facility is secured by (1) the pledge of 99.99% shares in Limited Liability Company “Boretz” and in Limited Liability Company “Riviera”, (2) the pledge of 100 per cent. shares in Limited Liability Company “Megapolis”, Limited Liability Company “Regioninvest”, Joint Stock Company “Galaktion”, Joint Stock Company “ATOL company” (3) the pledge of rights under the six bank account agreements, (4) the mortgage of some premises not sold to third parties under the shared construction agreements, (5) the suretyships of the following companies: Limited Liability Company “Megapolis”, Joint Stock Company “Galaktion”, Liability Company “Boretz”, Joint Stock Company “ATOL company”, Limited Liability Company “Riviera” and Limited Liability Company “Regioninvest”.

In September 2020, the Selling Subsidiary entered into a non-revolving facilities agreement with Joint Stock Company “Alfa-Bank” for RUB 4.5 billion maturing in March 2022. The facilities are secured by (1) suretyship of Limited Liability Company “PIK-Corporation”, (2) suretyship of Joint-Stock Company “Proizvodstvenno-torgovyi kompleks “Zelenogradskyi”, (3) mortgage of land plots leased by Joint-Stock Company “Proizvodstvenno-torgovyi kompleks “Zelenogradskyi”, (4) and pledge of 100 per cent. shares in Joint-Stock Company “Proizvodstvenno-torgovyi kompleks “Zelenogradskyi”.

In December 2020, the Selling Subsidiary entered into a facility agreement with Public Joint Stock Company “Bank Saint-Petersburg” for RUB 6,750,000,000 maturing in June 2022. The facilities are secured by (1) suretyships of various members of the Group, (2) pledge of participatory interests in Limited Liability Company “Ground”, Limited Liability Company “Specialized Homebuilder Chasovaya”, Limited Liability Company “Meridian”, Limited Liability Company ARCHEKOM, Limited Liability Company “Sakramento-2”, (3) mortgages of immovable property by Limited Liability Company “Ground”, Limited Liability Company “ARCHEKOM”, Limited Liability Company “PIK-Corporation”, Limited Liability Company “Meridian”, the Selling Subsidiary, Limited Liability Company “Sakramento-2” and Limited Liability Company “Specialized Homebuilder Chasovaya”, and (4) pledge of securities in Joint Stock Company “Galactik Invest” by the Selling Subsidiary.

In February 2021, the Selling Subsidiary entered into a facility agreement with Public Joint Stock Company “Moscow Credit Bank” for RUB 10 billion maturing in February 2023. This agreement is secured by (1) suretyships of Joint Stock Company “2nd Irtyshsky”, Limited Liability Company “PIK-Corporation”, Limited Liability Company “L-Development”, Limited Liability Company “L-Holding”, (2) mortgage of land plot owned by Limited Liability Company “L-Development”, (3) pledge of participatory interest in Limited Liability Company “L-Development” and Limited Liability Company “L-Holding”, and (4) pledge of shares in Joint Stock Company “2nd Irtyshsky”.

In February 2021, the Selling Subsidiary entered into a credit facility agreement with Public Joint Stock Company “Russian regional development bank” for approximately RUB 2.5 billion maturing in May 2022. The facility is secured by (1) suretyship of Limited Liability Company “Spetsializirovanny Zastroishchik “Ekstragrad” and Limited Liability Company “PIK-Corporation”, (2) pledge of 100 per cent. shares in Limited Liability Company “Spetsializirovanny Zastroishchik “Ekstragrad”, and (3) mortgage of some land plots leased/owned by Limited Liability Company “Spetsializirovanny Zastroishchik “Ekstragrad”.

In March 2021, the Selling Subsidiary entered into a credit facility agreement with PJSC “Sovcombank” for approximately RUB 4.5 billion maturing in March 2022. The facility is secured by (1) suretyship of Limited Liability Company “PIK-Corporation”, (2) the pledge of 100 per cent. shares in Limited Liability Company “Almandin” and the mortgage of some land plots owned by Limited Liability Company “Almandin”.

In April 2021, the Selling Subsidiary entered into a credit facility agreement with PJSC “Promsvyazbank” for approximately RUB 11.6 billion maturing in April 2022. The facility is secured by (1) suretyship of Limited Liability Company “PIK-Corporation”, (2) suretyship of Sergey Gordeev, (3) the pledge of 100% shares in Limited Liability Company “Spetsializirovanny “Zastroishchik Ligovsky-Siti”, (4) the mortgage of the real estate and some land plots owned by Limited Liability Company “Spetsializirovanny Zastroishchik “Ligovsky-Siti” and (5) suretyship of a new parent company of the group in accordance with the clauses 12.4.22 and 12.4.26 of the agreement (in case if PJSC “PIK-Specialised Homebuilder” is replaced by a new parent company and in case if the role of Limited Liability Company “PIK-Corporation” within the Group is changed).

In June 2021, the Selling Subsidiary entered into a facility agreement with Public Joint Stock Company "Moscow Credit Bank" for RUB 5 billion maturing in June 2022. The facility agreement is secured by suretyship of Limited Liability Company "PIK-Corporation".

Compliance with covenants

The Group is subject to certain covenants related primarily to its debt such as Adjusted Net debt to Adjusted EBITDA and Adjusted EBITDA to interest expense. The Group monitors compliance with such covenants semi-annually and was in compliance with them as at and for the reporting periods ended 30 June 2021, 31 December 2020, 2019 and 2018.

Capital expenditures

The following table sets forth the Group's capital expenditures for the periods indicated (as extracted from the consolidated statement of cash flows):

	Six months ended 30 June		Years ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
			(*in RUB million*)		
Acquisition of property, plant and equipment and other intangible assets..	(4,416)	(976)	(3,168)	(4,150)	(3,882)

In the six months ended 30 June 2021, cash paid by the Group for acquisition of property, plant and equipment and other intangible assets amounted to RUB 4,416 million. The 352.4% increase in cash paid for acquisition of property, plant and equipment and other intangible assets in the six months ended 30 June 2021 compared to the same period in 2020 was primarily attributable to acquisition of equipment for Development and Construction and Maintenance segments and financing of internally generated intangible assets.

In the years ended 31 December 2020, 2019 and 2018, cash paid by the Group for acquisition of property, plant and equipment amounted to RUB 3,168 million, RUB 4,150 million and RUB 3,882 million, respectively. The 23.7% decrease in cash paid for acquisition of property, plant and equipment in the year ended 31 December 2020 compared to 2019 was primarily attributable to decrease of acquisition of property, plant and equipment in Industrial and Maintenance segments. The 6.9% increase in cash paid for acquisition of property, plant and equipment in the year ended 31 December 2019 compared to 2018 was primarily attributable to increase of cash paid for the acquisition of right-of-use assets, intangible assets and property, plant and equipment in Maintenance Segment.

The Group has budgeted RUB 6,302 million for acquisition of property, plant and equipment in the year ending 31 December 2021. The Group's actual capital expenditures may vary significantly from its estimates and depend on a variety of factors, including market conditions, the availability of funding, operating cash flow and other factors fully or partially outside the Group's control. See "*Risk Factors—The Group may experience equipment failure or other interruptions in its construction processes, production curtailment and shutdowns*".

In the six months ended 30 June 2021 and 2020 and the years ended 31 December 2020, 2019 and 2018, development capital expenditures (cash flows), except for cash paid for the acquisition of land plots/right-of-use assets amounted to RUB 94,228 million, RUB 65,701 million, RUB 169,261 million, RUB 171,899 million and RUB 147,828 million.

Contingencies

Information on the principal contingencies faced by the Group is set out in Note 31 to the 2020 Consolidated Financial Statements and appearing elsewhere in this Offering memorandum. The contingencies relate to the economic, social and political environment in which the Group operates, its exposure to uninsured risks, the risk of legal proceedings and tax risks resulting from uncertainty in inconsistently interpreted Russian tax legislation and potential exposure to environmental liability from its operating activities as a result of changes in applicable legislation or interpretation. See also "*Risk Factors*" for a discussion of these and other risks faced by the Group.

Quantitative and Qualitative Disclosures in Respect of Financial Risk Management

In the normal course of its operations, the Group is exposed to market risk (including currency and interest rate risks), credit and liquidity risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Board of Directors 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 limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Group's Audit Committee monitors how the management ensures compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management system given the risks to which the Group is exposed. The Audit Committee performs its supervisory functions in close cooperation with the internal audit department.

Market Risk

Market risk is the risk that changes in market prices, in particular 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.

The Group does not enter into contracts other than to meet the Group's production needs and its delivery obligations; such contracts are not settled on a net basis.

Interest Rate Risk

Changes in interest rates impact primarily loans and borrowings, as well as cash-settled financial instruments by changing either their fair value (fixed rate debt) or their future cash flows (for loans and borrowings with a variable rate and cash-settled financial instruments). Management does not have a formal policy of determining how much of the Group's exposure should be attributed to fixed or variable rates. However, at the time of obtaining new loans or borrowings, management uses its judgment to decide which rate – fixed or variable – would be more favorable for the Group over the expected period until maturity.

Risk profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	Note	30 June 2021	31 December 2020	31 December 2019	31 December 2018
			(in RUB million)		
Variable rate financial assets		**91,157**	**34,378**	**10,377**	**4,434**
Financial instruments carried at fair value through the profit or loss.....................	24	91,157	34,378	10,377	4,434
Fixed rate financial assets.....................		**19,027**	**24,073**	**28,027**	**26,439**
Bank deposits recorded in cash and cash equivalents..		15,600	22,739	25,775	24,157
Long-term receivables............................	20	271	663	1,774	1,597
Loans issued and bank deposits recorded in other investments............................	19	3,156	671	478	685
Variable rate financial liabilities..........		**(300,790)**	**(189,607)**	**(72,141)**	**(21,778)**
Loans and borrowings............................	26	(300,790)	(189,607)	(72,141)	(21,778)
Fixed rate financial liabilities..............		**(59,645)**	**(59,721)**	**(85,518)**	**(55,423)**
Accounts payable for land acquisition	29	(16,567)	(9,256)	(11,488)	(11,180)
Loans and borrowings............................	26	(28,288)	(36,502)	(67,406)	(40,468)
Liabilities from long-term lease contracts	21	(14,790)	(13,963)	(6,624)	(3,775)
		(250,251)	**(190,877)**	**(119,255)**	**(46,328)**

The Group does not account for fixed rate financial assets and liabilities as instruments measured at fair value through profit or loss.

As at 31 December 2020, a change in interest rates by 1 percentage point would result in an increase (a decrease) of interest expenses before capitalisation in inventories by RUB 1,456 million. As at 31 December 2019, a change in interest rates by 1 percentage point would result in an increase (a decrease) of interest expenses before capitalisation in inventories by RUB 323 million.

As at 31 December 2020 and 31 December 2019, the carrying amounts of the Group's financial assets and liabilities did not differ significantly from their fair values, except for bonds. As at 31 December 2020, the fair value of bonds, net of those purchased by the Group, exceeded their carrying amount by RUB 1,434 million. As at 31 December 2019, the fair value of bonds, net of those purchased by the Group, exceeded their carrying amount by RUB 1,272 million.

The Group's policy is to keep a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business.

Currency Risk

The Group is exposed to currency risk related to purchases and cash balances that are denominated in a currency other than the Russian Rouble (RUB).

Borrowings and arising interest payments are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily in RUB. This provides a natural economic hedge and no currency derivatives are used by the Group.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk of the Group determined based on the nominal value of financial instruments was immaterial in 2020 and 2019.

Credit Risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. Generally, credit risk relates to financial assets of the Group measured at amortised cost, which include cash and cash equivalents, receivables and other investments. During the reporting period, there were no significant changes in the structure of financial assets, their credit quality and valuation methods.

The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position, as detailed in the table below:

	31 December 2020	31 December 2019	31 December 2018
		(in RUB million)	
Loans issued and bank deposits recorded in other investment	672	480	685
Accounts receivable, including contract assets	115,035	32,554	11,951
Cash and cash equivalent	96,527	66,208	58,601

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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.

Group's financial department carries out liquidity risk management (including risks which the Group would face in the long-, medium- and short-term periods) in accordance with internal regulations approved by the Board of Directors and reviewed regularly to reflect changes in market conditions.

The liquidity position is centrally managed for all subsidiaries of the Group to constantly control the cash balances available.

Since 1 July 2019, in accordance with the requirements of the legislation of the Russian Federation, the Group has started selling real estate properties under share participation agreements using escrow accounts. The Group developed and agreed with banks an appropriate procedure under which the banks, where buyers of real estate properties open escrow accounts and transfer money for acquired real estate properties, provide the Group with project financing covering the full amount of costs necessary for the construction of a project and the commissioning of all real estate properties.

Upon completion of the construction of a residential building, the cash placed in escrow accounts with authorised banks is released to the Group, and the Group partially pays the project financing debt outstanding.

Thus, in the consolidated statement of financial position, project finance liabilities gradually increase, while liabilities under contracts with customers decrease.

The amount of revenue recognised under contracts with customers using escrow accounts in 2020 amounted to RUB 58,960 million. In 2019, the amount of revenue recognised under contracts with customers using escrow accounts in 2020 amounted to RUB 7,855 million.

Management estimates that the Group’s transition to customer settlements using escrow accounts does not significantly affect the Group’s ability to meet its obligations on time.

Significant Accounting Policies

Significant accounting policies are those policies that require the application of the Group’s management’s most challenging, subjective or complex judgements, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Significant accounting policies involve judgements and uncertainties that are sufficiently sensitive to result in materially different results under different assumptions and conditions. The Group believes that its most critical accounting policies are those described in Note 37 to the Group’s 2020 Consolidated Financial Statements.

INDUSTRY

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

MACROECONOMIC AND DEMOGRAPHIC OVERVIEW

As of 2020, Russia had a nominal GDP of $1.5 trillion, and the highest GDP per capita based on purchasing power parity (PPP) amongst BRICS countries in 2020, according to the latest IMF World Economic Outlook published in April 2021. Russia ranked the eleventh largest economy based on nominal GDP and ninth most populous country in the world, with a population of approximately 147 million as of 31 December 2020, according to IMF.

Russia's economy is heavily dependent on oil prices. According to British Petroleum, Russia accounted for approximately 11.4% and 25.3% of global crude oil and natural gas exports in 2020, respectively, and the Russian national oil and gas sector accounted for approximately 15.2% of total Russian GDP in 2020, according to the Russian Ministry of Finance (BP Statistical Review of World Energy, June 2021; Rosstat 2021). Thus, the Russian economy is particularly vulnerable to fluctuations in international prices of hydrocarbons. In the first half of 2021, the prices of oil and gas increased significantly as a result of the rollout of Covid-19 vaccines, a gradual easing of lockdown measures and massive production cuts from OPEC and non-OPEC members. (Source: CNBC, 2 July 2021). Most of Russia's industries, including the real estate sector, were positively affected. Prior to this economic slowdown, the Russian economy showed some signs of recovery from past downturns, such as the economic recession following the imposition of sanctions, recording real GDP growth of 1.8%, 2.8% and 2.0%, in 2017, 2018 and 2019, respectively (Source: Rosstat, 2021). However, in 2020, Russia's real GDP fell by 3.0% mainly as a result of the impact of the COVID-19 pandemic on the Russian economy. The Rouble lost more 19.3% of its value against the U.S. dollar between 31 December 2019 and 31 December 2020 (Source: CBR, 30 December 2019; CBR, 30 December 2020), and unemployment levels grew during the recent economic downturn, particularly in cities dependent on a single employer

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

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

Source:

(1) Rosstat, 2021.(2)

CBR, 2021.

(3) Russian Ministry of Finance, 2021

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

	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Real GDP growth, year-on- year (*%*)(1)	2.5	2.8	0.4	1.1	1.5	2.1	1.6	(8.0)	(3.4)	(1.8)	(0.7)	10.5
Real disposable income growth, year-on-year (%)(1) .	0.0	(0.8)	(2.1)	0.7	2.5	2.5	1.0	(7.9)	(5.3)	(1.7)	(3.7)	(6.8)
CPI, end of period year-on- year (%)(1)	3.4	4.3	5.3	4.7	4.0	3.0	2.5	3.2	3.7	4.9	5.6	6.0
Fixed investments growth, year-on-year (%)(1)	6.4	2.9	0.9	1.2	1.7	2.3	1.2	(7.6)	(4.2)	n/a	2.0	11.0
Average price of URALS oil (USD/barrel)(3)	74.22	67.22	63.17	68.13	61.26	62.09	48.18	30.39	43.11	44.41	59.80	n/a
Foreign capital inflow/(outflow) (TIC) (bln USD)(2)	(19.5)	(33.9)	(23.8)	0.6	2.1	(0.9)	(18.0)	(11.9)	(7.7)	(10.2)	5.0	n/a
RUB/USD exchange rate (end of period)(2)	65.59	69.47	64.73	63.08	64.42	61.91	77.73	69.95	79.68	73.88	75.70	72.37

Source:

(1) Rosstat, 2021.

(2) CBR, 2021.

(3) Russian Ministry of Finance, 2021.

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

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

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

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

Source: Rosstat, 2021

RUSSIAN RESIDENTIAL REAL ESTATE MARKET OVERVIEW

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

Growth of residential construction over the period from 2012 to 1H 2021 in Russia was primarily driven by a general shortage of housing, generally favourable macroeconomic conditions and the development of mortgage lending. The shortage of housing also led the Government to implement affordable housing programmes, which remain apriority for the Government.

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

	Year										
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**1H 2020**	**1H 2021**
Growth in construction volume (1) (year-on-year, %)	2.5	0.1	(2.3)	(3.9)	(2.1)	(1.1)	6.3	2.1	(12.5)	(12.5)	(1.6)
Residential completions(2) (*millionsof square metres*)	65.7	70.5	84.2	85.3	80.2	79.2	75.7	82.0	80.6	28.1	36.5
Growth (year-on-year, %)	5.5	7.3	19.4	1.3	(6.0)	(2.2)	(4.4)	8.3	(1.7)	n/a	29.7
Residential completions *(thousands of flats*)	838	929	1,124	1,195	1,167	1,139	1,076	1,120	1,122	n/a	n/a
Growth (year-on-year, %)	6.6	10.9	21.0	6.3	(2.7)	(2.4)	(5.5)	4.1	0.1	n/a	n/a

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

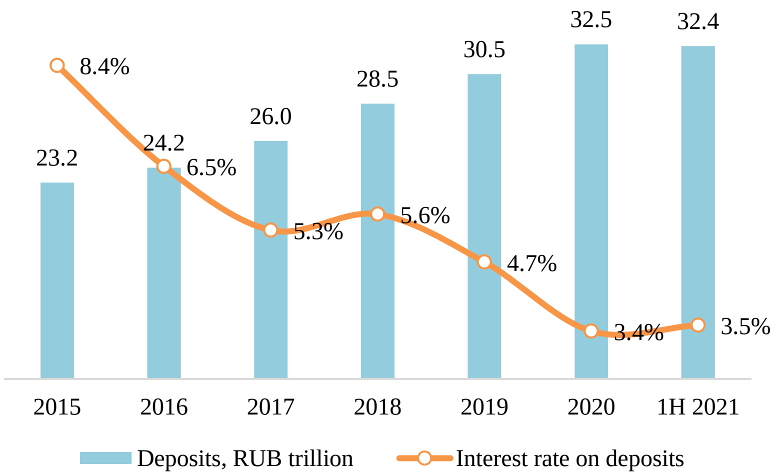
(1) Growth in the total value of construction works, calculated using nominal prices.

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

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

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

Deposits and returns



Source: CBR, 2021

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

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

	Year						
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**1H 2021**
Volume of mortgage lending (*RUB billion*)………………..	1,161.7	1,473.5	2,021.9	3,013.1	2,848.2	4,295.8	2,693.5
Weighted-average interest rate on RUB-denominated loans (%)[1]…………………………………….........................	12.9	11.5	9.8	9.7	9.0	7.4	7.1
Volume of mortgage lending on the primary market (*RUB billion*)……………………………………………………	n/a	570.7	661.2	870.6	922.7	1,497.7	923.0
Weighted-average interest rate on primary market RUB denominated loans (%)[1], [2] ……………………………...	n/a	10.8	9.8	9.4	8.3	5.8	n/a

Source: CBR, 2021.

(1) Weighted-average interest rate at the end of the period indicated.
(2) Weighted-average interest rate on mortgage loans given for acquisition of apartments on primary market.

Russian residential real estate through the Covid-19 crisis

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

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

	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Construction volume growth(1) (year-on-year, %)	5.5	6.3	(1.4)	2.8	3.9	1.7	2.8	(3.9)	1.1	0.8	n.a.	n.a.
Residential completions (mln sq.)	16.5	30.2	14.8	15.3	18.5	31.7	14.7	12.0	18.6	30.2	17.8	36.5
Growth (year-on-year, %)	(10.6)	(8.0)	(5.2)	14.6	12.1	5.1	(1.3)	(21.2)	0.9	(4.8)	n.a	n.a.

Source: Rosstat, 2021

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

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

	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Volume of mortgage lending (*bln RUB*)	760.9	942.2	619.3	644.7	697.2	887.0	762.0	678.1	1,257.9	1,597.8	1,223.1	1,485.7
Quarter-to-quarter growth (%)	4.5	23.8	(34.3)	4.1	8.2	27.2	(14.1)	(11.0)	85.5	27.0	n.a.	n.a.
Weighted-average interest rate on RUB-denominated loans(%)(1)	9.4	9.7	10.4	10.3	9.7	9.0	8.6	7.5	7.3	7.4	7.3	7.3
Volume of mortgage lending on the primary market (*RUB billion*)	230.4	257.5	204.2	214.3	222.6	281.6	257.9	247.4	481.4	511.0	n.a.	n.a.
Quarter-to-quarter growth (%)	12.4	11.8	-20.7	5.0	3.9	26.5	-8.4	-4.1	94.6	6.1	n.a.	n.a.
Weighted-average interest rate on primary market RUB-denominated loans (%)(1), (2)	9.1	9.4	10.1	9.8	9.1	8.3	7.8	6.1	5.9	5.8	n.a.	n.a.

Source: Rosstat, 2021

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

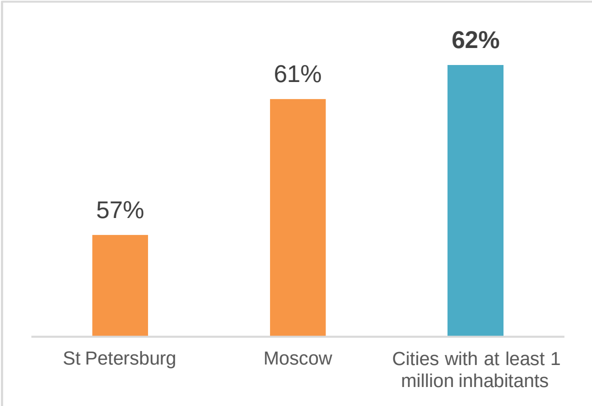
(2) Weighted-average interest rate on mortgage loans given for acquisition of apartments on primary market.

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

Russian residential real estate market growth fundamentals

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

Government-funded housing construction was widespread during the Soviet era but decreased dramatically afterthe breakup of the Soviet Union in the early 1990s. As a result, the existing Russian residential housing stock includes a substantial amount of aging or obsolete stock dating from the Soviet era. About 35% of the country's current housing stock was built before 1970 and needs to be renovated. (*Source: Russian Ministry of Construction,Housing and Utility Infrastructure, 2021*). As of 31 December 2018, approximately 25.5 million square meters of the existing housing stock in Russia were estimated to be dilapidated housing, while the wear-out rate of the housing and utility infrastructure stood at around 43.0%. (*Source: Russian Ministry of Construction, Housing andUtility Infrastructure, Rosstat, 2021*).

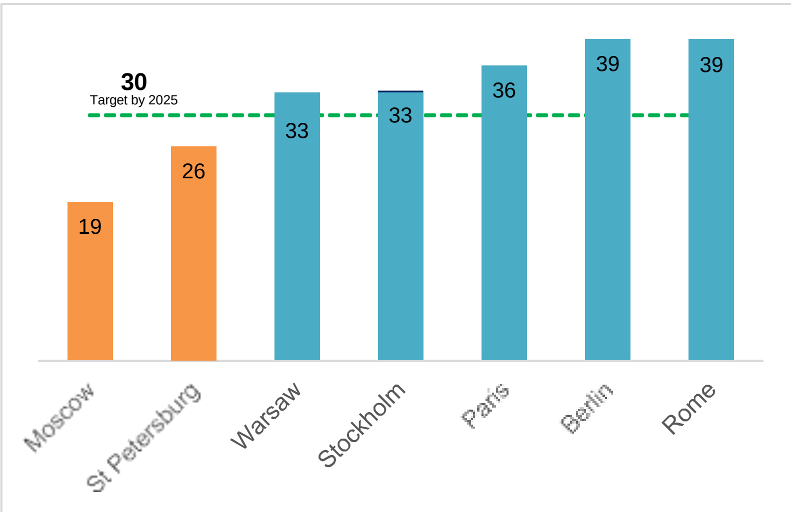


Housing stock older than 1990, %

Source: Russian Ministry of Construction, Housing and Utility Infrastructure, 2021.

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

Amount of living space, sqm/person



Source: Rosstat, national statistical agencies, 2019

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

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

However, such expansion may be constrained by the tightening of industry regulations which has already resulted in decline in the number of building permits issued. Regarding the number of building permits issued for housing in annual terms, there was a decrease of 14% over the last year. The number of building permits issued in St Petersburg decreased by 44%. In Moscow there was an increase of 8% from the previous year in terms of the number of permits issue; when taking into account the sq. m. covered by those permits, there was a decrease of 48%.

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

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

Government support

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

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

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

- In 2017, the Russian Government introduced a programme of preferential mortgages with interest rates of 6.0% per annum for eligible families with two or more children. Under the programme, as amended in 2019, the participating banks provide mortgages at a reduced rate for the purchase of primary housing in the amount of up to RUB 6 million in the regions and in the amount of up to RUB 12 million in Moscow, the Moscow region, St. Petersburg and the Leningrad region. The programme is effective until 31 December 2022.

- In 2020, during the COVID-19 pandemic, the Russian Government developed a programme of preferential mortgages with interest rates at 6.5% per annum. Under this programme, the participating banks provide mortgages at a reduced rate for the purchase of primary housing in the amount of up to RUB 6 million in the regions and in the amount of up to RUB 12 million in Moscow, the Moscow region, St. Petersburg and the Leningrad region. Initially effective until 1 November 2020, the programme was subsequently extended until 1 July 2021.

- In 2021, the Russian authorities decided to further extend the programme for one more year, though on stricter terms and with the focus redirected to the regions outside of Moscow Metropolitan Area and St. Petersburg. Under the updated programme, the subsidizing interest rates increased to 7.0% per annum, maximum amount of mortgage loan has decreased to 3 mln for all regions.

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

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

The following table shows certain benchmarks set by the programme:

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

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

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

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

- A deduction for mortgage interest payments calculated as 13.0% of the total interest paid under mortgage, with a cap of RUB 390 thousand.

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

Russian real estate market segmentation

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

- *Mass-market class*. This segment includes standardised housing in the low-to-mid price range. Buildings in this segment are built to a standard design from prefabricated reinforced concrete panels and are inexpensive relative to other classes, as the costs of design, labour and materials are relatively low. The upper end of the economy class price segment includes poured concrete buildings built to simplified designs. Poured concrete housing is of a higher quality than panel housing and allows for more flexible planning.

- *Mid-market class*. This segment comprises standardised and customised housing in the mid-to-high pricerange, including brick and poured concrete buildings, often with underground parking, improved layoutsand higher quality insulation. The high end of the middle class segment (referred to as "business plus") includes new poured concrete buildings in prestigious locations (often in gated developments), made ofhigh quality construction materials, with on-site security and underground parking.

- *Premium (elite) class*. This segment includes premium and super-premium (or "exclusive") class housing in the high to very high price range. These buildings usually have fewer apartments in comparison to buildings in lower price segments. Situated in prime locations (often in a gated development), they generally have air-conditioning, a security system, telephone and internet lines, a modern interior and exterior design, and a garden. In contrast to the middle-class segment, which is mainly primary, the premium class segment is dominated by secondary demand, making it relatively difficult to capture scalable growth in this segment.

The Moscow metropolitan area and St. Petersburg residential real estate markets overview

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

In 2020, mainly due to the economic downturn, a slowdown in total residential completions was observed in many Russian regions. In Moscow, the level of total residential completions (by millions of square metres) declined by 3.8% in 2020 as compared to 2019, as indicated in the table below. Residential completions in St. Petersburg decreased by 2.9% in 2020 as compared to 2019. In 1H 2021 residential completions significantly increased in most of the Russian regions as compared to 1H 2020. In Moscow and Moscow region an increase in residential completions in 1H 2021 as compared to 1H2020 was accounted for 47.1% and 42.2% respectively, in St. Petersburg residential completions in 1H 2021 vs. 1H 2020 increased by 76.3%

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

	2015	**2016**	**2017**	**2018**	**2019**	**CAGR, 2010-19**	**2020**	**Year-on-year change 2019-20**	**1H 2020**	**1H 2021**	**Year-on-year change 1H 2020-21**
Total residential completions in	**mln sqm, unless otherwise indicated**										
Russia…….........	85.3	80.2	79.2	75.7	82.0	*3.8%*	80.6	*(1.7%)*	28.1	36.5	*29.7%*
Moscow……...	3.9	3.4	3.4	3.5	5.2	*12.5%*	5	*(3.8%)*	2.2	3.2	*47.1%*
Moscow region	9.6	8.9	9.1	8.9	8.6	*1.0%*	8.7	*1.2%*	2.6	3.7	*42.2%*
St. Petersburg	3.0	3.1	3.5	4.0	3.5	*2.9%*	3.4	*(2.9%)*	0.7	1.3	*76.3%*

Source: Rosstat, 2021 DOM.RF, 2021

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

	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**1H 2021**
	Percentage growth, y-o-y						
Russia………………………………………	(3.9)	(2.1)	(1.1)	6.3	2.1	(12.5)	(1.6)
Moscow ………………………………...	5.2	7.0	0.6	(4.7)	2.9	(2.8)	5.3
Moscow region……………………………	(1.4)	(1.9)	0.9	22.0	4.0	(18.6)	(9.3)
St. Petersburg………………………………	(11.2)	0.4	(24.4)	(1.1)	(21.8)	(21.5)	(13.8)

Source: Rosstat, 2021, DOM.RF, 2021

As set forth in the table below, for the period from the fourth quarter of 2015 to the fourth quarter of 2019, average prices per square metre for primary residential real estate in Russia increased from RUB 51.5 thousand per square metre to RUB 64.1 thousand per square metre, representing a CAGR of 5.6% (*Source: Rosstat*). St. Petersburg and Moscow experienced the highest price inflation during the period from 2015 to 2019. Prices continued to grow in 2020 and in 1H 2021.

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

	Q4 2015	**Q4 2016**	**Q4 2017**	**Q4 2018**	**Q4 2019**	**CAGR 2015-2019**	**Q1 2020**	**Q2 2020**	**Q3 2020**	**Q4 2020**	**Q1 2021**	**Q2 2021**	**Percentage increase, Q2 2021 compared to Q1 2020**
	RUB thousand per square metre, unless otherwise indicated												
Russia	51.5	53.3	56.9	61.8	64.1	*5.6%*	71.5	73.4	76.2	79.0	83.2	89.0	*24.5%*
Moscow	182.3	155.0	153.5	172.5	203.2	*2.8%*	214.3	215.2	226.8	231.3	251.8	277.4	*29.4%*
Moscow region	80.8	78.8	78.7	86.2	88.5	*2.3%*	88.4	92.9	95.2	100.5	117.5	122.3	*38.3%*
St. Petersburg	92.6	96.9	101.3	109.3	120.6	*6.8%*	118.7	123.2	128.1	133.3	129.3	140.0	*18.0%*

Source: Rosstat. 2021

RUSSIA REAL ESTATE MARKET: KEY VERTICALS

We identify three key verticals within the Russian PropTech market:

- Primary residential real estate: sale and purchase of primary / new-build residential properties.

- Secondary residential real estate: sale, purchase and rental of secondary residential properties.

- Services: repair, appraisals, mortgage support.

Secondary residential real estate is the largest vertical, which amounted to USD 154 billion in 2020, while primary residential market stood at USD 34 billion (Source: Rosstat, Fedstat, Rosreestr, RBC Realty and CIAN).

Commissioning of new residential properties in Russia reached 82.2 million square meters in 2020, largely driven by reduced mortgage rates coupled with the government's support packages, including mortgage subsidies, from the demand side, and programs to mitigate living space undersupply and renovate old housing stock, from the supply side.

	2016	2017	2018	2019	2020
Commissioning of new residential properties (million sq. m.)	80.2	79.2	75.7	82.0(1)	82.2

Source: Rosstat

(1) Starting from 2019, includes commissioning of residential properties built on territories designed for gardening (since January 1, 2019 Russian legislation allows residency registration for these territories)

Russia: Online Sales

COVID-19 has accelerated the move to online sales, rentals and services - Last year, due to the lockdown, multiple developers created systems allowing buyers to complete property transactions online. This service is currently successfully offered by a few of the most IT-advanced companies. The preference to purchase a property in person via sales offices at the site of the future residential complex remains strong.

Developer	Share of online-sales of apartments a total volume of sales in 2021, %
PIK	100%
Pioneer Group	85%
FSK	75%
A101	69%
Samolet	65%
Granel	28%
MR Group	25%
Rodina	25%
GK MIC	15%
Ingrad	12%

Source: Kommersant

Russia: Real Estate Classifieds

In 2020, the online classified real estate market in the apartment segment amounted to RUB 8.9 billion. Of this, the secondary real estate segment accounts for 71.4% or 6.3 billion RUB, primary real estate segment accounts for 17.8%, or 1.6 billion rubles, and the lease segment occupies the remaining 10.8%, or 0.95 billion rubles. According to RBC Markets Research, by the end of 2021, the market will rise to 9.6 billion rubles representing a YoY growth rate of 8.0%.

(RUB million)	2018	2019	2020	2021F
Online classifieds real estate market size	7,261	8,598	8,886	9,597

Source: RBC Markets Research, 2021

MANAGEMENT AND CORPORATE GOVERNANCE

Overview

The governance of the Company consists of various levels and sub-levels, each responsible for different aspects of the Company's overall activities. The following sets out the management structure of the Company and its corporate governance reporting lines.

The highest level of governance is conducted through the General Shareholders' Meeting, the ultimate decision-making body. The General Shareholders' Meeting elects the Board of Directors, which is responsible for the general governance of the Company, including the determination of strategy, coordination and general supervision thereof. The Board of Directors elects the Management Board, which is the collegial executive body of the Company, and appoints the general director of the Company, which is the sole executive body of the Company. The general director of the Company and the Management Board as a whole are responsible for the day-to-day operations of the Company.

General Shareholders' Meeting

The General Shareholders' Meeting is held in the form of annual General Shareholders' Meeting and extraordinary General Shareholders' Meeting. The annual General Shareholders' Meeting is convened no earlier than two months and no later than six months after the end of the Company's reporting year.

The powers of the General Shareholders' Meeting are set forth in the Joint Stock Companies Law (the "**JSC Law**") and the Company's Charter. The procedure for convening, preparation and conducting of the General Shareholders' Meeting is stipulated in the Company's Regulation on the General Shareholders' Meeting and the Company's Charter.

Shareholders have the power to decide on the following matters, among others:

- amendments to the Company's Charter and approval of the restated Charter;
- reorganisation and liquidation of the Company, appointment of a liquidation committee and approval of interim and final liquidation balance sheets;
- determination of the composition of the Board of Directors, election of its members and early termination of their powers;
- determination of the amount, par value and type of authorised shares, as well as the rights attached to those shares;
- increases and reductions of the Company's charter capital in the instances provided by the Company's Charter;
- election of the Internal Audit Service and appointment of the Company's external auditor;
- declaration (payment) of dividends;
- approval of annual report and annual accounting (financial) statements;
- adoption of Regulations on the Board of Directors, Regulations on the General Shareholders' Meeting, Regulations on the Management Board and Regulations on the Internal Audit Commission;
- approval of the Company's participation in financial groups and other associations; and
- certain other matters provided for by the Company's Charter and law.

Decisions of the General Shareholders' Meeting are generally adopted by a simple majority of voting shareholders who are present at the meeting, unless the JSC Law or the Company's Charter requires qualified majority or set additional rules. Pursuant to the JSC Law and the Company's Charter, motions such as amendment of the Charter, increase of the share capital in most cases, placement of securities convertible into shares, reorganisation and liquidation, as well as a decision on approval (prior or subsequent) of a transaction relating to property with a value exceeding 50% of the balance sheet value of the Company's assets, must be approved by a three quarters majority vote of the voting shares participating in the General Shareholders' Meeting of the Company. All decisions of the General Shareholders' Meeting are adopted subject to satisfaction of a quorum of at least 50% of voting shareholders.

Board of Directors

The Board of Directors is responsible for general governance matters, with the exception of those matters that are designated by law and by the Company's Charter as belonging to the exclusive competence of the General Shareholders' Meeting. The Board of Directors makes its decisions by simple majority, so long as a quorum of at least half of the elected members of the Board of Directors is present, unless otherwise required by law or the Company's Charter. The Board of Directors meets on a regular basis depending on business needs of the Group. The Company's shareholders elect members of the Board of Directors until the next annual shareholders' meeting, and such members may be re-elected an unlimited number of times. There is no fixed term of office for Board of Directors members. The Board of Directors currently has nine members. The last election of the Board of Directors took place on 7 May 2021.

The name, position and certain other information for each member of the Board of Directors are set forth below.

Name	**Year of Appointment to Board of Directors**	**Position**
Aleksey Karpenko	2017	Chairman of the Board of Directors
Aleksei Blanin	2014	Independent Member of the Board of Directors
Julian M. Simmonds	2020	Independent Member of the Board of Directors
Zumrud Rustamova	2011	Independent Member of the Board of Directors
Gregor William Mowat	2020	Independent Member of the Board of Directors
Sergei Gordeev	2020	Member of the Board of Directors
Yury Ilin	2019	Member of the Board of Directors
Ilya Balandin	2018	Member of the Board of Directors
Dmitriy Timofeev	2019	Member of the Board of Directors

Aleksey Karpenko (born 1975) has served as a member of the Board of Directors since June 2017. In addition to his role at the Company, Mr. Karpenko is currently a Senior Partner at Forward Legal Law Firm. From 2009 to 2014, Mr. Karpenko was a Senior Partner at Delcredere Bar Association. From 2003 to 2008, Mr. Karpenko was a Managing Partner at Karpenko and Partners Advocate Bureau. Prior to that, Mr. Karpenko served as head of legal service at Rosbuilding Investment Company and as an advocate at Iniurkollegia Bar Association. Mr. Karpenko is a member of the International Tax Specialist Group and a co-head of the Russian Chapter of the New York State Bar Association. Mr. Karpenko is also an associated member of Outer Temple Chambers. Mr. Kaprenko graduated from the Moscow State University named after M.V. Lomonosov with a degree in Law and obtained an Executive MBA Degree from the Skolkovo School of Management (Moscow).

Aleksei Blanin (born 1975) has served as an independent member of the Board of Directors since March 2014. Outside the Group, since 2009, Mr. Blanin has served as General Director of LLC "Real Estate Development Solutions". Mr. Blanin graduated from the Moscow Regional State Institute of Physical Education with a degree in Physical Education and Sports.

Julian M. Simmonds (born 1951) has served as an independent member of the Board of Directors since September 2020. Additionally, Mr. Simmonds is currently a member of the advisory council of the London Philharmonic Orchestra and a governor of Chelsea Academy. Since 2007 Mr. Simmonds has served at VTB Capital, where currently holds positions of an Independent non-executive director and a Chairman of the remuneration committee. Previously, from 2002 to 2012, Mr. Simmonds was a project owner at Manresa Developments Ltd.

From 2006 to 2010, Mr. Simmonds served as an Independent non-executive director at Saxo Bank. Mr. Simmonds graduated from the University of Surrey with degrees in Russian and Economics.

Zumrud Rustamova (born 1970) has served as a member of the Board of Directors since June 2011. Mrs. Rustamova has been a member of the Board of Directors of "Magnitogorsk Iron and Steel Works" since 2006, the Deputy Director General of "IST" since 2012 and the Deputy Director General of "Polymetal MC" since 2015. In 2006, Mrs. Rustamova was appointed to the position of the Deputy Chairman of the Management Board of OJSC "Russian Development Bank". From 2006 to 2009, Mrs. Rustamova held various management positions in the Nafta group of companies. Mrs. Rustamova also held a position of the Deputy Director General of "Polymetal" JSC from 2009 to 2015. From 2011 to 2016, Mrs. Rustamova was a member of the Board of the Polytechnic Museum Development Fund, from 2012 to 2014 a member of the Board of Non-State Energy Pension Fund, and from 2013 to 2014 a Member of the Board of Directors of "United Wagon Company" LLC. Mrs. Rustamova graduated from the Moscow Economics and Statistics Institute in 1992 with a degree in Statistics.

Ilya Balandin (born 1984) has served as a member of the Board of Directors since April 2018. Mr. Balandin currently serves as a Director of Venture Investments of the Group. Prior to joining the Company, Mr. Balandin worked as investment manager at iTech Capital. Mr. Balandin graduated from the Moscow State University named after M.V. Lomonosov with a degree in Mathematics.

Sergei Gordeev (born 1972) has served as a member of the Board of Directors since 2020. Mr. Gordeev has served as the general director of the Company since May 2014, and as Chairman of Management Board since July 2015. In 1995, Mr. Gordeev founded Rosbuilding, and in 2005, Horus Capital. Mr. Gordeev is the founder and President of the Fund of Promotion of Conservation of Cultural Heritage "Russian Avant-Garde". From 2005 to 2010, Mr. Gordeev was a member of the Federation Council of the Federal Assembly of the Russian Federation. Mr. Gordeev is currently a majority shareholder of the Company. Mr. Gordeev graduated from the Togliatti Academy of Management with a degree in Finance and Credit.

Yury Ilin (born 1977) has served as a member of the Board of Directors since May 2019. From 2005 to 2018, Mr. Ilin was a Director for Investor Relations and a member of the Managing Board of LSR Group. Since 2018, Mr. Ilin has served as Vice-President for Capital Markets and Corporate Finance at the Company. Mr. Ilin graduated from the Saint Petersburg University with a degree in Management and obtained a Master degree in banking and finance from the Stockholm University, School of Business.

*Gregor William Mowa*t (born 1972) has served as an independent member of the Board of Directors since September 2020. Mr. Mowat is currently a Co-founder and a CFO of nooli group, including LOQBOX Savings Ltd and a Non-Executive Director and Chairman of the Audit Committees in the various companies, such as Nordgold SE, Ak Bars Bank and PJSC Magnit. From 2011 to 2015, Mr. Mowat was a Partner, a CFO and a member of the Executive Committee at KPMG in the CIS, and from 2013 to 2015, the Managing Partner at KPMG in Kazakhstan and Central Asia. Further, from 2014 to 2015 Mr. Mowat served as a Member of Board of Partners at KPMG in the Commonwealth of Independent States, and from 2014 to 2016, as the Founder and the Chairman of the British Chamber of Commerce in Kazakhstan. Mr. Mowat graduated from the Durham University with degrees in Arts in English Literature and Language and now is a member of the Institute of Chartered Accountants of Scotland.

Dmitriy Timofeev (born 1977) has served as a member of the Board of Directors since May 2019. Mr. Timofeev has served at the Company as the Vice President for Government Relations and Corporate Relations since 2019. From 2014 to 2018, Mr. Timofeev was a Director for Legal Matters at LLC "UC Rosvodokanal". Mr. Timofeev graduated with a degree in Law from the Moscow State University named after M.V. Lomonosov.

The business address of each member of the Board of Directors is the Company's registered office. No actual or potential conflicts of interest exist between the duties that any member of the Board of Directors owes to the Company and such member's private interests or other duties.

Management Board

The Management Board is the Company's collegial executive body, which is elected by the Board of Directors. The Management Board meets at least once a month, and makes its decisions by simple majority, provided that a quorum of at least two-thirds 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. The Chairman of the Management Board represents the Company and acts as its general director. The Management Board has several committees that help it carry out its management functions.

As at the date of this Offering Memorandum, the Management Board consists of nine 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 current Management Board of the Company was elected on 23 July 2021. The term of appointment of the Management Board expires on 22 July 2022.

Name	**Year of First Appointment to Management Board**	**Position**
Sergei Gordeev	2014	General director, Chairman of the Management Board
Alexey Almazov	2020	Vice President for Regional Development
Stanislav Kondratyev	2020	Senior Vice President, Head of UNITS Division
Ivan Polandov	2018	Senior Vice President, Head of Development Division
Gennady Rosso	2020	Senior Vice President, Head of Sales and PropTech Division
Elena Smakovskaya	2020	Vice President for economics and finance – financial director
Maria Shevchenko	2020	Vice President for Coordination of Operation
Maxim Yakushechkin	2020	Senior Vice President, Head of General construction contracts division
Yuri Ilin	2020	Vice President for Capital Markets and Corporate Finance

Sergei Gordeev (born 1972) has served as the General director of the Company since May 2014 and as Chairman of the Management Board since July 2015. See "– *Board of Directors*".

Alexey Almazov (born 1979) has been a member of the Management Board since July 2020. From 2019 to 2020 Mr. Almazov was the Vice President for Engineering and Franchise Development of the Company, and from 2015 to 2019, the Vice President for Engineering of the Company. Prior to that, Mr. Almazov served as a Director for Engineering, PIK-Industry, from 2014 to 2015, and as a Managing Director of the Administrative Department of Prosperity Project Management, from 2010 to 2014. In 2010, Mr. Almazov was a Head of the project management of a separate division of JSC "National Development Company". Mr. Almazov graduated from the Moscow State University of Civil Engineering with a degree in Hydraulic engineering and obtained Master degree from the Russian Academy of National Economy and Public Administration under the President of the Russian Federation in Innovational and Project Management.

Stanislav Kondratyev (born 1975) has been a member of the Management Board since July 2020. Mr. Kondratyev has served as the Senior Vice President and a Head of UNITS division of PJSC «PIK-specialized homebuilder» since 2015. In addition, from 2015 to 2020, Mr. Kondratyev was the Vice President - Director of the Product Department of the Company, from 2014 to 2015, the Vice President - Director of the Premium Projects Directorate of the Company and the Deputy Director of the Directorate for the Moscow Region of the Company in 2014. Previously, Mr. Kondratyev has served as a Director of the End-to-End Management Department at SMINEX, a Director of the End-to-End Management Department of Favorit and a Director of the Department of LLC "HORUS MANAGEMENT". Mr. Kondratyev graduated from the Moscow Institute of Economics, Politics and Law with a degree in economics.

Ivan Polandov (born 1984) has been a member of the Management Board since March 2018. Mr. Polandov joined the Company in 2014 as Head of Project, from 2016 to 2018 Mr. Polandov was the Head of Moscow North Territorial Division and from 2016 to 2020 was the Vice President – Director of Moscow Directorate. Prior to joining the Group, from 2004 to 2014, Mr. Polandov worked as Head of Project at CJSC "Terra Auri" and as Head of Construction Department at LLC "MKM-99". Earlier, Mr. Polandov served as Head of Project at LLC "REVKO IVESTMENT" and at the Branch of Tebodin Eastern Europe B.V. Mr. Polandov graduated from the

Moscow State University of Civil Engineering with a degree in Engineering, specializing in industrial and civil construction.

Gennady Rosso (born 1980) has been a member of the Management Board since July 2020. Mr. Rosso is currently the Senior Vice President - Director of the Sales Department and PropTech of the Company and also served as the Vice President - Director of the Sales Department of the Company, from 2015 to 2020, the Deputy Director of the Sales Department of the Company, from 2014 to 2015. Previously, from 2009 to 2013, Mr. Rosso held some executive positions at Sminex, Golden River and ABSOLUT Group. Mr. Rosso graduated from the Moscow state University of Economics, Statistics and Informatics with a degree in Engineering, specializing in Economics, Finance and Credit.

Elena Smakovskaya (born 1980) has been a member of the Management Board since July 2020. Mrs. Smakovskaya is now the Vice President for Economics and Finance, Financial Director of the Company. Prior to this, Mrs. Smakovskaya served as the Deputy Financial Director of the Company, from 2018 to 2019, the Deputy General Director of Setl City Moscow LLC, from 2017 to 2018, and the Chief Financial Officer and the Deputy General Director of Etalon-Invest LLC, from 2011 to 2017. Mrs. Smakovskaya graduated from the Moscow State University of Economics, Statistics and Informatics with a degree in Finance and credit and obtained a Master degree in Business Administration from the Open University Business School.

Maria Shevchenko (born 1982) has been a member of the Management Board since July 2020. Since 2020 Ms. Shevchenko has held a position of the Vice President for Coordination of Operations of PJSC «PIK-specialized homebuilder». Ms. Shevchenko has served at the Company since 2008 and has held various positions during this period: the Head of the Project Planning Department, the Deputy Head of Investment Analysis and Control Department at the Company, the Head of Project Support and Development Department, the Head of the Project Planning Department and the Chief Planning Engineer. Ms. Shevchenko graduated from the Bauman Moscow State Technical University with a specialty of Engineer-constructor-technologist.

Maxim Yakushechkin (born 1976) has been a member of the Management Board since July 2020. Mr. Yakushechkin has also served as the Senior Vice President and the Head of General Contracts Division of the Company since 2018. Since 2014 to 2020 Mr. Yakushechkin served at the Company as the Vice President for Renovation - Director of the Renovation Directorate (from 2018 to 2020), the Vice President - Director of the Moscow Directorate (from 2014 to 2018) and Director of the Department for the implementation of investment and development projects (in 2014). Prior to that, from 2011 to 2014, Mr. Yakushechkin was the Deputy Director for Development at ZIL-Development, and from 2009 to 2011, the Head of the Directorate for Engineering and Construction Management at Vedis Development. Mr. Yakushechkin graduated from the Moscow State University of Civil Engineering with a degree in industrial and civil construction.

Yuri Ilin (born 1977) has served as a member of the Board of Directors since May 2019. See "– *Board of Directors*".

The business address of each member of the Management Board is the Company's registered office. No actual or potential conflicts of interest exist between the duties that any member of the Management Board owes to the Company and such member's private interests or other duties.

General Director

The 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 and the Board of Directors. Under the Charter, the Board of Directors appoints the General Director for a term of 5 years. The General Director may be re-elected for an unlimited number of terms. The current General Director, Mr Sergey Gordeev, has held this position since 2014.

Corporate Governance

The Company complies with the Russian corporate governance regime. Corporate governance at the Company has been carried out in accordance with the requirements of the JSC Law, other rules governing the operation of joint-stock companies in the Russian Federation, the Company's Charter and other internal documents of the Company. The Company's corporate governance practices satisfy the corporate governance requirements currently prescribed in the Russian Federation.

In 2020, the Company continued to improve its corporate governance practices and internal regulatory documents. For example, the Regulation on Compensation and Reimbursement of Expenses of Members of the Board of Directors and Audit Commission of the Company was developed. In addition, the following documents were approved in 2020: Regulations on the Investor Relations and Corporate Communications Committee of the Board of Directors of the Company and Regulations on the Sustainability Committee of the Board of Directors of the Company.

As a legal entity whose Ordinary Shares and debt securities are listed on MOEX the Company is required to comply with a number of corporate governance requirements applicable to issuers of securities that are traded on the Russian stock exchange.

As part of its corporate governance regime, the Company follows its own Corporate Governance Code. The current version of the Corporate Governance Code was approved by the Company's Board of Directors on 26 August 2021

The Company's Corporate Governance Code sets out the Company's main corporate conduct principles, promoting better performance of the management bodies of the Company. The Company's corporate governance system is based, in particular, on the principles of ensuring the rights and interests of shareholders, securing the transparency and openness of the management and financial information of the Company and creating and maintaining trust among corporate governance participants. As corporate governance practice evolves in Russia and abroad, the Company will seek to further improve its corporate governance rules and principles and achieve a higher level of compliance with the principles set out in the Corporate Governance Code.

Among other things, the Company has implemented the following corporate governance features:

Independent Directors

The Company complies with the independence criteria for directors envisaged by MOEX Listing Rules. The Company's Board of Directors currently includes four independent directors. These directors are Zumrud Rustamova, Aleksei Blanin, Julian M. Simmonds and Gregor William Mowat.

Board of Directors Committees

According to the Charter and other internal regulations of the Company, the Board of Directors is responsible for creating specific committees including the Audit and Risk Committee, the Personnel and Remunerations Committee, the Strategy Committee, the Investor Relations and Corporate Communications Committee and the Sustainable Development Committee. Such committees are formed for pre-examination of the most important matters pertaining to the activities of the Company. Descriptions of such currently existing committees of the Board of Directors are provided below.

Audit and Risk Committee

The Audit and Risk Committee of the Board of Directors of the Company was established in 2006 to ensure the effective performance of the Board of Directors' functions in the sphere of control over the Company's finance and business activities. As of the date of this Offering Memorandum, the members of the Audit and Risk Committee are Gregor William Mowat, Aleksei Blanin and Zumrud Rustamova. The committee is headed by an independent director (currently Gregor William Mowat). The Audit and Risk Committee aims to achieve its objective through performing, among others, the following functions:

- control over ensuring the completeness and accuracy of the Company's financial statements;
- analysis of material aspects of the Company's accounting policy;
- control over the reliability and effectiveness of the Company's risk management and corporate governance system;
- analysis and assessment of implementation of the Company's risk management and internal control policy;
- analysis and assessment of implementation of the Company's conflicts of interest management policy;

- ensuring the independence and objectivity of implementation of the Company's internal and external audit functions;
- assessment of effectiveness of implementation of internal audit functions;
- controlling the effectiveness of the Company's whistleblowing policy; and
- overseeing the conduct of special investigations on matters of potential fraud and bad faith use of inside and confidential information.

Personnel and Remunerations Committee

The Personnel and Remunerations Committee of the Board of Directors was first established in 2006. The committee consists of three Board of Directors members. The committee is headed by an independent director. As of the date of this Offering Memorandum, the committee consists of Julian M. Simmonds (Chairman of the committee), Zumrud Rustamova and Aleksey Karpenko. The Personnel and Remunerations Committee was formed to develop and review the Company's remuneration policy and oversee its implementation, as well as to conduct a preliminary assessment of the work of the Management Board and the Company's General director based on year-end results in line with the Company's remuneration policy. The Personnel and Remunerations Committee is also tasked with developing the terms of early termination of employment contracts with Management Board members and the General Director of the Company, preparing recommendations to the Board of Directors in respect of determining the amount of remuneration and principles for bonus payment applicable to the Corporate Secretary, conduct the annual formal procedure of self-evaluation or external evaluation of the Board of Directors and Committees of the Board of Directors, determining priority areas for enhancing the Board's composition, and planning appointments of Management Board members and the General director, and forming relevant recommendations to the Board of Directors.

Strategy Committee

The Strategy Committee of the Board of Directors was established in 2006. The committee consists of five members. The committee is headed by an independent director. As of the date of this Offering Memorandum, the committee consists of Aleksei Blanin (Chairman of the committee), Yury Ilin, Ilya Balandin, Sergei Gordeev and Julian M. Simmonds. The Strategy Committee was formed to enhance the effectiveness and quality of work of the Board of Directors through preliminary consideration of certain matters reserved to the Board of Directors competence and preparation of recommendations to the Board of Directors within the Committee's spheres of competence. The Strategy Committee is tasked with considering proposals on priority areas of the Company's operations, plans, strategies and development programs of the Company, the Company's investment policy, strategy of work with debt and equity capital, strategies with respect to key financial indicators, enhancement of capitalization, as well as certain strategic transactions.

Investor Relations and Corporate Communications Committee

The Investor Relations and Corporate Communications Committee was established in 2020. The committee comprises three members. As of the date of this Offering Memorandum, the committee consists of Yury Ilin (Chairman of the committee), Stanislava Litovskaya and Gregor William Mowat. The Investor Relations and Corporate Communications Committee was formed to develop a unified investor relations and information disclosure strategy, ensure an effective dialogue between the investment community and the Board of Directors.

Sustainable Development Committee

Sustainable Development Committee was established in 2020. The committee consists of three members. As of the date of the Offering, the committee consists of Aleksei Blanin (Chairman of the committee), Yury Ilin and Zumrud Rustamova. The Sustainable Development Committee was formed to facilitate the effective implementation of the functions of the Board of Directors in the field of sustainable development of the Company.

Corporate Secretary

According to the bylaws on the Corporate Secretary and Apparatus of the Corporate Secretary updated by the Company in August 2016, the Corporate Secretary's role is to ensure the compliance by the Company's governing bodies and officers with corporate governance rules and procedures guaranteeing the fulfilment of the rights and interests of its shareholders, as well as organisation of interactions between the Company and its shareholders. To this end, the Corporate Secretary, among other matters, organizes the preparation for and conducting of General Shareholders' Meetings, supports the work of the Board of Directors and the Board Committees, participates in the implementation of the Company's information disclosure policy and oversees the storage of the Company's corporate documentation. The Corporate Secretary is also tasked with a number of functions for the purposes of enhancing the Company's corporate governance system and practices, supporting the Company's interaction with shareholders, regulatory bodies, trade organisers and the register, as well as preventing potential corporate conflicts. As of the date of this Offering Memorandum, Stanislava Litovskaya serves as the Corporate Secretary of the Company.

Code of Ethics

On 1 August 2011, the Company also adopted its Code of Ethics, which sets out the ethical norms and rules of conduct applicable to the Group's employees. The Code of Ethics aims to set out the Company's corporate values and ensure that employees acknowledge their roles in the attainment of the Company's strategic goals. The Code of Ethics envisages a set of rules in respect of the relations between the Company and its employees, as well as the Company's relations with third-party entities and clients and state bodies. In addition, the Code of Ethics sets out guidelines for the Company's and its employees' conduct in the areas of health, safety and environment. The Code of Ethics also includes a number of principles in respect of the Company's and its employees' involvement in political activity, charity, gifts and entertainment and limitations on the use of cash. Each employee of the Company should comply with the requirements of the Code of Ethics, and the Company reserves the right to impose disciplinary sanctions on employees who fail to do so.

Social Responsibility Policy

On 27 August 2021, the Company adopted its Social Responsibility Policy, which sets out main goals, principles and risks of the Company's social responsibility activities and establishes procedures for managing them. The Policy prescribes specific social responsibility standards which the Company should comply with while interacting with its shareholders, customers, employees, contractors, social institutes and governmental authorities. The Policy also sets out certain additional obligations of the Company, such as participating in sponsorship, increasing energy efficiency of the Company's operations, protecting its employees from emergency situations and some others.

Conflict of Interest and Corporate Conflict Policy

On 27 August 2021, the Company adopted its Conflict of Interest and Corporate Conflict Policy, which is aimed at preventing, mitigation and settlement of conflicts of interest and corporate conflicts in the Company. The Policy sets out fiduciary duties of the members of the Board of Directors, the Management Board and the General Director and obliges them to notify the Company about any potential ground for conflicts of interest. In addition, the Policy provides for the procedure for approval of the Company's transaction which involves any conflict of interest. Furthermore, the Policy envisages the mediation procedure for settlement of corporate conflicts and conflicts of interest.

Remuneration

The aggregate key management remuneration in the years ended 31 December 2020, 2019 and 2018 amounted to RUB 1,244 million, RUB 2,277 million and RUB 1,772 million, respectively.

The remuneration of independent members of the Board of Directors consists of a base amount and a supplementary amount. According to the Group's internal regulations, the base amount of remuneration is RUB 1.2 million and is paid on a quarterly basis. If a member of the Board of Directors performs the functions of the Chairman on more than one Committee of the Board of Directors, he/she receives an additional remuneration. The supplementary amount of remuneration is RUB 600 thousand for the Chairman of the Board of Directors and RUB 240 thousand for the Chairman of a Committee of the Board of Directors.

Members of the Board of Directors are compensated for expenses related to travel to face-to-face meetings of the Board of Directors or its committees, General Meetings of Shareholders. In addition, the members of the Board of Directors are compensated for expenses related to events in which they participate as part of performing duties assigned to the members of the Board of Directors. The total amount of compensation of expenses for each member of the Board of Directors may not exceed RUB 1 million for the corporate year.

Members of the Board of Directors are remunerated pursuant to the Regulation on Remuneration and Reimbursement of Expenses of members of the Board of Directors and Internal Audit Commission of the Company (adopted by the Annual General Shareholders' Meeting of the Company, Minutes No. 1 dated 02 October 2020). The members of the Company's Management Board enter into employment contracts with the Company, which set forth their remuneration divided into non-performance related and performance-related components.

Litigation Statement Concerning Management

For the previous five years, none of the members of the Board of Directors or the Management Board:

- has had any convictions in relation to fraudulent offences;

- has held an executive function in the form of a senior executive officer or a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation; or

- has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) or 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.

Indebtedness of Directors

None of the directors, associates of such directors, employees, former directors or former employees of the Company is indebted to the Company, its subsidiaries or any other entity where the indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company, except for routine indebtedness.

Other Interests

No actual or potential conflicts of interest exist between the duties that any member of the Board of Directors or the Management Board owes to the Company and such member's private interests or other duties.

BUSINESS

Overview

The Group is a vertically integrated real estate developer with the largest land bank in Russia by market value and one of the largest land banks in Russia by area according to the Group's estimates based on data published by Russian developers. As at 31 December 2020, the Group's total unsold area comprised 16.6 million sq. m., according to the C&W Land Bank Valuation Report (as defined below). The Group operates as a developer in 14 regions of Russia, with the main emphasis on Moscow and the Moscow region. As of 31 December 2020, the Group's project portfolio encompassed 101 projects including 46 located in Moscow, 23 in the Moscow region and 28 in other regions of Russia and 4 international projects. According to the C&W Land Bank Valuation Report, the combined market value of the Group's properties was RUB689 billion as at 31 December 2020. In 2021, the Group has expanded its land bank with 18 New Development Projects (as defined below) having total unsold area of 2,719 thousand sq. m. and market value of RUB 79,582 million as at 18 August 2021 according to C&W New Development Projects Valuation Report (as defined below). Furthermore, in August 2021, the Group acquired 50% of the charter capital of LLC Sigma Holding, which operates 16 development projects having total unsold area of 2,941 thousand sq. m. as at 10 August 2021 (see "*Management's Discussion and Analysis of Financial Condition—Recent Developments*"). According to the Colliers Valuation Report, the market value of the 100% share in LLC Sigma Holding was RUB 90,082 million as at 10 August 2021. Overall, the Group's total unsold area comprised 21.5 million sq. m. as at 1 September 2021 according to the Group's calculations.

The Group has been operating on the Russian real estate market since 1994, and is today the largest developer in Russia by value of its land bank according to the Group's estimates based on data published by Russian developers, with a main specialization in the construction of modern affordable and technologically advanced housing along with all the associated social and commercial infrastructure. In 2020, the Group completed construction of 2,425 thousand sq. m. and delivered over 40,000 units, or 2,355 thousand sq. m., with all sales made online starting from April 2020. As of the date of this Offering Memorandum, the Group is the leading homebuilder in Russia with over 7 million sq. m. area under construction which comprise 5.8% of the housing market as at 1 September 2021 according to the Unified Register of Developers (approximately two times more compared to the Group's closest Russian competitor). While the Group is primarily focused on the mass-market residential real estate segment, it intends to expand its operations into the construction and sale of mid-market, high-end and suburban residential real estate projects. Furthermore, the Group is considering expansion into logistics and industrial parks in Russia. In particular, the Group launched its first mid-segment project in September 2021 under the 'Forma' brand, and it expects to launch high-end projects under the 'Mono' brand as well as suburban projects by the end of 2021. See "—*Strategy*".

As a vertically integrated business, the Group conducts a full cycle of property development using building information modelling (BIM) technologies, from the purchase of a land plot, preparation of designs and planning, and ending with the construction itself, which results in reduced costs, improved quality control and shorter construction cycle. The vertically integrated business model is supported by the Group's in-house production capacity. The Group operates 14 production facilities in Moscow and other regions of Russia for the production of, *inter alia*, reinforced concrete structures, reinforced mesh and cages, small piece materials (paving blocks, kerbs, street furniture, Acotec panels), window units, bathroom pods, elevators and wide-ranging innovative IoT products for smart home. The Group also plans to open two new production facilities in Moscow and the Philippines in 2023 with planned annual capacity of 1,000,000 and 500,000 sq. m., respectively. In addition to its own production facilities the Group has long-term partnerships with a broad base of leading suppliers and contractors to create flexible and adaptive ecosystem of suppliers and contractors that can scale up in a timely manner.

The Group is also the largest private managing housing company in Russia by area under management according to the Group's estimates based on public data. As of the date of this Offering Memorandum, the Group manages 50 million sq. m. of private housing assets in 20 regions across the country.

The Group has built an ecosystem that disrupts traditional housing and construction markets leveraging a distinct first mover advantage, technological superiority and industry leadership. The Group is also the only residential real estate developer in Russia that has an internal R&D department employing 100 people with R&D budget of U.S.$ 15 million, and more than 15 patented proprietary methods of architectural urban solutions developed by an in-house architecture bureau with more than 3,000 architects, as well as strong construction capacities and IT solutions, which allows the Group to significantly reduce construction costs and at the same time to step up the speed and quality of construction.

The Group has the number one brand of housing development in Russia, which was named one of the top 30 strongest brands in the country in 2020 by the British consulting company Brand Finance. According to Brand Finance, the value of PIK brand amounted to RUB 52 billion and the brand awareness reached 98% in 2020.

In the six months ended 30 June 2021 and 2020, the Group generated revenue of RUB189,279 million and RUB138,529 million, total comprehensive income for the reporting period of RUB69,425 million and RUB17,986, Adjusted EBITDA of RUB91,918 million and RUB27,457 million, Adjusted EBITDA margin of 49% and 20% and net income margin of 37% and 13%, respectively.

For the years ended 31 December 2020, 2019 and 2018, the Group generated revenue of RUB380,161 million, RUB280,635 million and RUB245,757 million, profit and total comprehensive income for the reporting period of RUB86,493 million, RUB45,113 million and RUB26,893 million, Adjusted EBITDA of RUB112,041 million, RUB67,042 million and RUB41,931 million, Adjusted EBITDA margin of 29%, 24% and 17% and net income margin of 23%, 16% and 11%, respectively.

History and Development

The Group was founded in September 1994 under the name of PIK ("First Mortgage Company") and initially invested in a small number of residential development projects only in Moscow.

In 1998, the Group launched mortgage financing operations in cooperation with the Moscow Mortgage Agency which was commissioned to develop a residential mortgage infrastructure for the city of Moscow. As part of this program, Housing Finance Bank originated the first 10 pilot mortgages in Moscow.

The Group began diversification into the industrial sector in 2001 with the acquisition of DSK-2, a Moscow-based manufacturer of reinforced concrete products.

In 2003, the Group began expanding its geographic presence into the Moscow Region.

In 2004, the Group began its expansion into other regions of Russia through acquisitions of stand-alone development projects and regional developers. In 2007, the Group's geographical footprint included development projects in Rostov-on-Don, Taganrog, Omsk, Nizhny Novgorod, Yaroslavl, Novorossiysk, Kaliningrad and Perm.

In 2005, the Group acquired DSK-3, a Moscow-based manufacturer of reinforced concrete panels, and ZhBI-100, a plant manufacturing reinforced concrete products in the Moscow Region.

In 2006, the Group completed its corporate restructuring process aimed at consolidating assets, changing corporate structure, and introducing international standards of corporate governance. Following the restructuring, all companies under the PIK umbrella were consolidated under the Group.

In 2007, the then ordinary shares of the Group were listed on the Russian stock exchanges, and the Group made an initial public offering of its ordinary shares and global depositary receipts ("**GDRs**") on the Russian stock exchanges and London Stock Exchange, respectively.

In 2008-2009, during the global economic crisis, the Group experienced a steep decline in demand for apartments in its real estate developments and was forced to divest its development projects in Russian regions, significantly increase its bank indebtedness and concentrate only on its core business activities.

From 2009 to 2011, the Group completed the restructuring and recapitalization of its bank debt, which allowed to satisfy the working capital requirements in connection with development, industrial and construction activities and satisfy the growing demand in the recovering residential housing market.

In 2012, the Russian real estate market fully recovered after the economic crisis and the Group demonstrated a steady growth in the volume of housing construction and expanded the network of sales offices in various cities of Russia.

In 2014, Sergei Gordeev acquired 30% of the Ordinary Shares in the Group.

In 2016, as part of the Group's strategy to focus on the construction of affordable housing, the Group sold its 100% stake in the Urban Quarters project located in the center of Moscow and involved in the construction of luxury housing and commercial premises. The Group also continued the improvement in operating performance and acquisition of new projects and initiated a strategy of digitalization of products and processes.

Furthermore, in 2016 the Group acquired and consolidated the Morton Group, whose assets included a land bank in the amount of more than 4.6 million sq. m of land, and the DSK Grad plant. As a result of this acquisition, the Group became the market leader in terms of the volume of the real estate projects built in Russia. In addition, Sergei Gordeev increased his shareholding in the Group to 74,6% and VTB Bank acquired a 7.6% stake in the Group.

In 2017, as part of a new capital market strategy, the Group consolidated trading in its Ordinary Shares on one platform – MOEX, having delisted GDRs from the London Stock Exchange, while maintaining the GDR program.

In 2018, the Group became the first developer in Russia to start working with escrow accounts and entered into the largest project financing deal of 2018.

In 2019, PIK-Comfort became a part of the Group. In addition, VTB Bank acquired additional shares from Sergei Gordeev and increased its shareholding in the Group to 23.05%.

In 2020, PJSC "Group of companies PIK" changed its name to PJSC "PIK-specialized homebuilder".

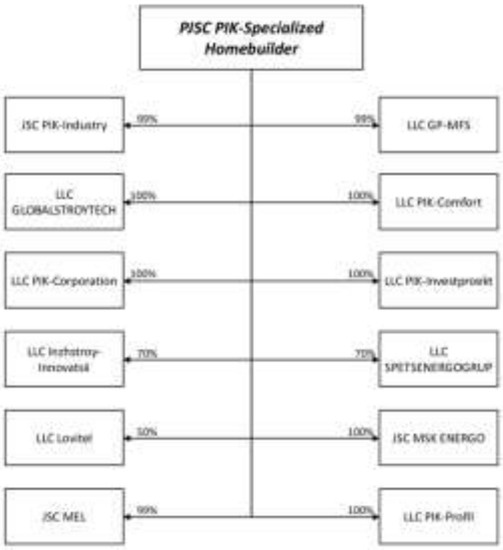
In 2021, the Group launched its first development project outside of Russia in Manila, Philippines called "One Sierra". The project comprises a 990 sq. m. land area with 18.2 floor area ration (FAR) and 30 floors. The project is presented as modern green building with flexible home-office units located in a key high value growth center between Makati and Ortigas and locational convenience to public transportation and direct access to EDSA. As of the date of this Offering Memorandum, all development, licenses and permits have been obtained; first sales contracts have been signed.

In 2021, the Group demonstrated strong ranking position, being awarded with Ba2 stable by Moody's, BB- stable by Fitch, RuA+ stable by Expert and A+ positive by NCR.

Furthermore, in 2021, the Group has registered a revised logo "PIK". The main feature of the revised logo is conciseness: the "roof" and the word "group" have been removed, and the usual colors now include only orange. The changes in the logo are explained by the fact that the Group is changing, expanding the range of services provided: the brand covers Prop Tech services of the sector, as well as financial and other services.

Corporate Structure

The diagram below sets forth the Group's corporate structure showing its certain principal subsidiaries, as well as the percentage of beneficial ownership in each of them.



Competitive Strengths

A vertically integrated business model with an ecosystem of scalable services and product offerings supported by a culture of technical excellence and innovation

The Group operates a vertically integrated business model combining all stages of the Group's operations from land acquisition to permissions, planning and unit design, development and construction, sales and post-sales services. The Group has set up an internal construction technology division, UNITS, which is responsible for innovative solutions including production and assembly of prefabricated panel buildings and other related activities, including, among others, the production of construction materials and components, production and sale of IoT-devices. The Group expects to increase its annual construction capacity from 5 million sq. m. to 10 million sq. m. in 3 years, to significantly reduce construction time, including as a result of the use of prefabricated modular and off site production, and to reduce the cost of designing the area. The Group believes this would enable it to ensure higher quality and more reliable product and service offerings and to maintain close control on costs, quality and efficiency, and reduces its reliance on external suppliers and contractors.

Innovation and technical excellence are at the core of the Group's operations, which, the Group believes distinguishes it from its competitors. The Group is the only real estate developer in Russia with an R&D department, and it holds 15 patented proprietary technologies. The Group continually seeks to develop more advanced manufacturing and construction technologies and, as a result, have already reduced the Group's construction period (from the receipt of the building permit to completion (escrow accounts release)) to 12 months (versus 28-40 months industry average in the Russian market according to the Group's estimates based on public data) by using modular construction technologies. The use of 2D production technology in modular construction enables the Group to reduce labour costs and to keep the production highly efficient. Furthermore, according to Group's estimates, compared to traditional construction modular technologies produce fewer carbon emissions and allow to re-use up to 90% of materials after 30-50 years of building operation.

The Group has invested heavily in advanced IT platforms and processes in order to digitalize its operations. The automation and digitalization of the Group's supply chain management, project management functions, data collection and analysis and the use of artificial intelligence has strengthened the Group's operational efficiency, service quality, cost controls and labour productivity.

The Group has eliminated its offline customer sales presence entirely and have created an efficient and comprehensive online sales platform through which customers can complete all stages of the acquisition process, including virtual viewings, mortgage applications, and transaction execution and completion. Consistent with the Group's move from offline to online operations, approximately 58% of the Group's office workforce now work remotely. The Group has no plans to re-establish a physical office-based sales presence or to re-call the Group's employees to work from centralized office space. The Group believes the switch to remote working enables its employees to work more flexibly and efficiently, and results in significant savings on the rental of office space.

Further, the Group's ecosystem centered around its market leading PropTech platform "Kvarta" enables it to serve customers across a wide range of inter-connected products and services (including, among others, services allowing to buy, sell and exchange properties on the secondary housing market, brokerage service on the primary housing market including built-in online mortgage and insurance, rental and refit services) under the leading PIK brand such as PIK-Broker, PIK-Rent, PIK-Refit and PIK-Sales. In the first half of 2021, the number of transactions made through Kvarta increased four times to 20,000 units compared to 5,315 units in 2020. The Group believes that Kvarta is a unique platform for owners and tenants that offers housing related value-added services. See "*Business—PropTech*".

The Group's technical excellence, vertical integration and the extent of the digitalization of its business processes, combined with its long term partnerships with suppliers and contractors, enables it to scale operations up and down in a flexible and efficient manner to take advantage of opportunities and respond to dynamics in the markets in which the Group operates.

Global leader in residential development with a strong brand and significant scale in the fragmented Russian market

The Group is the largest residential real estate developers in Europe by market capitalization as at 24 September 2021 according to Bloomberg and the largest in the Russian residential real estate market in terms of the value of its land bank according to the Group's estimates based on data published by Russian developers. As at 1 September 2021, the Group had a land bank portfolio of unsold area of 21.5 million sq. m. according to the Group's calculations (see "*—Large, high quality land bank*"). Market capitalization of the Group was U.S.$13.1 million as at 24 September 2021 according to Bloomberg. Despite the impact of COVID-19, in 2020 and in the first half of 2021, the Group completed construction of 2,425 thousand sq. m. and 833 thousand sq. m. and sold 2,355 thousand sq. m. and 1,088 thousand sq. m., respectively, and achieved strong financial performance (see "*—Robust financial performance and high cash flow visibility"*). The Group's business is currently focused on the mass-market segment of the Russian real estate market, where it is the clear market leader, although the Group intends to expand its operations selectively into mid-market (under the 'Forma' brand) and premium (under the 'Mono' brand) segments in Russia and internationally (see "*Strategy—Expand the Group's operations into attractive new segments, products and markets*"). The PIK brand is the leading real estate brand in Russia and is among the top 30 brands in Russia according to Brand Finance. In 2020, the Group's brand value reached RUB52 billion according to Brand Finance.

The Russian real estate market is characterized by high fragmentation with a large number of small-scale developers. According to the Unified Register of Developers, there were 131 developers in Moscow and 151 developers in the Moscow region and 2,240 developers throughout Russia as at 1 September 2021, whereas the top 10 developers by volume under construction in Moscow comprised 58.9% of the market in Moscow as at 1 September 2021, and the top 10 developers by commissioning volumes overall in Russia in 2021 comprised 19.2% of the Russian market.

The Group has the widest geographical presence of all residential real estate developers in Russia according to the Unified Register of Developers. As of the date of this Offering Memorandum, the Group carries out development operations in 14 regions and manages real estate in 20 regions of Russia. In 2021, the Group intends to launch projects in 6 new regions of Russia. The Group believes that the Group's leading market position and the scale of its operations provides the Group with a competitive advantage over the Group's smaller peers and positions it to benefit from the ongoing sector consolidation.

Well positioned to benefit from supportive fundamentals in the Russian housing market

The Russian real estate market benefits from strong fundamentals which proved resilient during the COVID-19 pandemic, and which, the Group believes, will continue to create a favorable operating environment for the Group's business. The Group believes that the main factors supporting the housing market in Russia are (i) a systemic undersupply of new high quality apartments and modern infrastructure, and (ii) strong demand as the result of the population growth in Moscow and the Moscow Metropolitan Area where the Group's business is focused, and local and national government initiatives to support and promote housing and urban development. More recently, the Russian real estate market has benefited from the current low interest rate environment which supports mortgage rates and availability and the recent increased savings in Russian households as a result of COVID-19 lockdowns as well as the state support measures, such as the mortgage subsidy program with a subsidized rate of 7.0% and child allowances and subsidies for multiple-child families (known as a maternity capital programme). This has supported an increase in average house prices.

The Group believes there is a considerable growth potential in the Russian market. According to the Federal Service for State Statistics of the Russian Federation ("**Rosstat**"), as at 31 December 2020 housing stock per capita stood at 26.9 square meters in Russia. The Strategy for the Development of the Housing Sector of the Russian Federation to 2025 prepared by the Russian Ministry of Construction, Housing and Utility Infrastructure and JSC DOM.RF" (the "**DOM.RF**"), sets the target to reach 30 sq. m. of housing stock per capita by 2025, which will require substantial additional construction. Furthermore, in July 2020, the President of the Russian Federation issued an executive order the "National Development Goals of the Russian Federation through 2030" which sets forth, inter alia, the goal to increase housing completions to at least 120 million sq. m. per year by 2030 (compared to 80 million sq. m. housing completions in 2020). In addition, a substantial residential development potential indicated by a lower supply of houses per capita in Russia compared to Europe. According to OECD, the number of dwellings per thousand inhabitants in Russia was 449 compared to 491 in EU in 2020.

Furthermore, the Group believes that it is well positioned to benefit from the ongoing consolidation among real estate developers which is primarily driven by the transition to the use of escrow accounts and project financing under Russian Federal Law No. 214-FZ "On Participation in Shared Construction of Apartment Buildings and Other Real Estate", which took effect in April 2005 (the "**Shared Construction Law**"). According to the Unified Register of Developers, the number of developers in Russia decreased from 3,197 as at 31 March 2019 to 2,302 as at 31 December 2020. The Group believes that the escrow accounts model also creates significant barriers to entry for new market participants and benefits large real estate developers such as the Group.

The Group believes that its leading market position, operational expertise, high value land bank and robust financial condition positions the Group to take advantage of these favorable market conditions. The Group believes that its core business is and will continue to be ideally suited to the strong demand for new, modern and affordable living units surrounded by amenities and infrastructure.

Large, high quality land bank

According to the Group's estimates based on data published by Russian developers, the Group has the largest land bank in Russia by market value, primarily located in Moscow and the Moscow Metropolitan Area, high quality and the most valuable land in Russia. The Group's land bank has grown from approximately 11 million sq. m. of unsold area having a market value of RUB270 billion as at 31 December 2018, to a land bank of approximately 11.1 million sq. m. of unsold area having a market value of RUB427 billion as at 31 December 2019. As at 31 December 2020, land bank was of approximately 16.6 million sq. m. of unsold area with a market value of RUB689 billion as at 31 December 2020, of which approximately 45% per cent. of unsold area by sq. m. was located in Moscow, approximately 27.4% per cent. in the Moscow region and approximately 24.7% in other regions in Russia. Overall, the Group's total unsold area comprised 21.5 million sq. m. as at 1 September 2021

The Group's land bank supports a strong pipeline of housing development and construction projects which, the Group believes, provides it with secure growth and revenue visibility. As at 31 December 2020, 63.9% of unsold area by sq. m. was under development and 36.1% was held for further development.

The Group has a proven track record of sourcing its land bank efficiently. The Group leverages its strong reputation, industry expertise and efficiency, the scale of its operations and its well-established track record to identify and secure land, and the Group believes it is a preferred partner for its landlords. The Group carefully selects the land it acquires to coincide with the regions the Group operates within and where the Group sees the best opportunities for future development and profitability. For example, the Group has deliberately acquired a substantial land bank in Moscow and Moscow region, the most lucrative and dynamic regions in Russia.

More recently, the Group has launched the first overseas project in its asset portfolio in Philippines, where the Group also sees attractive and profitable growth opportunities. This represents an upper mid-end residential complex comprising 30 floors and 250 apartments located in the city center of Manila. The Group has prioritized asset and portfolio transactions over corporate transactions. The Group believes that this approach provides it with a higher degree of accuracy and lower uncertainty with regards to the acquired product.

The Group acquires development rights in relation to its land bank through investment agreements or separate arrangements with municipal and regional governments. In most cases, the investment agreement prescribes that, after completion of the construction, the government authority shall either receive a certain share of the project, or a monetary compensation. See also "*Business—Obtaining development rights*".

Robust financial performance and high cash flow visibility

The Group's robust financial performance has enabled it to achieve and maintain strong profitability and a secure liquidity position. In the six months ended 30 June 2021 and 2020 and the years ended 31 December 2020, 2019 and 2018, the Group generated revenue of RUB189,279 million, RUB138,529 million, RUB380,161 million, RUB280,635 million and RUB245,757 million, total comprehensive income for the reporting period of RUB69,425 million, RUB17,986 million, RUB86,493 million, RUB45,113 million, RUB26,893 million, Adjusted EBITDA of RUB91,918 million, RUB27,457 million, RUB112,041 million, RUB67,042 million and RUB41,931 million, Adjusted EBITDA margin of 49%, 20%, 29%, 24% and 17%, and net income margin of 37%, 13%, 23%, 16%, 11%, respectively. This has helped the Group to respond resiliently to external shocks, such as the COVID-19 pandemic, and ensures the Group is well capitalized with sufficient liquidity to take advantages of opportunities to develop and grow the Group's business. The Group actively manages the Group's debt portfolio to optimize the quantum, tenor and price of the Group's borrowings. As at 30 June 2021 and 31 December 2020, the Group had Adjusted net debt of RUB121,801 million and RUB45,265 million and at 30 June 2021 and 31 December 2020 Adjusted net debt to Adjusted EBITDA ratio of 0.69x and 0.4x, respectively, and in the six months ended 30 June 2021 and in the year ended 31 December 2020, the Group's cost of debt amounted to 7.7% and 6.0%, and the weighted average debt maturity was 3.3 and 2.5 years, respectively. As part of its debt management strategy, the Group may issue bonds in the near term in the international markets subject to market conditions.

According to the Group's estimates based on data published by Russian developers, the Group had the highest gross and EBITDA margins in the industry for 2020. The Group's margins reflect its low fixed overhead costs, carefully acquired land bank, tight control over construction costs and strategically developed product offerings. In addition, the Group has high cash flow visibility based on the Group's strong order book and efficient operations, with low construction delays and cancellation rates. The Group pre-sells approximately 95% of real estate units before construction is completed and buildings are accepted by the State Commission. The average sales price of the Group's units delivered in Moscow in 2020 was approximately RUB176 thousand per sq. m. In the six months ended 30 June 2021 the Group's cash collections from real estate sales amounted to RUB166,251 million, of which RUB81,784 million was represented by cash receipts to escrow accounts. According to the Group's estimates based on data published by Russian developers, the Group's selling, general and administrative expenses as a percentage of its revenue is approximately three times less compared to its closest competitors.

Experienced management team with a proven track record

The Group has an experienced management team with a proven track record of stability and growth over many years. Their deep knowledge of the Group's business, including technical and operational expertise, and their commitment to the Group's business strategy, has enabled the steady and sustainable growth of the Group's business. Since 2018, the Group's land bank of unsold area has increased from 10.9 million sq. m. to 21.5 million sq. m. as of 1 September 2021, or by 97%. Market value of the Group's also increased from RUB270 billion as of 31 December 2018 to RUB689 billion as of 31 December 2020, or by 156%. Furthermore, the Group's management team is responsible for the Group's culture of innovation and technical excellence. The management team developed and implemented the Group's COVID-19 contingency strategy and has been responsible for the development of the Group's digital platform and the Group's switch to a primarily online business format, which enabled the Group to respond rapidly and pro-actively to the lockdowns and social and economic turbulence associated with COVID-19 and has positioned the Group to continue to grow and diversify its operations.

Strong governance, backed by aligned majority shareholder

The Group is committed to high standards of corporate governance and transparency. The Group has implemented its Code of Corporate Governance and comply with all Russian laws related to corporate governance. The Group have an experienced board of directors comprised of 9 directors, of which 4 are executive directors and 5 are non-executive, of which 4 are independent. The Group also has the following board committees: Audit and Risk Committee, Personnel and Remunerations Committee, Strategy Committee, Investor Relations and Corporate Communications Committee and Sustainability Committee. See "*Management and Corporate Governance—Board of Directors Committees*". Mr. Gordeev is the largest shareholder of the Company, the CEO, the chairman of the Management Board and a member of the board of directors. He has extensive experience of the Russian real estate market and plays, and will continue to play, an important role in driving the Group's dynamic strategic vision.

Strategy

Create and implement innovative technologies across the Group's business

The Group intends to use its focus on technical excellence and innovation to deliver new housing and real estate-related products and services at lower cost and with greater efficiency and profitability, including through UNITS (the Group's construction technology division) and Kvarta (the Group's customer-centric housing ecosystem). For example, the Group expects innovative solutions to enable it to increase its annual construction capacity from 5 million sq. m. to 10 million sq. m. in 3 years, to significantly reduce construction time, including as a result of the use of prefabricated modular and off site production, and to reduce the cost of designing the area. The Group expects to continue to focus on modular development and anticipated significant growth in modular construction, particularly in the currently under-penetrated Russian market.

The Group is focused on its market leading property technologies platform "Kvarta" which enables it to serve customers across a wide range of inter-connected products and services (including, among others, services allowing to buy, sell and exchange properties on the secondary housing market, brokerage service on the primary housing market including built-in online mortgage and insurance, rental and refit services) under the leading PIK brand such as PIK-Broker, PIK-Rent, PIK-Refit and PIK-Sales. The Group intends to increase the number of transactions made through Kvarta by four times to 20,000 units in 2021 compared to 5,315 units in 2020.

In 2018-2020, the Group invested approximately RUB12 billion in digitalisation of its housing and development sector. The Group intends to continue to invest in its online digital platform, including in order to develop the Group's autonomous external engineering networks, build cross-functional project management teams and facilitate seamless transitions between development stages and contractors. The Group believes this will enable it to improve the efficiency of its industrial and construction processes and operations and provide an enhanced product offering to the Group's customers. The Group also expects it will ensure it to have a flexible and scalable digital platform capable of supporting the development of its strategic growth objectives in Russia and internationally.

Expand the Group's operations into attractive new segments, products and markets

The Group intends to leverage its technical excellence, digital platform and scale to expand the scope of its operations in order to diversify its revenue generation, capture growth opportunities in new high margin markets and grow the Group's PIK Ecosystem.

- *Develop the Group's PIK Ecosystem*: The Group's ecosystem serves as a single point of contact through which the Group's customers can access a wide range of real-estate related products and services in a convenient and cost effective manner under the trusted PIK brand. The Group believes the Ecosystem drives customer engagement and loyalty and creates cross-selling opportunities across the Group's different products and services. In particular, the Group intends to expand the scope of the Kvarta product offerings and to continue to improve the customer experience on the Group's online platform. The Group aims to increase the number of transactions through the Group ecosystem to 20,000 in 2021 compared to 5,315 transactions in 2020. Further the Group will focus on the Group's fee development, real estate management, waste management, recycling and logistics operations. In particular, the Group aims to launch 9 new fee-development projects with an approximate Adjusted EBITDA margin of 15-20% in 2021.

- *Enter into the mid-market and premium residential real estate segments in Russia*: The Group intends to expand its operations into the construction and sale of mass market (under the 'PIK' brand), mid-market (under the 'Forma' brand), premium (under the 'Mono' brand) and suburban residential real estate projects. The Group's first mid-market project will be launched in 2021 under the "Forma" brand, and premium project in 2022 under the "Mono" brand and the Group expects to launch high-end and suburban projects by 2022. The Group believes its leading market position in the mass-market segment and the various competitive advantages the Group enjoys over its competitors leave it well positioned to expand into these higher margin segments. Furthermore, the Group seeks expansion into warehouse development and development of industrial parks in Russia.

- *Pursue attractive opportunities for international expansion*: The Group intends to selectively expand its operations into international markets which meet the Group's strict investment criteria under its 'PIK International' brand. The Group will only consider opportunities in rapidly developing markets with stable socio-economic and political conditions, robust and transparent legal systems (particularly with respect to the regulation and registration of land and real estate), and high demand for additional mass-market residential real estate. Furthermore, in mid-term the Group plans to expand its operations into certain countries in Southeast and South Asia such as the Philippines and India. In March 2021, the Group launched its first international development project in the Philippines and expects to launch two more projects. In addition, the Group is conducting negotiations in relation to nine potential projects in the Philippines. In India, the Group launched one project and 14 more potential projects are in negotiations. The Group believes that its tech-focused, innovative and digitalized business model will give it the flexibility to efficiently and effectively expand into international markets.

Pursue profitable growth in the Group's core business

The Group intends to take advantage of anticipated growth in the mass-market Russian real estate market and strengthen its leading market position in the Group's core market. The Group believes there is significant potential for growth in the Russian real estate market See "*—Well positioned to benefit from supportive fundamentals in the Russian housing market"*. There is material demand for new high-quality apartments and modern infrastructure in Russia, as at least 62% of available housing is more than 30 years old according to the Group's estimates based on public data. Consequently, numerous national and regional projects and initiatives are expected, with the target to provide new modern affordable housing and renovate urban environments. The Group believes it is ideally positioned to benefit from this dynamic and will focus on participating in large scale urban housing, development and renovation projects, particularly in Moscow and Moscow region in order to profitably grow the Group's core business. The Group's target is to launch 53 new projects with a total area of 9,205 thousand sq. m., including projects in 6 new regions of presence, in 2021. In the first half of 2021, the Group commissioned 9 new projects in Moscow, Yekaterinburg, St. Petersburg and Philippines and 69 new buildings in the Moscow area, Obninsk, Yekaterinburg, St. Petersburg comprising a total aggregate area of 1,194 million sq. m. In the medium term, the Group aims to boost sales in the development segment outside Moscow and the Moscow region to 50%. The Group is targeting revenue of RUB500 billion in 2021.

Further develop the Group's ESG / sustainability profile

The Group believes that the sustainability of its operations is crucial to the continued growth and development of its business. Since 2019, the Group has been a party to the UN Global Compact, thus reaffirming its commitment to ten principles of the international initiative in four key areas of corporate responsibility: human rights, labor relations, the environment and anti-corruption.

The Group will continue to strive to ensure that its operations are energy efficient and carbon neutral. In particular, the Group will seek to continue to reduce the production of hazardous waste and the consumption of natural gas, including by commissioning steam generators, completing the Group's transition from mercury lamps to LED lamps, continuing to develop the Group's recycling projects and introducing the separate collection of wastes at all facilities under construction. The Group intended to continue to focus contributing positively to the communities it operates within, including by developing and constructing social infrastructure projects (schools, kindergartens, play hubs) and renovating neglected regions to provide low-cost modern housing with associated infrastructure and amenities. The Group will continue to target compliance with all applicable environmental standards. For more details see "*Business—Environmental Matters*".

In occupational safety the Group's goal is to achieve "Zero Fatalities, zero serious injuries". In 2020, the Group's Lost Time Injury Frequency Rate ("**LTIFR**") reduced to 0.28 compared to 0.3 in 2019. In total, the Group recorded 28 work-related injuries of varying severity in 2020 (8 serious injuries and 20 minor injuries), which is 5 injuries fewer compared to the previous reporting period (7 serious injuries and 26 minor injuries). In 2020, two fatalities occurred at the Group's construction sites. Based on work-related injury reports, the Group annually prepares a risk register that is used to set occupational health and safety goals and objectives. In 2021, to mitigate the risk of accidents, the Group plans to develop professional risk assessment maps, which will describe work-related risks and ways to minimize them, for each workplace and then familiarize employees and managers with them.

The Group also strives to ensure gender equality, including equality in the area of remuneration. In 2020, the share of women in the Group amounted to 37% and the ratio of base salary and bonuses for men and women in the position of managers, workers, specialists and office workers was equal.

Operations

The Group has five strategic divisions, which offer different products and services and are managed by independent teams. Below is a brief description of the operations of each of the Group's divisions:

- *Development and construction:* development of residential and commercial real estate and provision of construction services.

- *Maintenance:* includes maintenance and management of residential buildings and other properties, technical maintenance of utility systems and rendering heat, water and electricity supply services, provision of Internet services.

- *Industrial Segment:* includes production and assembly of prefabricated panel buildings and other related activities, including production of construction materials and components, production and sale of IoT-devices.

- *PropTech:* includes rent of apartment services, purchase and sale of real estate in the secondary housing market, repair of premises, agency services for the sale of residential apartments, implementation of IT solutions.

- *Other:* rental services and other activities.

Development and construction:

General information

The Group's development and construction division is primarily represented by LLC PIK-Corporation, which is responsible for the development operations in Moscow, and PIK Region, covering the Moscow Region and other regions of Russia. As of the date of this Offering Memorandum, the Group is operating as a developer in 14 regions of Russia, including Moscow and the Moscow Region, St. Petersburg, Yekaterinburg, Novosibirsk Region, Bashkortostan, Sverdlovsk Region, Tyumen, Rostov-on-Don, Obninsk, Kaluga, Novorossiysk, Yaroslavl and Primorsky Territory.

As at 31 December 2020, the Group had a large and diverse land bank of 16.6 million sq. m. of unsold net sellable area of which 47% was located in Moscow, 27% in the Moscow region, 25% in other regions of Russia and 1% comprises international projects, according to C&W Land Bank Valuation Report. In 2021, the Group has expanded its land bank with 18 New Development Projects having total unsold area of 2,719 thousand sq. m. and market value of RUB79,582 million as at 18 August 2021 according to C&W New Development Projects Valuation Report and the New Moscow Land comprising 16 development projects having total unsold area of 2,941 thousand sq. m. as at 10 August 2021. According to the Colliers Valuation Report, the market value of the 100% share in LLC Sigma Holding, which operates the New Moscow Land, was RUB 90,082 million as at 10 August 2021. Overall, the Group's total unsold area comprised 21.5 million sq. m. as at 1 September 2021 according to the Group's calculations.

The Group's operations in the development segment comprise all stages of development, including identification of development opportunities and performance of feasibility studies (which are undertaken in some cases with the assistance of international consultants), obtaining development rights from the relevant municipal and regional authorities, managing the design process, obtaining construction permits, marketing properties to potential purchasers, and managing residential and commercial properties post-construction.

The Group believes that its vertical integration and in-house production capacity enable it to complete projects to tight deadlines with no reduction in the quality of work and to respond quickly to changes in demand in the residential real estate market, and to efficiently manage its expenses.

The total duration of the development cycle is 30–33 months, divided into three main stages:

- *first stage* (lasting 9–12 months) – selection and acquisition of a land plot that satisfies the concept of the Group, after which begins the design of the complex for the specific plot. The process of obtaining all permit documentation proceeds in parallel;

- *second stage (lasting 18 months)* – work related to construction, internal finishing, and also the creation of all necessary infrastructure stipulated by the planners (courtyards, parking, etc.); sales of apartments in the future buildings begins at this stage*;*

- *third stage (lasting 3 months)* – receipt of all necessary certificates from the state authorities that the properties meet legislative requirements and standards, registration of title, and the delivery of keys to customers.

After completion of all work stipulated by the development cycle, the commissioned properties are transferred for management to PIK-Comfort.

In the six months ended 30 June 2021 and the years ended 31 December 2020, 2019 and 2018, the Group completed construction of 833 thousand sq. m., 2,425 thousand sq. m., 2,024 thousand sq. m. and 1,980 thousand sq. m., respectively, and sold 1,088 thousand sq.m. or RUB189,012 million, 1,855 thousand sq. m. or RUB261,730 million, 1,909 thousand sq. m or RUB229,102 million, and 1,990 thousand sq. m. or RUB216,715 million, respectively. In 2020 and the six months ended 30 June 2021, 65% and 57% of the Group's new contract sales by value were made in Moscow, 28% and 30% in the Moscow region and the remaining part in other regions, respectively.

Key Projects

As of 31 December 2020, the Group's project portfolio encompassed 101 projects including 46 located in Moscow, 23 in the Moscow region and 28 in other regions of Russia and 4 international projects. According to the C&W Land Bank Valuation Report, the Group had an unsold land bank portfolio of 16.6 million sq. m. with a valuation of RUB689 billion as of 31 December 2020.

According to the C&W Land Bank Valuation Report, as at 31 December 2020, 63.9% of the Group's unsold area by sq. m., with a valuation of RUB 541,119 million was under development (i.e. under construction or obtaining initial permission documentation) and 29 projects, or 36.1% of the Group's unsold area by sq. m., with a valuation of RUB147,949 million was held for further development (i.e. construction and sales have not started yet).

In 2021, the Group has expanded its land bank with 18 New Development Projects having total unsold area of 2,719 thousand sq. m. and market value of RUB79,582 million as at 18 August 2021 according to C&W New Development Projects Valuation Report and the New Moscow Land comprising 16 development projects having total unsold area of 2,941 thousand sq. m. as at 10 August 2021. According to the Colliers Valuation Report, the market value of the 100% share in LLC Sigma Holding, which operates the New Moscow Land, was RUB 90,082 million as at 10 August 2021. As at 1 September 2021, the Group's total unsold area comprised 21.5 million sq. m. according to the Group's calculations.

The following table sets forth information about the Group's top 10 development projects by market value as of 31 December 2020, according to the C&W Land Bank Valuation Report:

	Location	**Number of buildings**	**Market Value (RUB thousands)**
Salarievo Park	Moscow, Salaryevo village	75	51,509,065.89
Michurinskiy Park	Moscow, Ozernaya st	48	33,196,469.38
Ochakovskoye highway 3a, 5a	Moscow, Ochakovskoe highway 3a, 5a	77	29,689,656,36
Zapadniy port	Moscow, Zarechnaya	7	27,056,538.59
Buninskiye Luga	Moscow, village. Sosenskoe (Kommunarka)	94	25,431,262.65
Presnenskiy val, 27	Moscow, Presnensky val, 27	26	23,068,116.90
Nikolaya Khimushina, Otkrytoye Highway	Moscow, Open highway, Khimushina	60	20,750,600.91
Ilinskie Luga	Krasnogorsk district, Ilyinsky Luga	27	19,021,953.17
Chasovaya Street, 28	Moscow, Chasovaya st. 28	12	17,394,020.19
Kuntsevo Park	Moscow, Kuntsevo, 47, 48, Kuntsevo-park	25	16,866,979.95

While the Group is primarily focused on the mass-market residential real estate segment it also intends to expand its operations into the construction and sale of mid-market, high-end and suburban residential real estate projects in Russia. In particular, the Group launched its first mid-segment project in September 2021 under the ‘Forma’ brand, and it expects to launch high-end projects under the ‘Mono’ brand as well as suburban projects by the end of 2021.

Obtaining development rights

The Group acquires development rights in relation to its land bank, through investment agreements or separate arrangements with municipal and regional governments. Typically, such agreements provide for a short-term lease of the land for further construction, or, if the site has already existing buildings, the Group must first acquire the ownership of such buildings by renegotiating the existing lease in its name. If the Group acquires rights under an existing lease agreement, and the planned area of the new building exceeds the area of the existing building, then the Group must enter into a new lease agreement. Depending on the development plans, it may be necessary to amend the lease agreement for the permitted use of the land. The term of the investment agreement depends on the size of the project, and under certain conditions this term can be extended. Such an agreement stipulates the conditions under which the Group carries out the construction, and fixes the respective shares of the parties in the development after the project completion. In most cases, the investment agreement prescribes that, after completion of the construction, the government authority shall either receive a certain share of the project, or a monetary compensation.

Generally, the Group becomes the owner of the completed building or structure, subject to the share retained by the government, but does not become the owner of the land on which the building or structure is located. Alternatively, the Group may enter into a long-term lease agreement for up to 49 years, under which the Group can obtain development rights. For both short-term and long-term agreements, the Group is required to make periodic lease payments in accordance with the lease agreement, which may be unilaterally increased by the landlord. See “*Regulation of real estate in Russia–Leases*”. Upon completion of construction, the land lease agreement with the developer is usually terminated, and the rights to the relevant land plot underlying the completed building are acquired by purchasers of the apartments in such building.

Under investment agreements with municipal and regional authorities, the Group may be required to fulfill certain social obligations, including the construction of schools and hospitals, or participation in the construction and modernization of urban utilities. See section “- *Urban planning and development*”.

Typically, where the governmental entity retains an interest in a development, the Group will be entitled to less than 100% of the returns from the lease or sale of the real estate units in such development. However, the Group may still have a higher portion (typically 100%) of liability for the construction costs of the development. If the governmental entity allows the Group to buy out its share of the building or structure, the amount to be paid by the Group for the governmental entity’s share of the completed development is intended to reflect the fair market value of the share. The fair market value of the share is determined by a valuation carried out by an appraiser chosen by the governmental entity. Once the valuation has been approved by the governmental entity, the Group may, subject to its overriding discretion not to sell, acquire its share of the completed development. See “Risk *Factors–The Group must obtain a number of permits and administrative approvals and comply with existing laws and regulations in order to develop and construct its properties and projects*”

Rights to enter into an investment contract may be auctioned as part of a competitive tender process held by a governmental entity. In this situation, the scope of the development project is determined by the governmental authority prior to the tender and the tender winner is able to bypass the formal legal approvals process. The Group may also acquire development rights under an existing investment contract. Where a third party has an existing investment contract, it may assign its rights thereunder to the Group or enter into a co-investment agreement with the Group pursuant to which a project is developed by the Group solely or jointly with the third party. This situation generally arises when the initial party to an investment contract does not have sufficient resources or capacity to complete the development on the terms of the investment contract. At times, the Group may also allow co-investors to join its own development projects. In addition, the Group may also obtain development rights by acquiring an existing entity, which owns or leases land or has executed an investment contract with respect to a development. In certain regions of Russia, the Group acquire land directly or enter into a long-term lease but is not required to enter into an investment contract to develop the land. Instead, the Group is required to obtain the relevant permits relating to use and construction from relevant regional and municipal authorities.

In addition, the Group sometimes acquires shares of participation in existing development projects, primarily in regions outside Moscow, by entering into a co-investment agreement with an unrelated entity acting as an investor.

Assessing development opportunities

When assessing the feasibility of a potential development opportunity, the Group considers a range of factors, including without limitation:

- *Site assessment*: the Group carries out a general assessment of the site and its location based upon the Group's knowledge of the area, the market and the Group's appraisal of the surrounding buildings and other developments.

- *Preliminary design*: the Group explores preliminary design possibilities for a particular development, which will initially be prepared internally or, in some cases, with the assistance of external architects.

- *Estimated cost and value of the development*: in determining whether or not to proceed with a development, the Group prepares an estimate of the cost required to complete the construction of the development. These estimates are made on the basis of a detailed budget, which will include design and management costs, costs relating to the demolition of existing buildings, and construction work and construction management costs. These costs are updated as the development process progresses. The Group also estimates the market value of the completed development. The Group target an investment rate of return of at least 20-30%, assuming no price increases.

- *Potential permitting and regulatory concerns*: the Group assesses the likelihood of obtaining the required permitting, planning, zoning and environmental approvals relating to the development.

- *Environmental assessment*: the Group assesses any environmental regulatory approvals that may be required in connection with the potential development of a site.

If the initial assessment of a development opportunity is approved, the Group prepares more detailed concept design alternatives. The Group's own in-house architects prepare the design plans (master planning schemes) for many of its projects, but the Group subcontracts outside architects to design the majority of its large developments. The Group also commences discussions with the various regional and local authorities at this stage to determine preliminary issues such as potential difficulties relating to the supply of utilities to the relevant site. The master planning scheme for each development must be approved by various federal, regional and local authorities.

The Group also employs digital and technology initiatives which allow it to accelerate project lifecycle by conducting automatic analysis of land plots and shorten turnover of land bank where land goes into operation within one year.

Urban planning and development

Depending on the terms of the investment contracts, the Group may be required to undertake certain urban planning and development efforts before a construction permit will 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, constructing kindergartens, schools and hospitals, landscaping adjacent land, 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.

Project design

In order to meet the evolving preferences of its customers, the Group invests considerable resources in creating an appropriate design and marketing strategy for each new development. The Group's design professionals often plan complete residential quarters consisting of multiple buildings and public infrastructure facilities. In-house project design department allows the Group to design its developments on an expedited schedule, receive design approvals relatively quickly and scale its designs across many regions in Russia.

The Group strives to create projects that not only meet legislative standards and internal Group standards but that also resolve existing problems with the territory, take a comprehensive approach to its development, and create a comfortable urban environment. Lighting, the height of the neighboring buildings, the historical appearance of the territory, the load on transportation and social infrastructure, and the needs of local residents are all taken into account when designing residential complexes.

Construction process

Each development project of the Group is managed by a general contractor who is responsible for construction supervision and implementation of ancillary projects, including landscaping, utilities and access roads.

With regard to panel and / or monolithic housing projects in Moscow and the Moscow Region, the Group often acts as a general contractor ensuring stricter control over the costs and timing of the construction. At the same time, for large-scale complex and labor-intensive projects, the Group sometimes engages an external counterparty to act as a general contractor. For any projects outside Moscow and the Moscow Region, the Group has always engaged an external counterparty to act as a general contractor. The Group has implemented quality control procedures to ensure that projects meet specific quality standards. Thus, all general contractors and subcontractors are vetted by a special committee consisting of representatives of various companies of the Group based on such factors as the size of the bid, the planned completion date, and the quality of the materials to be used by the contractor. The contractor must also have a good business reputation and possess all relevant certificates and licenses, as well as the necessary experience, technical resources and personnel.

Upon completion of the construction, all regulatory authorities involved in the development process inspect the completed property to ensure that both the Group, and the general contractor have complied with the terms and conditions of any federal and local approvals and regulations.

The Group's strategy is to sell its completed residential developments and not to retain and lease the residences. The Group launches its marketing operations to sell the property before the construction is complete.

Building types

The Group specializes in the construction of several standard types of prefabricated panel residential buildings and individually designed poured concrete residential buildings. Plants of JSC "PIK-Industry" ("**PIK-Industry**") produce different series of panel buildings which allows the Group to develop projects with a variety of building types. Prefabricated panel housing is significantly less expensive and can be built more rapidly than poured concrete buildings. In addition, the patented technical solutions of the Group can significantly reduce the cost of building of the panel housing, increase the speed of construction and the quality of industrial products, diversify design options, and avoid the restrictions imposed by seasonality. See "—*Patented Technologies and New Enterprises*". As a rule, the construction of the above-ground part takes 2.5 months in case of a panel house and 12 months in case of a monolithic one.

Construction

In addition to its development business, the Group conducts fee development, i.e. the management of the third parties' land bank through the creation of development scenarios, concepts, as well as the design, management, construction and sale of housing under the PIK brand ("**fee development**"). This asset-light business model allows growth without a pressure on the Group's balance sheet since the Group acts as a contractor providing design construction, sales and marketing and maintenance services while the land ownership and project financing remains with a third party. As of 30 June 2021, the Group had a backlog of RUB750 billion signed and RUB740 billion under negotiations. In the six months ended 30 June 2021, fee development sales increased to 198 thousand sq. m. or RUB43 billion in the six months ended 30 June 2021 compared to 69 thousand sq. m. or RUB11 billion in the same period in 2019. The Group's target net income and net income margin in fee-development by 2024 is RUB190 billion and 12%, respectively.

The Group is also the leading company in renovation construction delivering new homes under a large-scale Moscow renovation program funded by the Moscow Government, which was adopted in 2017 for a 15 year period and which entails the resettlement of over 350,000 apartments in 5,174 buildings. The Group believes that it brings continuous improvements, innovation and sustainability to the Russian housing sector serving a growing need for new high quality apartments and a modern infrastructure. It carries out urban development projects of all sizes in economically important regions of Russia and is focused on Moscow area with over 7 million sq. m. of housing currently under construction. In the first half of 2021, approximately 162,000 square meters of housing was commissioned and provided to the Moscow city government as part of its renovation program. As of 30 June 2021, the Group had a backlog of RUB3,500 billion signed and RUB525 billion under negotiations. The Group's target net income and net income margin in general contracting from Moscow renovation projects by 2031 is RUB405 billion and 10%, respectively.

In the six months ended 30 June 2021, the Group's development and construction segment generated external revenues of RUB 167,560 million. In the years ended 31 December 2020, 2019 and 2018, the Group's development and commercial construction segments together generated external revenues of RUB 347,562 million, RUB 260,122 million and RUB 238,902 million, respectively.

The Group is targeting revenue from its fee development and general contracting activities of RUB80 billion in 2021 and RUB8,150 billion in 2031. In addition, the Group expects its net cash flow from these activities to achieve RUB2,350 billion in 2031.

Maintenance

The Group's maintenance segment is involved in the construction and maintenance of utility systems, as well as provision of heating, water, sanitation and electricity to customers.

The Group provides utilities and maintenance services for residential buildings and developments in Russia, as well as selected non-residential premises, including shopping centers, underground long- and short-term car parks, through LLC PIK-Resurs and LLC Mayak, its 100% subsidiaries. The Group provides these services for many of its own properties, as well as for properties built by other companies. The Group strives to ensure that the residents and tenants of the properties it maintains receive all the services they need. For each property, the Group regularly checks the condition of the building, the land, and all water supply, sewerage and heating systems. The group maintains water supply, sewerage, electricity and heating systems, collects garbage and cleans outdoor territories, as well as provides security services. The Group has round-the-clock mobile emergency response teams in the event of a breakdown in water supply, heating, electricity or sewerage systems.

As of 30 June 2021, the Group was servicing approximately 50 million sq. m of residential and commercial properties, of which approximately 42 million sq. m represent real estate built by other companies which makes the Group the largest private housing management company in Russia as of 30 June 2021, according to the Group's estimates based on data published by Russian developers. Most of the properties under the Group's management are located in Moscow (12 million sq. m) and the Moscow Region (20 million sq. m), and some are located in other regions (17 million sq. m).

The Group has all licenses and certificates required for the management and operation of residential buildings, including licenses for the operation of heating and electricity systems, fire-fighting equipment, and provision of utilities.

In the six months ended 30 June 2021 and the years ended 31 December 2020, 2019 and 2018, the Group's maintenance segment generated external revenues of RUB 13,431 million, RUB 24,233 million, RUB 16,192 million and RUB 4,317 million, respectively.

UNITS

The Group's industrial segment is involved in production and assembly of prefabricated panel buildings, and the related manufacturing of building materials and components, as well as production and sale of IoT devices.

The Group operates 14 production facilities in Moscow and other Russian regions for the production of, *inter alia*, concrete and reinforced concrete structures, mesh and cages, small piece materials (paving blocks, kerbs, street furniture, Acotec panels), window units, bathroom pods, elevators and wide-ranging innovative IoT products for smart home. Production at the Group's facilities is 70% robotized. As of 30 June 2021, the Group's facilities had a total capacity permitting to construct approximately 1,500,000 sq. m of housing per year. The Group is also planning to increase the production facilities by approximately 300,000 sq. m. by launching a production facility on Sakhalin, the Russian Far East and two new production facilities in Moscow and the Philippines with planned annual capacity of 1,000,000 and 500,000 sq. m., respectively.

The table below shows data on the Group's production of certain key building components in 2020:

	As of 31 December 2020	
	Total production	Annual productivity
	(thousand units)	
Reinforced concrete panels	270	390
Lightweight panels	700	800
Bathroom pods	32	50

The Group expects to increase its annual production capacity of bathroom pods from the current 50 thousand units to 100 thousand units in three years and to increase the share of external customers from the current 2% to 10% in one year.

In February 2021, the Group launched a new product, PIK Furniture, which comprises furniture of the Group's own design and production with account for the modern lifestyle and current trends. The cost of furniture can be included in the mortgage, which will allow buyers to gain access to a comfortable living space at no additional cost. The Group expects a potential revenue uplift of U.S.$30 million attributable to PIK-Furniture.

In addition to its own production facilities, the Group has established long-term partnerships with a broad base of leading suppliers and contractors to create flexible and adaptive ecosystem of suppliers and contractors that can scale up in a timely manner.

The Group is focused on breakthrough industrial/construction technologies to allow for the shortest construction cycle, improved quality control, superior reliability and durability of housing to optimize future maintenance costs. The Group researches and develops new initiatives in the construction technology that helps assemble houses as a set (room modules are manufactured at a plant and then delivered and installed at the construction site) - modular and off-site construction.

Recently the Group has set up an internal construction technology division, UNITS, which is aimed at disrupting the housing construction by implementing new modular technologies. The platform is based on principles of affordable fast housing, maximum autonomy (off-grid housing), 100% recycling, digitalization (turning of houses into gadgets), carbon-neutrality and maximum automation of production process. The whole production process is managed by one PLM system which allows to transfer all the stages from product development up to preparation for production to online platform. The modular technology enables the Group to compress construction timing to record minimums. While the average construction time in the industry is 28-40 months, the modular construction technology allows to complete construction to 0.5 month. The Group has already reduced its average construction period (from the receipt of the building permit to completion (escrow accounts release)) to 12 months by using modular construction technologies. The use of 2D production technology in modular construction enables the Group to reduce labour costs and to keep the production highly efficient. Furthermore, compared to traditional construction modular technologies produce fewer carbon emissions and allow to re-use up to 90% of materials after 30-50 years of building operation. The Group expects that UNITS division will reach capacity of 575,000 sq. m. per year in December 2021, 875,000 sq. m. in December 2022 and 1,925,000 sq. m. in December 2023 and will enable the Group to increase its annual construction capacity from 5 million sq. m. to 10 million sq. m. in 3 years.

The Group plans to expand its modular products range to include multi and single family, bathroom and HVAC units. The Group is aiming to increase its multi-family units production capacity to 50,000 sq. m. per year in December 2021, 200,000 sq. m. per year in December 2022, 400,000 sq. m. per year in June 2023 and 900,000 sq. m. per year in December 2023. The Group also expects to achieve single family units production capacity of 150,000 sq. m. per year in December 2022, HVAC units production capacity of 50,000 units per year in December 2022 and bathroom units production capacity of 50,000 units per year in December 2020, 150,000 units per year in December 2021 and 250,000 units per year in December 2023. The Group is targeting its full modular units production capacity of 575,000 sq. m. per year in December 2021, 875,000 sq. m. per year in December 2022 and 1,925,000 sq. m., or 20% of the market, in December 2023. According to the Group's estimates, units pricing would be around RUB75,000 per sq. m. for multi and single-family units, RUB180,000 for one bathroom unit and RUB150,000 for one HVAC unit. The Group believes that modular technologies would enable it to achieve 30% of construction costs savings for all clients.

In the six months ended 30 June 2021 and the years ended 31 December 2020, 2019 and 2018, the Group's industrial segment generated external revenues of RUB 2,171 million, RUB 3,363 million, RUB 2,376 million and RUB 1,605 million, respectively.

PropTech

PIK-PropTech is a customer-centric housing ecosystem with a unique platform for owners and tenants that offers housing related value-added services throughout real estate life cycle. PIK-PropTech ecosystem encompasses PIK-Rent, PIK-Refit and PIK-Sales.

PIK-Broker is a full cycle service that allows to buy, sell and exchange properties on the secondary housing market. PIK-Broker ensures swift automated appraisals in less than 1 hour, legal check in approximately 2 hours and average transaction execution in 4 days. PIK-Broker also has a built-in mortgage offered by eight leading banks in Russia. PIK-Broker charges a resale margin of 10% and a fixed transaction fee. According to the Group's calculations, PIK Broker contributed revenue of RUB390 million, RUB1,058 million, and RUB2,384 million in the three months ended 31 December 2020, 31 March 2021 and 30 June 2021, respectively, and the Group expects PIK Broker to contribute revenue of RUB4,900 million in the three months ended 30 September 2021.

PIK-Rent is a digital platform for renting apartments for tenants and owners with independent passive agent model and attractive transparent pricing mechanism leading to over 2,000 contracts per day. In 2019 and 2020, 3,003 and 8,722 new apartments were subscribed through PIK-Rent. PIK-Rent charges a monthly subscription fee of RUB2,000, a monthly insurance fee of RUB300 and a commission between 25% and 65% of monthly rent. According to the Group's calculations, PIK-Rent contributed revenue of RUB1,246 million, RUB1,919 million and RUB2,087 million in the three months ended 31 December 2020, 31 March 2021 and 30 June 2021, respectively, and the Group expects PIK-Rent to contribute revenue of RUB2,759 million in the three months ended 30 September 2021.

PIK-Refit is a digital platform that offers on-demand refit and home improvements with unparalleled, cutting edge technology, pricing analytics and simple application process with interest free instalments. PIK-Refit offers a turnkey approach with a two year guarantee. PIK-Refit charges a 30% fee and margin business from materials and constructions services

PIK-Sales is a full cycle brokerage service on the primary housing market. PIK-sales offers an online sales journey with comparative tools, dynamic pricing, auction system, insurance provision and access to project finance. According to the Group's estimates, the volume of transactions made through PIK-Sales comprise 9% of the total primary housing market. The Group is aimed at increasing the volume of transactions made through PIK-Sales to RUB1,300 billion, or 43% of total primary housing market, by 2025.

PIK-Broker, PIK-Rent, PIK-Refit and PIK-Sales services are offered through the Group's proprietary marketplace Kvarta. Kvarta is a fully modular proprietary tech platform implemented in 15 cities in Russia and in the Philippines with over 10,000 users. The Group intends to increase the number of transactions made through Kvarta by four times to 20,000 units in 2021 compared to 5,315 units in 2020. In 2018-2020, the Group spent RUB12 billion on technology development of Kvarta.

The Group believes that total addressable market for Kvarta amounts to RUB8,000 billion in the secondary housing market, RUB2,900 billion in the primary housing market and RUB1,800 billion in the rent market. The Group expects Kvarta to contribute to RUB24 billion or approximately 10% of the Group's revenue in 2021.

In the six months ended 30 June 2021 and the years ended 31 December 2020, 2019 and 2018, the Group's PropTech segment generated external revenues of RUB 5,112 million, RUB 2,936 million, RUB 963 million and RUB 17 million, respectively.

Other activities

Other activities segment encompasses rental, repair services, waste recycling and other activities. In the six months ended 30 June 2021 and the years ended 31 December 2020, 2019 and 2018, the Group's Other segment generated external revenues of RUB 1,005 million, RUB 2,067 million, RUB 982 million and RUB 916 million, respectively.

Suppliers

The Group contracts with third party suppliers for raw materials, building materials, and equipment used in the implementation of its projects, including cement, concrete, gravel, sand and metal. In 2020, the Group entered into contracts with 1,870 suppliers and contractors worth RUB 194.9 billion in total compared to RUB149.9 billion in 2019 and RUB146.8 billion in 2018. In 2020, total purchases of goods and services comprised 69% and 31% in the Group's procurement.

The main categories of goods sourced by the Group include (i) main materials (metal, concrete, aggregates, cable products), (ii) finishing materials, (iii) materials for internal engineering systems, (iv) other materials (related materials – blanks, etc.), (v) materials for windows, materials for beautification, (vi) materials for outdoor engineering systems, which accounted for 53%, 22%, 5%, 9%, 7%, 3% and 1% in total purchases of goods in 2020, respectively.

The main categories of services sourced by the Group include (i) in-situ concrete work, pile-driving operations, construction and assembly at below-zero temperatures, (ii) preparatory work, dewatering, beautification, (iii) fitting and finishing work, (iv) construction and assembly at above-zero temperatures, (v) other work (related to construction), (vi) installation of internal engineering systems, (v) Installation of outdoor engineering systems, (vi) design, development of documents, (vii) advertising services, (viii) elevator equipment and (ix) windows which accounted for 21%, 13%, 28%, 4%, 5%, 12%, 11%, 3.2%, 2.9%, 0.34% and 0.25% in total purchases of services in 2020, respectively.

Sales and Marketing

For most of the Group's projects, the marketing efforts to sale the residences start once the building permit for construction has been received. The Group prepares its own promotional campaigns for specific developments, as well as brand promotion campaigns. In 2020, the Group spent approximately RUB 3,127 million on its marketing campaigns. The Group's internal sales staff focuses exclusively on the sale of its developments and on building stable relationships with current and potential customers. The Group's marketing team is also responsible for gathering information on the needs and preferences of potential customers, which forms an important part of the Group's land acquisition strategy and project design activities.

As of 30 June 2021, the Group had 14 showrooms located at construction sites, as well as one call center. As a rule, showrooms present a model apartment, outfitted with interior fixtures, appliances and furniture. The Group also organizes special promotions for new project launches. In addition, the Group uses numerous advertising channels to market its residential properties, such as on-site billboards, online advertising, direct mail advertising, distribution of leaflets in the surrounding areas, advertising in the mainstream and specialized press, radio and television, and also commercial exhibitions.

The Group invest significant resources in education and development of its sales team. The Group's efforts to increase product knowledge of its sales managers include various training sessions which the Group holds on a regular basis. The Group also monitors efficiency of its sales network.

Because of the Group's commitment to quality and effective marketing, only a small number of sales and purchases have been canceled to date. In 2018-2020, less than 1% of the Group's preliminary purchase and sale agreements were canceled.

In line with its strategy, the Group is committed to move real estate transactions with its properties to online. The Group provides its customers with opportunity to reserve new properties on the Group's website and sign transaction documents using electronic signature without visiting the Group's offices. The Group is the first developer in Russia to join the merchant acquiring services system accepting non-cash payments. The ultimate goal of digitalizing the purchase process is to bring all transactions online. However, customers will still have the option of visiting construction projects and showrooms to get a better feel for the product. Since 2017 the Group has had over 100,000 online bookings. In 2019, the Group started online sales and was the first to launch the payment by card on the website. Starting from April 2020, 100% of sales were made online.

The Group also launched a digital application mortgage form for all partner banks and achieved 99% approval rate of mortgage applications in 2020. In April 2020, the Group and VTB Bank conducted the first mortgage transaction in Russia and the purchase of an apartment completely online.

The Group believes that the transition to online has contributed to a decrease in administrative expenses costs and to a significant increase in revenues in the last five years.

Competition

The Group is a leading residential developer in Russia, and the only vertically integrated residential real estate developer in Moscow and the Moscow region that has the ability to manage and control all steps in the development and sale of a project. The Group has the widest geographical presence of all residential real estate developers in Russia according to the Unified Register of Developers. As at the date of this Offering Memorandum, the Group carries out development operations in 14 regions and manages real estate in 20 regions of Russia.

The Group's key competitors in Moscow and the Moscow region are Samolet, Ingrad, A101, LSR, Mr. Group, Donstroy and Etalon Group. The Group also competes with major regional and local real estate developers.

Intellectual Property

The Group's key intellectual property consists of several trademarks, including trademark "PIK", and 16 proprietary patented technical solutions, including, but not limited to, "Multi-layer wall panel" and several façade solution patents valid until 2021-2027. In 2020, the Group's brand value reached RUB52 billion according to Brand Finance, compared to RUB34 billion in 2019 and RUB26 billion in 2018. As of 30 June 2021, each of these trademarks and patents was registered in Russia.

Occupational Health and Safety

Ensuring high health and safety standards is one of the priorities for the Group in its activities. To achieve this goal, the Group implements a set of occupational health and safety (OHS) measures to: improve the OHS management system; develop a safety culture and managers' leadership skills to ensure OHS; assess the risk of events that may have a negative effect on human health; interact with contractors providing services or performing work at the Group's facilities to ensure their compliance with OHS requirements, as well as involve contractors in the OHS management system.

In order to achieve the Sustainable Development Goals adopted by the UN General Assembly in 2015 ("**UN SDGs**") (good health, quality education, good jobs and economic growth, sustainable cities and communities, innovation and infrastructure, peace and justice, partnerships for the goals), the Group implemented the relevant principles in its Code of Ethics, Collective Agreement, Occupational Health and Safety Policy, Regulations on Recruitment, Corporate Governance Code and Internal control and risk management policy. The Group's social objectives include: promotion of professional and personal growth of the Group's employees; ensuring the safety of the Group's employees, counterparties' employees and the population in the process of the Group's operations; promoting the social and economic development of the Group's regions of presence and the country as a whole; increasing the shareholder value of the Group and maintaining high standards in management; establishing an effective and transparent system of stakeholder engagement; introducing innovations and new technologies at all stages of the Group's operations.

The risk of violation of safety rules and occurrence of injuries is inherent in the industrial and construction segment of the Group. The Group has an integrated management system that meets the requirements of GOST R ISO 9001-2015, GOST R ISO 55048-2012, GOST R ISO 14001-2007, GOST 12.0.230-2007, GOST R 54934-2012/OHSAS 18001:2007 and combines the processes of occupational health and safety management, environmental protection, quality control, etc. This management system has passed both internal and independent audits and covers 100% of the Company's workers

Under Russian law, all companies must implement procedures ensuring compliance with occupational health and safety requirements, such as occupational, fire and electrical safety training programs, and provide its employees with occupational health and safety manuals. Each new employee at any of the Group's facilities receives induction training, including general occupational health and safety training at licensed training centers, workstation assessment methods, and fire and electrical safety training. The Group keeps written records of all training that takes place. In addition, each facility has a permanent committee that annually reviews occupational, industrial and electrical safety awareness and takes appropriate actions to improve safety at the workplace. Moreover, all Group's employees are provided with mandatory medical insurance and those exposed to hazardous or dangerous conditions are provided with mandatory social insurance against industrial injuries and occupational sickness.

In addition, the Group implemented a three-stage occupational health and safety management system in its industrial and construction segment. The system includes daily work monitoring by supervisors at construction sites at the first stage, weekly monitoring by division directors at the second stage, and monthly monitoring by the Group's chief specialists at the third stage. The Group also provides special trainings for employees responsible for occupational health and safety in each division.

The Company has an Occupational Health and Safety and Workplace Culture Commission which includes representatives of management and workers. The Commission monitors the state of occupational health and safety on a monthly basis and develops recommendations on eliminating the identified violations.

In 2020, the Group's total costs to ensure occupational safety and improve working conditions amounted to RUB 226.3 million, compared to RUB132 million in 2019 and RUB110 million in 2018.

In 2020, a special assessment of working conditions was performed in respect of 2,225 workplaces at the Group in accordance with Russian laws. Based on the results of the assessment, the following classes of working conditions at workplaces were determined: 14% of workplaces have acceptable working conditions, while 86% of workplaces have harmful working conditions.

In 2020, 2019 and 2018, the Group recorded 30, 34 and 24 accidents, respectively, including 1, 1 and 2 fatalities with the LTIFR equal to 0.28, 0.3 and 0.28, respectively.

In 2020, the Group implemented a wide range of measures aimed at preventing the spread of COVID-19 and maintaining the safety of employees. These measures included development of safety protocols and disinfection instructions in accordance with the recommendations of Russian Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing ("**Rospotrebnadzor**"). PIK-Industry's costs to prevent the spread of COVID-19 totaled RUB 185 million.

The Group was the first company in the industry to be awarded the ESG rating by RA Expert, which rating assesses the responsible business conduct in the environmental, social and economic spheres.

Environmental Matters

The Group is subject to various environmental laws and regulations which vary according to the location of its proposed developments, as well as the environmental conditions and present and former uses of such sites. The preliminary design specifications for each of the Group's developments must be approved by various federal, regional and local bodies, including by the relevant environmental authorities. Any environmental issues arising during the course of development are reported to the appropriate environmental authority. The Group also requires to carry out soil testing in order to obtain a construction permit.

In addition, each of the Group's manufacturing, production and processing facilities has received a set of documents regulating environmental issues related to the Group's production activities, including maximum permitted discharge values, estimated waste generation limits and production controls for regulated sanitary zones. The Group regularly monitors the environmental impact of its operations at each of these facilities. In 2020, no environmental incidents, including fires, were recorded at the Group's sites. The Group's quality control systems include environmental protection procedures, such as waste generation limits compliance controls with respect to each production unit, as well as water contamination, noise and air pollution controls in regulated sanitary zones. Each of the Group's facilities disposes of a certain budget to cover expenses related to scheduled and emergency actions taken to control any environmental damage. The Group's quality management system used to plan and implement projects is certified in accordance with ISO 9001. The Group's environmental management system has been developed in accordance with ISO standard 14001:2015 and is designed to minimize environmental damage and waste disposal expenses, save energy and materials, reduce the number of emergency incidences. The Group believes that it is in material compliance with all environmental laws and regulations to which it is subject.

In addition, the Group made the UN SDGs (clean water and sanitation, clean energy, sustainable cities and communities, responsible consumption) a part of its Environmental program. The Group seeks to minimize the adverse impact of the Group's activities on the environment, human habitat and production environment and efficient and prudent use of natural resources.

The Group seeks to minimize emissions, including through the use of modern gas treatment equipment. To control air quality, the Group's enterprises regularly monitor and control air pollution within the sanitary protection zone with the help of a certified laboratory.

In 2020, gross atmospheric emissions decreased to 197.23 metric tons compared to 200.8 in 2019 and 213.1 metric tons in 2018. This change was caused by a reduction in production capacity and equipment downtime, as well as closure (mothballing) of production facilities and sites.

The Group also strives to minimize its impact on water resources and focuses on improving water management systems and hydraulic facilities to preserve the quality of water bodies to which wastewater flows. The Group withdraws water from underground water bodies. In 2020, the total water withdrawal by the Group enterprises amounted to 817,360 cubic meters, which is 41% less compared to 2019. In 2020, 434,810 cubic meters of withdrawn water resources were used for production needs, while 382,550 cubic meters were used for drinking and household purposes, which amounted to 53% and 47% of the total water withdrawal respectively (45% and 55% in 2019).

In 2020, the amount of generated hazardous waste decreased by 23% to 0.04% of total waste generated compared to 0.05% in 2019 and 0.08% in 2018 due to gradual substitution of luminescent and mercury lamps. In 2020, the Group took measures to develop a system of separate collection and sorting of waste, as well as its primary processing. Primary goal is to recycle 100% of the household waste, whereas now only 10% is being recycled. The Group implements measures to stop using materials that could potentially have a negative effect. The Group's enterprises use fewer or no luminescent and mercury lamps and switch to other light sources (such as LED), which helps reduce the amount of hazardous waste that cannot be further treated. The most significant waste management initiative implemented in the reporting period was sending defective reinforced concrete for reuse. In 2020, the Group searched for partners to sell them defective reinforced concrete for its subsequent use in construction. The initiative resulted in significant savings for the Group on transportation of defective reinforced concrete to the landfill. As a result of implementing waste management measures, the Group is able to reduce the amount of waste sent to landfills. In 2020, the Group sent 9,921,46 metric tons of waste to landfills, which is 35% less than in the previous reporting period. The amount of waste sent for recycling in 2020 remained almost unchanged as compared to 2019 and amounted to 6,579,19 metric tons.

The Group also recognizes that rational use of energy resources is an important aspect of production operations and manages its energy consumption to improve energy efficiency. In 2020, the Group reduced the consumption of all energy resources compared to 2019.

The Group's expenses on environmental protection measures amounted to RUB5.9 million in 2020 compared to RUB2.7 million in 2019 and RUB1.5 million in 2018, which included environmental pollution payments (RUB4.1 million), analysis of industrial emissions in the air (RUB0.6 million), analysis of wastewater and groundwater (RUB1.1. million), monitoring of water bodies and their conservation zones (RUB0.1 million), measures to support the sand depositing site and repairs of treatment facilities (RUB0.1 million).

Corporate Social Responsibility

The Group implements its social responsibility through the constant improvement of its main product – residential complexes, as well as through social and charity projects. The Group's goal is to create conditions for comfortable living, safety, personal development, health care activities and improving the quality of life of local communities. The basis for achieving this goal is an open and constructive dialog with representatives of local communities: the Group focuses on collecting and considering feedback from residents. In addition, the Group supports socially vulnerable groups through charitable activities and its own volunteer projects.

In 2020, the Group commissioned 13 social infrastructure facilities including 9 pre-schools, two outpatient clinics and two schools.

The Group recognizes the importance of socially responsible business in the society and actively participates in charity and volunteer activities. The Group's employees actively participate in charity activities and strive to bring benefits to the society. Charity events and projects in 2020 included:

- *Dobroshrift (Font of Kindness) charity project:* In 2020, the Group again became a partner in the «Font of Kindness» project, aimed at drawing attention to the problem of children with cerebral palsy and helping them and their families. The project organizers, the Gift to an Angel Foundation and the creative agency

Smetana helped children with cerebral palsy create a special handwritten font, each letter of which was handwritten by children with this disorder. As part of the project, customers can visit the website dobroshrift.ru and make donations to the Gift to an Angel Foundation to support children with cerebral palsy and their families.

- *Assistance for children's homes*: as part of a charity volunteer project launched in 2019, in the reporting year the Group congratulated the pupils of two children's homes in Ivanovo on the beginning of a new school year. The Group's employees brought gifts for the children that will make their lessons more interesting and fun: stationery sets, notebooks, albums, paints, markers, printer paper, etc.

- *«We are Together» campaign*: during the pandemic, the Group's employees joined the campaign «We Are Together» uniting the whole country in the fight against COVID-19. Volunteers from the Group delivered food products to the elderly. In business units, employees arranged targeted assistance to elderly neighbors.

- *Charity cross-country skiing event:* in 2020, the Group's employees participated in 6,250 Charity Cross-Country Skiing event organized by the Life Line Foundation. The purpose of this event was to raise funds for the treatment of seriously ill children.

- *«Great Space Journey» event*: the Group's employees participated as volunteers in the event «Big Space Journey» organized by the Council of Young Specialists of the Moscow City Planning and Construction Complex. The event was aimed at helping children with disabilities whose parents work in the city construction industry.

- *Event held by VERA Hospice Charity Fund*: as part of the charity event, artists painted bright pictures on the theme of childhood that could be downloaded for a donation on the website. The funds raised were used to help terminally ill people, including little patients of the children's hospice «House with a Lighthouse».

Insurance

The Group maintains insurance policies with some of the leading Russian and foreign insurance companies including Sogaz and RSHB insurance. The Group maintains insurance against principal risks associated with the construction and assembly of buildings and implementation of development projects. The Group maintains such insurance cover with respect to several construction projects, from the time of construction commencement and until the project is commissioned. Each project is also insured against damage to construction vehicles and equipment and civil liability in connection with the building construction and assembly.

The Group also maintains property insurance covering its production facilities, warehouses and offices, as well as production and office equipment. The Group carries car fleet insurance against theft and damage for all of its vehicles, as well as third party car insurance as required by the Russian laws. The Group also carries insurance relating to the operation of hazardous industrial facilities as required under the Russian laws.

While the Group enters into insurance contracts with respect to what Group considers the principal risks associated with its business, such contracts do not cover all potential risks and losses that could affect the Group's operations. See ''*Factors–The Group's insurance coverage may not be sufficient to cover operational risks"*.

Employees

In 2020, the Group's headcount was 29,371 employees. In the reporting year, the turnover rate slightly fell compared to 2019 data and amounted to 20.24%. 57% of the Group's employees work in Moscow, 22% in the Moscow region and 21% in other regions of Russia.

The following table sets forth the number of the Group's employees in each of its business divisions as of 30 June 2021, 31 December 2020, 2019 and 2018.

	As of 31 December		
	2020	**2019**	**2018**
Development and real estate......................	4,259	2,584	3,665
Construction services	11,682	8,400	5,676
Construction and utilities maintenance......	6,315	4,987	
Industrial segment	7,115	8,639	6,951

Other activities	0	163	1,794
Total	29,371	24,773	18,086

As of 31 December 2020, 69% of the Group's employees were members of trade union organizations.

As of 31 December 2020, the collective labor agreements were signed with approximately 14 000 employees of the Group. Most collective bargaining agreements have been concluded for periods ranging from 2 to 3 years. In addition to the provisions of the Labor Code of the Russian Federation, such collective bargaining agreements generally provide employees with certain social benefits, such as vouchers for official holidays and subsidized recreation for the employees and their families. In addition, they envisage the Group's obligation to provide its workers with necessary occupational health and safety equipment including work clothing, work boots and personal protective equipment. The collective labor agreements apply to the industrial construction segment including PIK-Industry.

The Group implements corporate training programs, including courses and seminars related to teamwork, project management skills and software training. In addition, the Group reimburses employees for up to 80% of the cost of pre-approved non-sponsored training programs.

In addition, certain members of the Group also have trade-union organisations which are responsible for employees' rights protection.

Litigation

During the period under review, there have been no governmental, legal or arbitration proceedings against the Group (including pending or threatened of which it may be aware of), which may have, or have recently materially affected the Group's financial position or profitability.

REGULATION OF REAL ESTATE IN RUSSIA

Regulation of Real Estate

Definition of Real Property

Russian legislation defines real property as land plots, buildings and structures, unfinished constructions, and everything that is closely connected with land (i.e., objects that cannot be moved without disproportionate damage to their use). Russian federal real property 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 Federal Law "On State Registration of Real Property";
- the Federal Law "On Mortgages" (the "**Mortgage Law**");
- the Urban-Development Code of the Russian Federation (the "**Urban-Development Code**");
- the Housing Code of the Russian Federation;
- the Federal Law "On Cadastral Activities"; and
- the Federal Law "On Turnover of Agricultural Land".

The foregoing core legislation is also supplemented by the Federal Law "On Reclassification of Land or Land Plots", the Federal Law "On Environmental Expertise", the Federal Law "On Environmental Protection", the Water Code of the Russian Federation, the Forestry Code of the Russian Federation, the Federal law "On Insolvency (Bankruptcy)" and other federal and regional laws which contain provisions regulating real property in Russia.

Regional legislation should not contradict Russian federal law; in practice, however, certain aspects of Russian regional legislation may contradict federal law.

State Registration of Rights to Real Property

Since 1998, under Russian law, ownership rights to and certain transactions with real property require state registration in the Unified State Register of Real Property (the "**Register**"). The rights and the transactions that are subject to state registration in the Register include, but are not limited to, the following: the right of ownership to newly-built buildings and facilities, the right of ownership to land plots, transfer of title to real property through some sale and purchase transactions, mortgage agreements and land plot and building lease agreements for terms of over one year. Rights to real property and transactions therewith are registered by the department of the registration authority (i.e., Federal Service of State Registration, Land Register and Mapping (the "**Rosreestr**")) in the relevant territory where the property is located. Rights to real property that are subject to registration legally exist upon the relevant state registration. Absent state registration transactions with real property have no legal effect and rights to real properties are not deemed to be created for third parties relying on the Register in good faith.

Information about the Register is publicly available and can be utilized to confirm registered ownership rights. The Register contains important information about the registered property, including, among other things, a description of the real property, the owner's name and any registered encumbrances on the property. State registration is evidenced by a certificate of state registration (for rights registered before 15 July 2016) as well as a right confirming extract from the Register (for rights registered after 15 July 2016). Registered rights to the real property may be challenged in court if the grounds for provision of the ownership or other rights are invalidated.

Ownership or other rights that were acquired before 1998, prior to the requirement for state registration, are deemed valid without such registration. Therefore, the Register is not comprehensive, as ownership or other rights acquired before 1998 will most likely not be included in the Register. At the same time, ownership or other rights acquired before 1998 may be voluntarily registered at the discretion of the owner. In addition, such rights will be subject to obligatory state registration in some cases; for example, in the event that a transaction with respect to such rights is entered into.

With respect to buildings, state registration is usually only carried out with respect to the finished building. Although it is possible to register a building under construction as an unfinished construction, in practice this is cumbersome and very rarely happens, not least because subsequent state registration of the completed building is still required. In addition, registering an unfinished building is relatively new under Russian law and is therefore not widely done. Only when state registration is completed a building may be disposed of, mortgaged or leased for a term exceeding one year. Any transfer of ownership must also be registered to be effective.

The state registration must normally be completed by the authorities within 7 business days (if an application is filed with the Rosreestr) or 9 business days (if it is filed with a Multifunctional Center for the Provision of Public Services) of any properly documented application. If, however, registration authorities doubt whether grounds for such registration are present, the authorities may demand supplemental documentation or an amended application and suspend registration for three months (as a general rule). Such registration may be rejected in certain cases provided by law; in particular, if an application does not comply with the applicable requirements.

Under Russian law, state-owned land in the Russian Federation may be owned by federal, or regional authorities, whereas local lands may be owned by municipal authorities. Historically, such state-owned lands have not been registered in the name of any particular state authority. However, in 2001, the Russian Federation began a delineation process whereby such state-owned lands are to be registered in the name of a particular authority, either federal, regional or municipal. This delineation procedure has yet to be completed.

Ownership of Real Property

Russian law recognizes the right to own, to use and to dispose of real property, such as buildings and underlying land. Russian law makes an important legal distinction between land 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 foreigners may own land on the same terms as Russian individuals and legal entities, save for certain exceptions. The most notable exception is a prohibition on foreigners owning land near Russia’s borders and in certain other territories specified by federal law. In addition, Russian law prohibits foreign owners, 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 that records the details of land plots such as their measurements and boundaries, may be a subject matter under a sale and purchase agreement.

The Land Code and the Federal Law “On Privatisation of State-Owned and Municipally-Owned Property” establish the procedure for privatising both state- and municipally-owned land. The purchase of such land should generally be carried out by means of an auction or, in certain cases, without an auction at a price determined in accordance with applicable laws.

Under the Land Code, commercial legal entities may generally have one of the following rights with regard to land plots: (i) ownership right; or (ii) leasehold right. Legal entities may also have a right of free use for a fixed term or a private servitude. Public easements may be imposed and upheld by federal or local authorities. Russian law also provides for other types of rights to land such as a right of perpetual use and a right of free of charge temporary use, which may be granted in a limited number of cases. Generally, legal entities holding a right of perpetual use (excluding state and municipal agencies, certain state- and municipally-owned enterprises and certain other entities) were required to convert such right into a right of ownership or lease by 1 July 2012.

Although ownership rights to land plots are increasing, they remain relatively rare in most parts of Russia. The Moscow city government, for instance, owns the majority of the underlying land in Moscow, and owners of buildings typically enter into lease agreements with the Moscow city government. Most of the land earmarked for private development is currently held by investors who have acquired a lease from the relevant state or municipal authorities.

In general, everyone may own a building without any discriminatory restrictions, including foreign companies. An owner of a building is generally allowed to sell or lease it without any requirement to obtain state consent unless such sale falls within the remit of the Federal Anti-Monopoly Service (the "**FAS**"), in which case consent is required.

Under Russian law, the ownership of a facility, such as a building, can be separate from the ownership of the underlying land on which the facility stands. However, as a general rule, the owner of a building and the underlying land plot may not sell the building without the underlying land plot and vice versa. Moreover, the sale of a building automatically gives the purchaser a right to use the underlying land on the same conditions and to the same extent as the previous owner of a building. In such a case, the owner of a building may 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 land owner. In addition, the owner of a building located on another party's private land has a pre-emptive right to buy or lease such underlying land in accordance with procedures provided by law.

The Moscow law "On Land Use in the City of Moscow" No. 48 dated 19 December 2007, as amended, provides that as a general rule the only method of granting rights to land by the Moscow city government is by a grant of leasehold interests to such land (as opposed to a freehold interest). Pursuant to this law, leasehold rights to the land are considered as a predominant form of rights to the land in Moscow. In practice, developers generally become owners of the buildings/ facilities on the land in Moscow, but do not become owners of the land on which such buildings/facilities are located. At the same time, there is also private ownership to the land in Moscow, which, however, remains relatively rare. Russian and non-Russian persons and legal entities may acquire land held by federal, regional or municipal authorities for the development and construction of new buildings. The Land Code prohibits refusal by state or 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 thus are 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, etc. Any such refusal can be appealed in the Russian courts.

Russian law provides that private land or buildings may be expropriated for "state or municipal needs." The owner of expropriated real property is entitled to an advance notice together with payment of the full market value determined by agreement with the respective state or municipal authority or by decision of a court and compensation for any other losses suffered.

Leases

It is generally possible for anyone to lease land throughout Russia on terms which are regulated by the Civil Code and the Land Code. Russian legislation provides no general limit on the term of a lease. However, certain limits exist for specific types of leases or for leases of specific types of real property. For instance, a lease agreement with respect to a state or municipal land plot for development and reconstruction (unless otherwise provided by law) must be entered into for a term of 3 to 10 years; a lease agreement with respect to a state or municipal land plot underlying a building owned by the tenant may be for up to 49 years. Under the Civil Code, if a real property lease agreement does not stipulate a term, the lease is deemed to have been concluded for an indefinite period and may be terminated by either party subject to a three months' prior notice (unless the law or the lease agreement provide otherwise). Any lease agreement of real property, including land, for a term of one year or more must be registered in the Register.

As a default rule, the tenant, which has properly performed its obligations under a lease agreement, has a statutory pre-emptive right to renew a lease upon its expiry on the terms and conditions to be agreed upon between the parties. However, the tenant of state or municipal land plots needs to win an auction to obtain such right. As a general rule, the owner of a building has an exclusive right to lease or acquire the underlying state or municipal land plot.

Rental rates for private land are not restricted by law. Where, however, the land is owned by the state or a municipality, in practice, the rates may be unilaterally determined by the owner on an annual basis. The transfer of ownership of land will not change the terms of a lease granted over it.

Under the Civil Code, both the landlord and the tenant may terminate the lease agreement in a limited number of cases provided under the Civil Code (through a court procedure) or in cases set out in the lease agreement itself (through a court or out-of-court procedures). The Land Code provides for additional grounds for termination of a lease by the landlord, including, among other things, using the land in a way inconsistent with its category and permitted use and expropriation of the land for state or municipal needs. With respect to state or municipal land, the Land Code restricts a landlord's rights to early terminate a lease with a term of more than five years (the landlord may early terminate such lease only by way of court proceedings provided that the tenant commits a material breach of the terms and conditions of such lease agreement, unless otherwise provided by law).

Mortgages

Under Russian law, a mortgage is a form of security taken over real property to ensure due performance of a monetary obligation. A mortgage is generally granted with respect to ownership rights to real property but lease rights may be mortgaged as well. Mortgages are mainly regulated by the Civil Code and the Mortgage Law.

A mortgage must be registered with the Register and takes effect as of such registration. If the debtor defaults, the mortgagee can generally enforce the mortgage in a court or, provided that the parties have agreed so in the mortgage agreement, the agreement creating a mortgage by operation of law or in a mortgage certificate, as applicable, in an out-of-court procedure as well. A mortgage is generally enforced by sale of the mortgaged real property from an auction but a mortgage may also be enforced by a sale to third parties or repossession by the mortgagee if the parties so agree. In the event of bankruptcy, a mortgagee will have preferential rights over unsecured commercial creditors but will rank behind some other classes of creditors. See "*Description of Share Capital and Certain Requirements of Russian Law —Description of Share Capital—Distributions to Shareholders on Liquidation.*"

As a general rule, a mortgage of lease rights requires the landlord's consent. However, a mortgage of lease rights in relation to the land plot requires only a notification of the landlord, if a lease agreement does not provide otherwise.

Under the Mortgage Law, a mortgage granted over a land plot also extends to the buildings or structures located on such land plot and owned by the mortgagor. In addition, if a land plot is acquired using debt finance provided for the specific purpose of financing such acquisition, then such land plot is deemed to be mortgaged in favour of the lender upon registration of the ownership to the land plot by the borrower, unless otherwise provided by law or by agreement of the parties. Likewise, if buildings or structures located on a land plot are acquired or constructed using debt finance provided for the specific purpose of financing such acquisition or construction, then such land plot is deemed to be mortgaged in favour of the lender upon registration of the ownership to the buildings or structures by the borrower, unless otherwise provided by law or by agreement of the parties.

The Russian Government has historically been and remains supportive of the country's residential mortgage lending. For instance, in 2020, during the COVID-19 pandemic, the Russian government developed a programme of preferential mortgages with interest rates at 6.5% per annum. According to the Regulation No. 566 dated 23 April 2020 issued by the Government of the Russian Federation, the participating banks shall provide mortgages at a reduced rate for the purchase of primary housing in the amount of up to RUB 12 million in Moscow, the Moscow region, St. Petersburg and the Leningrad region, and in the amount of up to RUB 6 million in the other regions. Initially effective until 1 November 2020, the programme was initially extended until 1 July 2021 and recently declared by the Russian President Vladimir Putin to be subsequently extended until 1 July 2022 with interest rates increased to 7% per annum.

Liabilities of Persons Holding Rights to Land and Building

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 urban-development rules and regulations. The owner of a building generally bears all liabilities that may arise in connection with the building. Persons holding rights to land plots are required to use the land plot in accordance with its permitted use (i.e., as provided by zoning requirements), not cause harm to the environment, assume the liability and financial costs relating to compliance with various land use standards and not allow the pollution of, littering on or degradation of the land plot. Regional or local legislation, or an investment or lease contract entered into with the regional or local authorities, may also subject the owner of real property or the 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 certain expenses to the previous tenants of the land plot.

Construction and Development

General Provisions

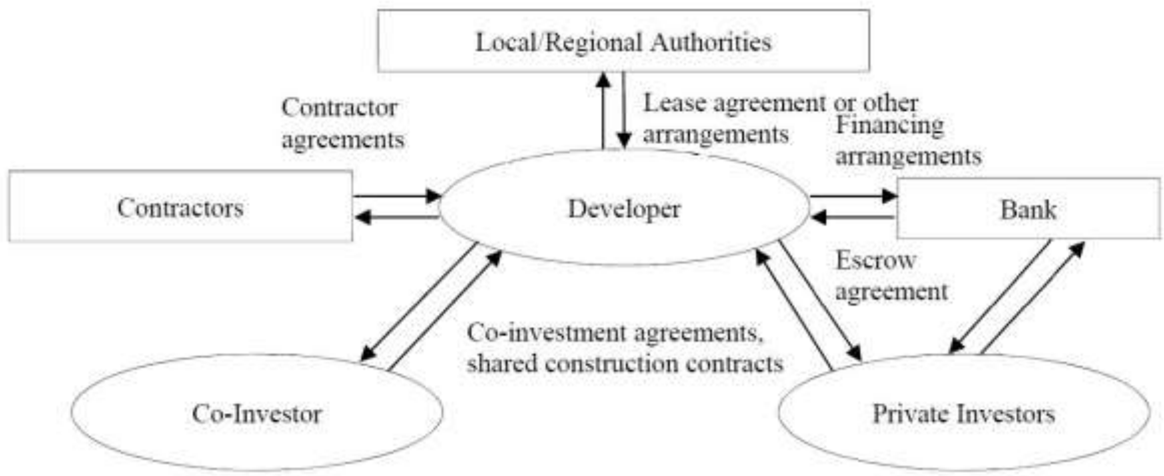
Construction and development in Russia is a complex multi-stage process, which involves compliance with many regulatory requirements, and obtaining authorizations from a large number of authorities at the federal, regional and local levels. Development in Russia is primarily governed by the Urban-Development Code of the Russian Federation (the "**Urban-Development Code**"), Civil Code, 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 stages required to carry out and complete a construction project include (i) approval of urban-development documentation, which defines the functional zoning and town-planning rules for the organisation and use of the territory, (ii) engineering research and preparation of the design documentation, (iii) expert examination and approval of the results of engineering research and the design documentation, and (iv) issuance of a construction permit. Such approvals must be obtained in the listed sequence. For example, design documentation is developed on the basis of the results of engineering research, while a construction permit can only be issued once the design documentation and the results of engineering research have been approved. In addition to the above basic approvals, a developer must have rights to the land in order to begin construction.

Licensing

A developer may perform engineering research, prepare design documentation, engage in construction, reconstruction, overhaul and demolition of capital construction projects if it is a member of a relevant self-regulated organization. In addition, other legal entities may perform such activities under a contract with a developer or a technical customer if they are members of a relevant self-regulated organization, unless otherwise provided by law. A technical customer is an entity authorised by the developer to, among other things, enter into contractual arrangement necessary for construction on behalf of the developer and must also be a member of a relevant self-regulated organization, unless otherwise provided by law. In addition, any construction activity on a particular development project may generally be performed only under the construction permit issued by the competent governmental bodies pursuant to agreed and approved project documentation.

Participants in the Construction Process

The construction process in Russia usually involves, among others, local or regional authority, a developer (investor), a contractor (including the general contractor and sub-contractors), co-investors, private investors and, following the recent amendments to the legislation on shared construction (*dolevoye stroitelstvo*), a bank. The chart below sets forth the structure of legal relations between such participants which is generally used in practice.



Stages of Construction

The main stages of the building construction process typically include the following:

- obtaining rights to the land plot and lifting encumbrances (if any) over the land plot;

- approval of town-planning documentation and changing the type of the permitted use of the land plot to allow for the development (if needed);
- conducting engineering research and preparing project documentation;
- obtaining approval of the results of engineering research and project documentation;
- obtaining a construction permit;
- performing construction works;
- obtaining a statement on conformity of construction with the applicable rules;
- conducting cadastral measurements and obtaining a technical plan;
- obtaining an operational permit; and
- cadastral registration and registration of title to the new building with the Register.

Some of these key stages are described in more detail below.

As a general rule, title to a building and premises inside the building is first conferred on the developer once the building is constructed. Furthermore, as a general rule, the owner of the building has an exclusive right to lease or acquire the underlying state or municipal land plot.

However, in case of shared construction, title to the premises is conferred directly on private investors. In addition, according to the Housing Code of the Russian Federation, owners of apartments are deemed joint owners of the land underlying the apartment building required for its use by operation of law.

Investment Contracts and Integrated Development of Territories

In the past, public authorities in the Moscow Metropolitan Area often entered into investment contracts with developers. Generally, an investment contract defines the principal terms of proposed construction of a property by the developer and formalises a development opportunity and the general approval by the governmental bodies of a specific development project. An investment contract typically provides for a certain "share of the city (region)" in the property to be constructed in exchange for rights to the land plot. However, over time the practice of entering into investment agreements has become rare.

In addition, since 30 December 2020, the Urban-Development Code provides for special regulation of the Integrated Development of Territories ("**IDT**"). Developers may obtain land plots in the course of IDT under the auction procedure set forth by the Urban-Development Code, which allows a developer to acquire a project on market terms, or initiate IDT within the land plots which they hold on an ownership or lease basis. The IDT is carried out by a developer based on an IDT agreement entered into with the authorised local government entity. The terms of an IDT agreement are generally set out by the Urban-Development Code.

Under the terms of IDT agreements, a developer is granted a land lease in respect of the target land plot primarily for the purpose of carrying out construction on the relevant land plot. Under an IDT agreement, a developer may be required to build certain objects of social infrastructure, such as schools and hospitals, ownership to which will be then transferred to the state or municipal authorities, or participate in the development and upgrade of city utility systems.

Obtaining Land Rights

A developer must have land rights in order to begin construction. Land in the Russian Federation is divided into the following specific categories depending on the designated purpose of such land: (i) agricultural land; (ii) settlement land; iii) industry, energetics, transport, communications, radio, television and information technology lands, lands for support of space activities, defence, security and other special-purpose lands; (iv) protected land; (v) forestry land; (vi) water front land; and (vii) reserve land. In addition, under the Urban-Development Code, the rules for land use and development determine, among other things, the type of the permitted use for each particular land plot. Normally, to carry out a commercial or residential development, property developers need to have the land plots (on which their buildings/structures are located) designated as settlement or industrial land. The use of each land plot shall comply with its category and the type of the permitted use.

The main procedures for changing the designated purpose of land are set forth in the Land Code and the Federal Law "On Reclassification of Land or Land Plots". The procedure for changing the type of permitted use is set forth in the Urban-Development Code.

As a general rule, land rights for development purposes may be obtained through a lease agreement or a sale and purchase agreement (either with respect to a land plot or a legal entity holding an ownership or a lease right with respect to a land plot) or other types of arrangements, such as agreements for the IDT. On the basis of a lease agreement, the land lease is granted for the purpose of carrying out the construction as well as exploitation of the constructed property on the relevant land plot. State and municipal land leases for residential construction should generally be granted by an auction. As an exception, among other things, state or municipal land lease may in certain cases be granted to the developer without an auction to complete an unfinished construction located on such land.

In December 2019, the Moscow authorities adopted the Resolution No. 1874-ПП "On measures concerning construction of investment projects aimed at creation of work places within the territory of the city of Moscow" (the "**Resolution 1874**"). The homebuilders can pursue certain exemptions of lease payments if they satisfy conditions and threshold laid down in the Resolution 1874.

Construction Permit

Construction on an allocated land plot may only be carried out after obtaining a construction permit either by the owner or by the tenant of the land plot. The construction permit is a final construction approval which entitles the developer to commence construction on the land plot and, therefore, such permit needs to be obtained before construction commences. 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 unauthorized constructions. Obtaining a construction permit is a multistage process, which includes, among other things, obtaining approvals from and registering the project documentation with a number of governmental bodies including architectural and urban development agencies, environmental management and protection agencies and governmental bodies that oversee public health issues. The construction permit is issued for no more than three years 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; in particular, in the event of a material breach of project documentation, building and architectural rules and regulations and/or on other grounds.

Operating Permit

Upon completion of construction, the building must be approved by the representatives of various authorities, developer, executive authorities, contractors, construction designers, operating organization, public health authorities, state fire supervision services, architectural and urban development agencies, environmental management and protection agencies and other state authorities. When such approval is granted and an operating permit is issued, then the final measurement of the premises for the purposes of state registration is completed and the rights to the completed property, including the rights of the private investors who financed the construction, may be registered with the Register.

Residential Construction

Key Features

Until the early 1990s, most apartments in the Russian Federation were state or municipally owned. However, since that time many apartments have been privatized or constructed by investors, and are now in private ownership. Generally, a land plot for residential construction may be granted only by auction. Once the lease agreement is executed or if there is an existing lease agreement, the developer must prepare the permitting documentation for construction, which consists of applications for various approvals and permits from various federal and local authorities, including environmental, architectural, land, sanitary, geological and other authorities. Project documentation for residential construction is subject to expert examination and approval by an authorised expert agency or a competent state authority or institution.

In order to obtain the operational permit, the developer should, upon completion of construction, file an application with the state authority that issued the construction permit and present the documents confirming that the development has complied with the construction permit and project documentation.

The operational permit along with the technical plan reflecting the measurements of the building by a cadastral engineer and certain other documents serve as the basis for the state registration of the ownership rights to the constructed building and its cadastral registration with the Register.

In most cases, rights of individuals to apartments in the constructed building arise at the moment of the state registration on the Register. Upon such registration, the owner of an apartment additionally receives the right to a share in the ownership of the common areas of the building, including halls, stairs and elevators, as well as electric and engineering equipment located outside or inside the apartment that is used by more than one apartment.

Financing and Sale

Residential construction may be financed both by funds provided by the developer and third parties. Funds may be raised, among other ways, through borrowing or direct investment in the construction by outside investors. Raising funds from future owners of apartments at various stages of construction has been one of the principal ways of financing residential construction in Russia. In the majority of development projects in the past nearly all apartments were sold in advance immediately after the beginning of the construction process by means of execution of co-investment contracts, contracts on shared participation in the construction or joint activity contracts with private investors. This process led to contradictory results in court and offered little protection to private investors from unscrupulous developers.

This type of financing is regulated by the Federal Law “On Participation in Shared Construction of Apartment Houses and Other Real Estate Facilities” No. 214-FZ that took effect on 1 April 2005 (the ”**Shared Construction Law**”). The Shared Construction Law prohibits the developers from raising funds prior to (i) obtaining a construction permit, (ii) publishing a project declaration (summary information on the developer and its project), and (iii) having registered its rights to the land plot intended for construction.

Shared Construction

In recent years, the legislation on shared construction was significantly amended by Federal Laws Nos. 218-FZ, 175-FZ, 478-FZ, 151-FZ, 153-FZ and 202-FZ. The main purpose of such amendments is to ensure the protection of rights of shared construction participants. The key mechanisms proposed for the above purpose include:

- new construction financing model (escrow accounts);
- new requirements for developers (as well as for shareholders and beneficiaries of developers);
- use of the unified publicly available informational system for transparency and control over the construction process; and
- simplification of certain procedures in the field of shared construction.

Financing model

Since 1 July 2019, under the Shared Construction Law, developers that sell properties using shared construction agreements, as a general rule and subject to certain temporary provisions, are required to keep funds received from their customers in escrow accounts. The developer has no access to these funds until the relevant construction project is commissioned. Until such commissioning, the developer is expected to fund construction from own or borrowed funds (project financing) from the bank where customers’ escrow accounts are opened.

As an exception, a developer may in certain cases avoid using the escrow account model, provided that the developer makes contributions to the special compensation fund for the protection of private investors, which is used for paying compensation to private investors in the event of the developer's bankruptcy and for financing the completion of unfinished construction.

The Shared Construction Law also requires shared construction contracts to be registered with the Rosreestr and developers to be registered with the Unified Register of Developers. Under the Shared Construction Law, private investors funds are secured against the developer's default by mortgage over the project under construction and the underlying land plot (or the lease to such land plot), and individual investors are entitled to an increased level of statutory interest payable by the developer in default on sums owing.

The Shared Construction Law and other legislative acts relating to shared construction projects have been subject to a number of significant amendments with a view to further protecting private investors. Among others, the following requirements are applicable to developers:

- a developer must have the following experience to be able to engage in construction projects: it (or its parent or any subsidiary of such parent) should have engaged for not less than three years in the construction of residential buildings totalling at least 5,000 square meters as a developer and/or a technical customer and/or a general contractor, provided requisite operational permits with respect to the relevant buildings have been obtained;

- a developer's own funds, calculated in accordance with a procedure adopted by the Government, shall constitute at least 10% of the estimated cost of the construction under the project declaration (the "**Estimated Cost of Construction**");

- a developer shall hold an amount of at least 10% of the Estimated Cost of Construction at a bank authorised by the CBR or have a credit facility with a bank authorised by the CBR for an amount of at least 40% of the Estimated Cost of Construction at the time of the filing of the project declaration with the competent authorities;

- a developer shall not have any outstanding debt obligations other than those related to the funding of the project under the relevant construction permit or permits;

- a developer shall not issue any securities other than shares;

- a developer's obligations, other than those related to the raising of funds under shared construction contracts and to the construction under the relevant construction permit or permits, shall not exceed 1% of the Estimated Cost of Construction at the time of the filing of the project declaration with the competent authorities;

- a developer shall not secure third parties' obligations and developer's assets shall not be used as security for any third parties' obligations or for the developer's obligations, other than those related to the raising of funds under shared construction contracts and to the construction under the relevant construction permit or permits;

- a person acting as a CEO, member of a management board, or a chief accountant of a developer, as well as a person controlling more than 5% of the charter capital of a developer, should comply with certain requirements;

- a developer shall obtain a certificate confirming the compliance of the developer and the project declaration with the Shared Construction Law from the competent authority;

- a developer shall have a single bank account opened at a bank authorised by the CBR, with operations with respect to this bank account being subject to strict regulations (in particular, the funds on such accounts may only be used for the purposes set out by applicable law, and developers must submit supporting documents to the bank); and

- a developer has no restrictions on its legal capacity (in particular, a developer is not bankrupt; a developer is not included in the registers of unfair suppliers or unfair auction participants, etc.).

Information disclosure

In order to ensure open access to information relating to shared construction, the recent amendments to the Shared Construction Law provide for creation of the Unified Information System for Housing Construction ("**UISHC**"), which also includes the Unified Register of Developers. Information in the UISHC is posted on the DOM.RF website (https://наш.дом.рф), which has public and non-public sections. The non-public section may be accessed, in particular, by developers and state authorities.

Starting from 1 January 2018, developers are obliged to disclose, in particular, the following information and documents: construction permits, documents confirming rights to the land plots, project declaration etc. The developers are also obliged to disclose certain financial and accounting information (including annual and quarterly accounting reports), as well as photos of the construction site (on a monthly basis), indicating the progress in construction.

Real property taxation

Corporate Property Tax

The property tax for organizations is established by the Tax Code of the Russian Federation (the "**Tax Code**"). Entities subject to the tax are Russian legal entities and foreign organizations carrying out business activities through permanent establishments in Russia and (or) owning immovable property in the Russian Federation. The tax rate is established by regional authorities, but may not be higher than 2.2%. As of the date of this prospectus, the tax rate in most major regions, including the city of Moscow, is 2.2%. The tax base generally is calculated based on the depreciated book value of the assets as of the balance sheet date. For certain types of administrative, business, and trading premises, real estate owned by foreign companies and not allocated to a permanent establishment in Russia, and certain other premises, the tax base is the cadastral value of the real estate, and the tax rate for the property cannot exceed 2%.

In general, the taxable base comprises immovable properties. However, land and some other non-productive types of immovable property assets are specifically excluded. The tax period is a calendar year. Nevertheless, advance tax payments must be calculated and paid based on the results of each calendar quarter.

Land Tax

The land tax is also established by the Tax Code. Those subject to the tax include individuals and legal entities possessing land plots by rights of ownership, permanent use and lifetime inheritable possession. The tax rate is established by the local Russian authorities (e.g., in Moscow, by the city governments), but may not be higher than (i) 0.3% for land plots categorized as land for agricultural use, land under housing facilities and engineering infrastructure, land in private farm holding and land in limited circulation; and (ii) 1.5% for other land plots. The land tax is calculated based on the cadastral value of the land plot. For legal entities, the tax period for land tax is a calendar year, but the taxpayers should make advance tax payments on a calendar quarterly basis.

Land Rent

The rules for determining the amount and the order of rent payments for land owned by the Russian Federation, Russian regions or municipalities are imposed by the relevant public authority, for example, the Government Decree No. 582 dated 16 July 2009 "On the basic principles of determining the rent under the lease of land in state or municipal property". In addition, local authorities are empowered to require payment of a separate fee by the lessee for the right to conclude a lease agreement.

Health and Safety Regulations

Due to the nature of some segments of the Group's business, some of its activities are conducted at industrial sites by a substantial number of workers, and occupational and industrial safety issues are of significant importance to the operation of these sites.

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 to industrial facilities, plants, sites and production units, as well as to other industrial venues where companies undertake certain activities, including activities related to the extraction, usage, processing, production, storage, transportation or disposal of fuels and oxidising, flammable, explosive, toxic and environmentally dangerous substances, as well as to the usage of equipment operating under excess pressure, the usage of lifting machines, the production, transportation and usage of the molten mass of ferrous and non-ferrous metals, or alloys of ferrous and non-ferrous metals, and to conducting certain types of mining and minerals processing activities. The Safety Law also contains a list of dangerous substances, and, in the event of concentration of these dangerous substances at the industrial facility or any other industrial object at levels in excess of the applicable statutory thresholds, a company is obliged to adopt an industrial safety declaration.

Dangerous industrial facilities under the Safety Law are divided into four categories based on the level of hazard that varies from level one (extremely dangerous industrial sites) to level four (least dangerous industrial sites) depending on the amount of hazardous substances which are, or could potentially be, simultaneously located on the premises of the dangerous industrial facility (save for certain industrial facilities which are assigned a hazard category based on the level of hazard of the machinery used, and (or) the nature of works conducted, at such facility). Dangerous industrial facilities are classified at the time of their state registration with the state register of dangerous industrial facilities. Such registration is conducted by the Federal Service for Ecological, Technological and Nuclear Supervision ("**Rostekhnadzor**") and some other federal services in accordance with the rules adopted by the Russian Government. For the purposes of state registration, companies are to file the information regarding the facilities with the relevant authority within 10 days after they start to operate the facility.

Any construction, reconstruction, liquidation or other activity in relation to regulated industrial facilities is subject to an industrial safety review. Any deviation from project documentation in the process of construction, reconstruction and liquidation of industrial sites is prohibited, unless the amended documentation undergoes an industrial safety examination, and the respective examination is registered with the competent bodies of Rostekhnadzor.

Maintenance of Industrial Safety

Companies that operate hazardous industrial sites have a wide range of obligations under the Safety Law and the Labour Code of the Russian Federation No. 197-FZ dated 30 December 2001, as amended (the "**Labour Code**"). In particular, they must limit access to such sites to qualified specialists, maintain industrial safety controls and carry mandatory civil liability insurance for damage resulting from accidents or incidents which have occurred as a result of emergency at a hazardous industrial facility.

The Safety Law also requires these companies to enter into contracts with professional accident-rescue service companies or create their own accident-rescue units in certain cases, conduct personnel training programmes, create systems to cope with and inform Rostekhnadzor of accidents and maintain these systems in good working order. In certain cases, companies operating hazardous industrial sites must also prepare declarations of industrial safety that summarise the risks associated with operating such sites and the measures that the company has taken and will take to mitigate such risks. Such declarations must be adopted by the chief executive officer of the company, who is personally responsible for the completeness and accuracy of the data contained therein. Declarations of industrial safety are filed with Rostekhnadzor or its territorial body for further submission to the register of declarations of industrial safety. An industrial safety declaration and various other documents, including an industrial safety expert review, are required for the issuance of a licence permitting the operation of a dangerous industrial facility (in cases when such license is required).

State Oversight of Industrial Safety

Rostekhnadzor has broad authority in the area of industrial safety. In the event of an accident, a special commission led by a representative of Rostekhnadzor conducts a technical investigation of the causes of the accidents in cases envisaged by the Safety Law. The company operating the industrial facility where the accident took place bears all costs of such investigation. Rostekhnadzor has the right to access industrial sites and may inspect documents to ensure a company's compliance with safety rules. Rostekhnadzor may also impose administrative liability on a company or its officials, as well as suspend a company's operations for failure to comply with health and occupational and industrial safety legislation.

Liability

Any company or individual violating industrial safety rules may incur administrative and/or civil liability, and individuals may also incur criminal liability. A company that violates safety requirements in a way that negatively impacts the health of an individual may also be liable to compensate the individual for lost earnings and health-related damages, and, in certain cases, its activity may be suspended.

Regulation of Competition

The antimonopoly regulation of the Russian Federation is based primarily on Federal Law No. 135-FZ "On Protection of Competition" dated 26 July 2006, as amended (the "**Competition Law**"), and other federal laws and regulations governing antimonopoly issues. Compliance with antimonopoly legislation in the Russian Federation is monitored by the FAS.

Under the current Russian competition law, companies having a dominant position in a particular goods market are prohibited from, among other things, entering into agreements which have the effect of limiting competition, including artificially limiting the supply of goods, maintaining high or low monopolistic prices and arbitrarily refusing to sell goods to third parties. Under recent amendments to the Competition Law, the FAS no longer keeps a register of companies which have more than a 35% share or a dominant position in a particular goods market. Therefore, a company will be deemed to have a dominant position if the criteria set forth by the Competition Law are met (generally, if its share exceeds 50%, although, in some circumstances, its market share may be below 35%).

Prior antimonopoly clearance from the FAS is required in respect of any acquisition of: (i) more than 25% of the voting shares in a Russian joint stock company (or a one-third interest in a Russian limited liability company) and any subsequent increase of that stake to more than 50% or more than 75% of the voting shares (or a one-half and two-third interest in a Russian limited liability company); (ii) subject to certain exceptions, fixed production assets or goodwill of a company located in Russia in an amount exceeding 20% of the aggregate balance sheet value of all fixed production assets and goodwill of such company; (iii) the right to control the business activities of another Russian company or perform the functions of its executive body; or (iv) more than 50% of the voting shares (or a 50% interest) in, or other right to control the business activities or perform the functions of the executive body of, a company registered outside Russia, which, during the previous year, delivered or provided goods or services into Russia for an aggregate total amount exceeding RUB1 billion (approximately U.S.$13 million). Certain other transactions are also subject to a prior antimonopoly clearance from the FAS.

Any of the above acquisition transactions would require prior approval by the FAS if, according to the latest balance sheet: (i) the aggregate asset value of a purchaser (and its group) together with the target (and its group) exceeds RUB7 billion (approximately U.S.$96 million), or the total revenues of such persons for the preceding calendar year exceed RUB10 billion (approximately U.S.$137 million); and (ii) the total asset value of the target (and its group) exceeds RUB400 million (approximately U.S.$5.5 million). The obligation to obtain a prior approval by the FAS due to appearance of either a target or a purchaser on the register maintained by the FAS was abolished under the recent amendments to the Competition Law. Transactions within the same group are exempt from pre-transactional clearance by the FAS, subject to compliance with certain reporting requirements.

The Competition Law expressly provides for extraterritorial application to transactions which are made outside of the Russian Federation but lead, or may lead, to the restriction of competition in the Russian Federation and which relate to assets located in the Russian Federation or to shares (or participation interests) in Russian companies or rights in relation to such companies.

Under the Competition Law, if an acquirer has acted in violation of the merger control rules and acquired, for example, shares without obtaining the prior approval of the FAS, the transaction may be invalidated by a court in proceedings initiated by the FAS, provided that such transaction has led or may lead to the restriction of competition, for example, by means of strengthening of a dominant position in the relevant market. More generally, Russian legislation provides for civil, administrative and criminal liability for the violation of antimonopoly legislation.

Employment and Labour

The Labour Code is the key law in Russia which governs labour matters. In addition to this core legislation, various federal laws, such as the Law dated 19 April 1991 "On Employment of Population in the Russian Federation" No. 1032-1, as amended, regulate relationships between employers and employees.

Employment contracts

As a general rule, employers must conclude employment contracts for an indefinite term with all employees. Russian labour legislation expressly limits the possibility of entering into fixed term employment contracts. Employers and employees may only enter into an employment contract for a fixed term of up to five years in a limited number of cases where it is not possible to establish labour relations for an indefinite term due to the nature of the duties or the conditions of the performance of such duties, as well as in some other cases expressly identified by federal law.

In certain cases specifically provided for by the Labour Code the employer is obliged to enter into a fixed term employment contract. A fixed term employment contract must be entered into, *inter alia*, with an employee employed to:

- perform the job duties of another employee for the period of his/her temporary leave of absence;
- work abroad (i.e., if the employee is sent by his/her Russian employer to work outside Russia); and
- perform work outside the scope of the employer's ordinary activity (reconstruction, erection/installation, start-up work and other work) and work specifically related to a temporary (up to one year) extension of production or scope of services provided.

In certain other cases provided for by the Labour Code the employer may, but is not obliged to, enter into a fixed term employment contract subject to the parties' mutual agreement. In particular, a fixed term employment contract may be entered into, *inter alia*, with:

- the company's chief executive officer, his/her deputies, and the chief accountant;
- old-age retirees and persons who are only allowed temporary work in accordance with a medical certificate;
- persons hired by companies located in the Far North areas, or in areas qualifying as such, if this involves relocating to the place of employment; and
- secondary employees.

An employer may terminate an employment contract only on the basis of the specific grounds stated in the Labour Code, including, among others:

- the liquidation of the company or downsizing of its staff;
- the failure of the employee to comply with the position's requirements due to incompetence as confirmed by the results of an evaluation;
- the systematic failure of the employee to fulfil his or her job duties if he or she was subject to disciplinary measures;
- a single gross violation by the employee of his or her job duties in the events expressly specified in the Labour Code; and
- the provision by the employee of false documents upon entering into the employment contract.

Regardless of the grounds for employment termination, on the employee's last day of work (which is the date of employment termination) the employer must pay the employee his/her salary, compensation for unused vacation and other outstanding payments (such as bonuses).

Depending on the grounds for employment termination and provisions of the employment contract, the employee may also be entitled to a severance payment. The severance payment amount depends on the grounds for employment termination. For example, as a general rule, an employee dismissed due to a reduction of personnel (downsizing) or the company's liquidation is entitled to the following severance payments: (i) one month's average salary; plus (ii) an average month's salary payable for the second month following the employment termination date; plus (iii) an additional average month's salary if the employee applies for jobs with the local employment service within two weeks of the employment termination date and is not offered a new job within three months of the redundancy/liquidation.

The Labour Code also provides protection against dismissal at the employer's initiative for specified categories of employees. For example, except in limited circumstances, an employer cannot dismiss expectant mothers, mothers with a child under the age of three, single mothers caring for a child under the age of 14 (or for a disabled child under the age of 18) or other persons caring for a child under the age of 14 (or for a disabled child under the age of 18) without a mother.

Any employment termination that is inconsistent with the Labour Code requirements may be invalidated by a court which may require the employer to reinstate such employee. Lawsuits resulting in the reinstatement of illegally dismissed employees and the payment of damages for wrongful dismissal are increasingly frequent and Russian courts tend to support employees' rights in most cases. Where a court reinstates an employee, the employer must compensate the employee for unpaid salary for the period between the wrongful termination and reinstatement, for any mental distress and the employee's legal and other expenses incurred as a result of the litigation.

Additionally, the Labour Code provides an employee with certain minimum rights, which an employer may extend by an employment contract, including the right to a working environment that complies with health and safety requirements, the right to receive a salary on a timely basis and the right to participate in the management of the company, whether directly or through an authorised party, including in connection with the approval of any collective agreements, resolution of labour disputes or electing representatives to the employer's labour disputes committee (if applicable).

Work time

The Labour Code generally sets the regular working week at 40 hours. In general, an employer must compensate an employee for any time worked beyond 40 hours per week, as well as work on public holidays and weekends, at a higher rate or with additional days of paid vacation.

Annual paid vacation leave under the law is generally 28 calendar days. Employees who perform underground and open-pit mining works or other work in harmful conditions may be entitled to additional paid vacation. The duration of additional annual paid vacation provided to such employees is determined based on the provisions of an industrial agreement or a collective bargaining agreement and cannot be less than 7 calendar days.

Prior to 1 January 2019, the retirement age in Russia comprised 60 years for men and 55 years for women. Starting from 1 January 2019, the retirement age in Russia will be gradually raised to 65 for men and 60 for women by 2028.

At the same time, the retirement age thresholds applicable to certain categories of individuals have remained unchanged following the reform discussed above. In particular, the retirement ages of males who have worked in arduous working conditions for at least 12 years and six months and whose length of pensionable service is not less than 25 years is 55 years. The retirement age of females who have worked in arduous working conditions for at least 10 years and whose length of pensionable service is not less than 20 years is 50 years. In the case of work involving underground operations, hazardous conditions or hot workshops, the retirement age is 50 years for males who have worked in such conditions for at least 10 years and whose length of pensionable service is not less than 20 years, and 45 years for females who have worked in such conditions for at least 7 years and six months, provided that their length of pensionable service is not less than 15 years. Persons who have worked as miners in open-pit mines or underground mines for at least 25 years, and, in specified circumstances, for at least 20 years, may also retire, regardless of age.

Salary

The minimum monthly salary in Russia is established by federal law from time to time. Starting from 1 January 2021, the minimum monthly salary is set at the amount of RUB12,792 (approximately U.S.$170 as at the date of the Prospectus). The salaries of the Group's employees are higher than the statutory minimum in the relevant regions and none are below such minimum.

Employees working in localities with abnormal climatic conditions are entitled to regional quotient salary increase and percentage salary increase related to the duration of work in such conditions. The respective quotients are generally aimed at compensating for unfavourable climatic or other conditions in particular regions.

Strikes

The Labour Code defines a strike as the temporary and voluntary refusal of employees to fulfil their work duties with the intention of settling a collective labour dispute. Russian legislation contains several requirements which must be met for strikes to be legal. An employer may not use an employee's participation in a legal strike as grounds for terminating an employment contract, although Russian law generally does not require employers to pay salaries to striking employees for the duration of the strike. Furthermore, an employee's participation in an illegal strike may entail the imposition of a disciplinary penalty for labour misconduct.

Trade unions

Trade unions are defined by the Federal Law dated 12 January 1996 No. 10-FZ "On Trade Unions, Their Rights and Guaranties of Their Activity", as amended (the "**Trade Union Law**"), as voluntary unions of individuals with common professional interests which are created for the purposes of representing and protecting social and labour rights and interests of their members. Russian law also permits national trade union associations, which coordinate activities of trade unions throughout Russia.

Although Russian labour regulations have curtailed the authority of trade unions, they still retain significant influence over employees and, as such, may affect the operations of large industrial companies in Russia. The Group's management routinely interacts with trade unions in order to ensure the appropriate treatment of its employees and the stability of the Group's business.

The activities of trade unions are generally governed by the Trade Union Law and applicable legal acts including the Labour Code.

As part of their activities, trade unions may:

- negotiate and enter into collective bargaining agreements between employees and employers, conduct collective bargaining and enter into agreements on behalf of employees on a federal, industrial or territorial level;

- monitor compliance with labour laws, collective bargaining and other agreements;

- access work sites and offices, and request information relating to labour issues from the management of companies and state and municipal authorities;

- represent their members and other employees in individual and collective labour disputes with employers;

- participate in strikes, meetings to protect social and labour rights of employees; and

- monitor the redundancy of employees and seek action by municipal authorities to delay or suspend mass redundancies.

Russian laws require that companies cooperate with trade unions and do not interfere with their activities. Trade unions and their managers and members enjoy certain guarantees as well, such as:

- members of a trade union enjoy protection from dismissal due to redundancy, failure to pass the evaluation and repeated failure, without justification, to perform their duties. The employer must obtain the trade union's substantiated opinion and consider it in order to dismiss the trade union's members based on the listed grounds for termination of employment;

- dismissal of a manager of a trade union due to redundancy or failure to pass an appraisal requires the consent of the relevant supreme elected trade union body. Dismissal of a manager of a trade union due to repeated failure, without justification, to perform his/her duties requires a substantiated opinion of the relevant supreme elected trade union body;

- employees who stop working due to their election to the management of a trade union retain their job position;

- employees who previously served in the management of a trade union are protected against dismissal at the employer's initiative for two years after the termination of the office term (such protection does not apply to employment termination due to the company's liquidation or dismissal due to the employee's misconduct); and

- the employer must provide a trade union with necessary equipment, premises and transportation vehicles, in accordance with a collective bargaining or other agreement.

If a trade union discovers any violation of work conditions requirements, notification is sent to the employer with a request to cure the violation and to suspend work if there is an immediate threat to the lives or health of employees.

The trade union may receive information on social and labour issues from an employer (or employers' unions) and state and local authorities, as well as cooperate with state authorities for the purposes of supervision of compliance with Russian labour laws. Trade unions may also initiate collective labour disputes, which may lead to strikes.

To initiate a collective labour dispute, trade unions must present their demands to the employer. The employer is then obliged to consider the demands and notify the trade union of its decision. If the dispute remains unresolved, a reconciliation commission attempts to end the dispute. If this proves unsuccessful, collective labour disputes are generally referred to mediation or labour arbitration.

The Trade Union Law provides that those who violate the rights and guarantees of trade unions and their officers may be subject to disciplinary, administrative and criminal liability. Although neither the Russian Code on Administrative Offences No. 195-FZ dated 30 December 2001, as amended, nor the Russian Criminal Code No. 63-FZ dated 13 June 1996, as amended, currently has provisions specifically relating to these violations, general provisions and sanctions may be applicable.

RELATED PARTY TRANSACTIONS

The following is a summary of the Group's most significant transactions with related parties for six months ended 30 June 2021 and 2020 and for the years ended 31 December 2020, 2019 and 2018. For further details of these and other transactions, see Note 28 to the Consolidated Interim Condensed Financial Statements, Note 33 to the Annual Financial Statements.

According to IFRS, parties are considered to be related if one party has the ability to control the other party, is under common control with, or exercises significant influence over, the other party's financial or operational decisions, as defined by International Accounting Standard 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties are considered to include the ultimate beneficiary, affiliates and entities under common ownership and control of the same principal ultimate beneficiary. The Group, in the ordinary course of their business, enters into various sales, purchases and service transactions with related parties.

The Group believes that these transactions will continue in the foreseeable future.

Transactions with Related Parties

The following table sets forth the outstanding balances with related parties in the six months ended 30 June 2021 and 2020 and the years ended 31 December 2020, 2019 and 2018.

	For the six months ended 30 June		For the year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
			(in RUB million)		
Advances issued	467	289	1,817	933	99
Loans issued	1,286	705	17	12	-
Accounts receivable	56	10	13	9	339
Advances received	(49)	(3)	-	(3)	(14)
Accounts payable	(267)	(271)	(69)	(13)	(372)
Total	**1,493**	**730**	**1,778**	**938**	**52**

In 2020, executive directors of the Company purchased residential apartments in uncompleted buildings for the total amount of RUB 10 million compared to RUB 18 million in uncompleted buildings and RUB 35 million in completed buildings in 2019.

In 2020, the Group made a contribution to the authorised capital of an associated company in the amount of RUB 300 million. In 2019, there were no contributions to the authorised capital of associated companies.

Key management remuneration

The following table sets forth key management remuneration accrued in the six months ended 30 June 2021 and 2020 and the years ended 31 December 2020, 2019 and 2018.

	For the six months ended 30 June		For the year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
			(in RUB million)		
Salary and bonuses	1,084	497	1,043	1,952	1,524
Insurance premium	193	83	201	325	248
Total	**1,277**	**580**	**1,244**	**2,277**	**1,772**

Compensation of members of the Board of Directors, thousand RUB

	2018	**2019**	**2020**
Compensation for participating in the work of the management body	17,121.7	17,113.8	18,667.8
Salary	-	42,807.5	54,286.4
Bonus	-	-	-
Commission	-	-	-

	2018	2019	2020
Other types of compensation	-	-	-
TOTAL	**17,121.7**	**59,921.3**	**72,954.2**

Compensation of members of the collegial executive body, thousand RUB

	2018	2019	2020
Compensation for participating in the work of the management body	140,566.6	-	-
Salary	1,049,877	127,657.7	115,071
Bonus	-	523,850,6	349,000
Commission	-	-	-
Other types of compensation	-	25,312.2	78,608
TOTAL	**1,190,443.6**	**676,820.5**	**542,679**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

No share-based payments and accruals were made and no other long-term employee benefits were provided in the reporting periods.

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 forth information regarding the ownership of the Company's Ordinary Shares as at 30 June 2021:

Owner	Number of Ordinary Shares	Percentage of Ordinary Shares
Benolita Holdings Ltd.(1)(2)(3)	173,908,951	26.33%
MC LLC Ledamen(1)	100,065,348	15.15%
Siridica Limited(1)	117,898,776	17.85%
VTB Bank (PJSC)(4)	152,212,827	23.05%
Free float	116,411,442	17.62%
Total	**660,497,344**	**100%**

(1) Indirectly fully owned by Mr. Gordeev.

(2) As at 30 June 2021, (i) 75,922,517 Ordinary Shares were legally and beneficially held by Benolita; and (ii) 97,986,434 Ordinary Shares were the subject of the repo arrangements entered into by Benolita with various third parties under which legal title to such Ordinary Shares was transferred to the third parties but Benolita retained voting rights with respect to such Ordinary Shares and had a contractual right call for the repurchase of such Ordinary Shares.

(3) On 23 September 2021, the Selling Subsidiary entered into the Securities Loan Agreement with Benolita, pursuant to which the Selling Subsidiary borrowed the Borrowed Shares from Benolita for the purpose of the Offering. The Selling Subsidiary will sell approximately 27 million Borrowed Shares in the Offering and will use up to RUB11,600 million of the gross proceeds from the Offering to repurchase some or all of the Forward GDRs from VTB Bank under the Forward GDRs Purchase Agreement, whereupon such Forward GDRs shall be converted into Ordinary Shares which shall be delivered, together with any outstanding Borrowed Shares that were not sold in the Offering, to Benolita in settlement of the Selling Subsidiary's obligations under the Securities Loan Agreement (see "*Management's Discussion and Analysis of Financial Condition—Liquidity and Capital Resources—2017 Forward Agreement*"). The remaining proceeds from the Offering will be used by the Selling Subsidiary for the general corporate purposes of the Group, including debt repayment and business expansion. See "*Use of Proceeds*".

(4) As at 30 June 2021, (i) 102,222,629 Ordinary Shares were legally and beneficially held by VTB Bank in the form of shares; and (ii) 49,990,198 Ordinary Shares were legally and beneficially held by VTB Bank in the form of GDRs. After the repurchase of the Forward GDRs by the Selling Subsidiary from VTB Bank following the Offering, VTB Bank's stake in the Company's share capital will decrease by the number of Shares sold as part of the Offering and the free float will increase accordingly.

Except as described above, since 30 June 2021, the Company has not received any notifications from its shareholders and is not aware of any change of ownership in Ordinary Shares.

2017 Forward Agreement

The Selling Subsidiary will use up to RUB11,600 million of the gross proceeds from the Offering to repurchase some or all of the Forward GDRs from VTB Bank under the Forward GDRs Purchase Agreement and will use the remaining proceeds for the general corporate purposes of the Group, including debt repayment and business expansion (see "*Use of Proceeds*"). Such Forward GDRs, once repurchased from VTB Bank by the Selling Subsidiary, will be converted into Ordinary Shares and delivered, together with any outstanding Borrowed Shares that were not sold in the Offering, to Benolita in settlement of the Selling Subsidiary's obligations under the Securities Loan Agreement.

The Company is not aware of any arrangements in existence as at the date of this Offering Memorandum which could reasonably be expected to result in a change of control of the Company.

None of the Company's shareholders has voting rights that are different from those of any other holder of its Ordinary Shares.

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 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 2(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 is a universal successor of the Open Joint Stock Company Pervaya Ipotechnaya Companiya, registered on 20 September 1994 by the Moscow Registration Chamber under No. 756.924, entered into the Unified State Register of Legal Entities on 30 August 2002. On 8 July 2015, the company was reorganized in the form of an acquisition of Status Land Limited liability company. On 17 March 2021, the Company was renamed from PIK Group Public Joint Stock Company into Public Joint Stock Company «PIK-specialized homebuilder".

The share capital of the Company is divided into Ordinary Shares each with an equal nominal value and the amount of the aggregate nominal value of all such Ordinary Shares constitutes share capital of the Company. Absent specific contractual undertakings of shareholders, Ordinary Shares of the Company may be sold by their holders to any third parties without triggering any pre-emptive rights or requiring any approvals on the part of other shareholders or the Company itself.

Company's share capital currently consists of 660,497,344 Ordinary Shares, each with a nominal value of RUB 62.5, all of which are fully paid, issued and outstanding. As at 30 June 2021, 17.62% of Ordinary Shares was in free float.

History of the Company's share capital

The following table sets forth the changes in the Company's share capital that have occurred from the date of the Company's incorporation to the date hereof.

Since the incorporation, the Company completed seven issuances of the shares. In February 2013, the Company carried out the latest of additional issuances of the shares, in which the share capital of the Company was increased from RUB 30,828,774,000 to RUB 41,281,084,000 through the issuance of 167,236,960 shares. All shares of the last issue were placed to investors under open subscription and were paid for in cash.

The following table sets out the changes in the Company's share capital that have occurred from the date of the Company's incorporation up to the date of this Offering Memorandum.

Year of issue	Type of shares	Par value	Number of shares	Total share capital after the issue
1994	Ordinary Shares	RUB 25.0	10,000	RUB 250,000
1996	Ordinary Shares	RUB 25.0	70,000	RUB 2,000,000
1998	Ordinary Shares	RUB 62.5	80,000	RUB 5,000,000
1999	Ordinary Shares	RUB 62.5	80,000	RUB 10,000,000
2006	Ordinary Shares	RUB 62.5	456,100,384	RUB 28,516,274,00
2007	Ordinary Shares	RUB 62.5	37,000,000	RUB 30,828,774,000
2013	Ordinary Shares	RUB 62.5	167,236,960	RUB 41,281,084,000

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 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 or the Company itself;
- 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 of the end of the Company's fiscal year, make proposals for the annual General Shareholders' Meeting and nominate candidates to the Board of Directors;
- 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;
- 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,
- 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.

Holders of the Ordinary Shares must also fulfill certain obligations such as compliance with the charter, decisions made by the general shareholders' meeting, and certain other requirements in accordance with Russian legislation.

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 legislation, the period during which shareholders may exercise their pre-emptive rights must start at least eight business days after 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 the 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 relevant 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, of 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 (individuals) to transfer dividends to their bank accounts, the dividends must be paid in cash by way of postal orders.

On 1 April 2021, 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 will 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 will 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-quarter 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 the 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 under 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 relevant pledges were 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 with 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. The 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 10% lower than 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, engage 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/or document containing the terms and conditions of placement 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.$ 1,300) for a public joint stock company. The Joint Stock Companies Law requires that any decision to reduce the share capital of a 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 of adoption of such decision, and then twice publish a notification on the decrease of the share capital in specially designated media once 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 shares and/or securities convertible into shares.

The company may spend up to 10% of its net assets calculated under RAS on 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 the 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 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 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. 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 February 2019, JSC NRC-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 CBR Regulation No. 534-P dated 24 February 2016 and MOEX 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 Charter provides for a 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 its 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 a 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) a 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 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 a 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 in 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 an amount exceeding 2% of the company's issued ordinary shares and ordinary shares into 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 into 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 an offering of the company's shares and other securities, convertible to shares;
- transactions are conducted in connection with a 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 have the prior approval of the board of directors; or
- transactions involve the acquisition or disposal of property with a 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 for the company and the relevant consent has not been received. However, pursuant to Joint Stock Companies Law, a court shall dismiss a claim aiming to invalidate 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), or the possibility of disposal, directly or indirectly, of property with a value of 25% or more of the balance sheet value of the assets of a company calculated under RAS, with the exception of:

- a transaction performed by a 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 the 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 asset 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 the prior consent of the FAS is generally, subject to certain exceptions, not applicable to intragroup transactions. See "*Regulatory matters—Regulation of Competition*".

Shareholders' Agreements

The Civil Code and the Joint Stock Companies Law provide for the possibility to enter into shareholders' agreements in respect of Russian joint stock companies. Thus, the Civil Code and the Joint Stock Companies Law stipulate 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 the occurrence of certain circumstances; and

- to jointly perform 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

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 the voting shares in a Russian company or otherwise of 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.

Furthermore, 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 a 5%, 10%, 15%, 20%, 25%, 30%, 50%, 75% or 95% threshold. 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 generally be 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 of 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 has been 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 of 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 relevant 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 relevant 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 relevant offer and accept a 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 a 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 relevant pre-emptive rights;
- shares of the company were acquired earlier under a voluntary offer;
- shares of the company were acquired earlier 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 that 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 dated 4 August 2004, as amended.

Currency control

Russian currency control restrictions with regard to instruments such 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 relevant 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 in 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.

Under the terms of, and subject to, the conditions contained in an underwriting agreement and an underwriting support agreement (collectively, the "**Underwriting Agreement**") to be entered into by the Company, the Selling Subsidiary and the Underwriters, the Underwriters named below will severally agree under the terms of, and subject to, the conditions contained in the Underwriting Agreement, purchase, at the Offer Price, the number of Shares in the amount as indicated below.

Joint Global Coordinators and Joint Bookrunners	Percentage of the Shares to be sold
VTB Capital plc	20%
J.P. Morgan Securities plc	20%
Morgan Stanley & Co. International plc	20%
Sberbank CIB (UK) Limited / JSC "Sberbank CIB"	20%
Joint Bookrunners	
Alfa Capital Markets Ltd	4%
Limited Liability Company "ATON"	4%
Credit Suisse International	4%
Bank GPB International S.A.	4%
Sova Capital Limited	4%

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. See "*Selling and Transfer Restrictions*".

In addition, until 40 days after the commencement of this Offering, an offer or sale of Shares within the United States by a dealer whether not participating in the Offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

Underwriting Agreement

In the Underwriting Agreement, the Company and the Selling Subsidiary will give certain customary representations, warranties and undertakings to the Underwriters. The Company and the Selling Subsidiary will also agree to indemnify the Underwriters against certain customary liabilities.

The obligations of the Underwriters pursuant to the Underwriting Agreement are subject to the satisfaction of certain conditions precedent contained in the Underwriting Agreement, such as the receipt by the Underwriters of officers' certificates and customary legal opinions. The Underwriting Agreement may be terminated upon written notice by the Joint Global Coordinators, upon the occurrence of certain events, including the suspension or limitation of trading on MOEX or breach of the representations and warranties given by the Company and/or the Selling Subsidiary.

Lock-up Provisions

Lock-up of the Company

Pursuant to the Underwriting Agreement, the Company shall agree not to, and shall procure that none of its affiliates from time to time, nor any person acting on behalf of the Company will, from the Pricing Date until 180 days after the Share Delivery Date, without the prior written consent of the Joint Global Coordinators and Joint Bookrunners:

(i) issue, offer, sell, contract to sell, lend, mortgage, assign, 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 transaction), directly or indirectly, any Ordinary Shares or any securities convertible or exchangeable into or exercisable for, or substantially similar to, any Ordinary Shares or warrants or other rights to purchase Ordinary Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options representing the right to receive any such securities; or

(ii) enter into any swap or other agreement or any transaction 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.

Lock-up of Selling Subsidiary

Pursuant to the Underwriting Agreement the Selling Subsidiary shall agree not to, and shall procure that none of its affiliates from time to time, nor any person acting on behalf of the Selling Subsidiary will, from the Pricing Date until 180 days after the Share Delivery Date, without the prior written consent of the Joint Global Coordinators and Joint Bookrunners:

(i) offer, sell, contract to sell, lend, mortgage, assign, pledge, charge, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of (or publicly announce any such transaction), directly or indirectly, any Ordinary Shares or any securities convertible or exchangeable into or exercisable for, or substantially similar to, any Ordinary Shares or warrants or other rights to purchase Ordinary Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options representing the right to receive any such securities; 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.

Lock-up of the Controlling Shareholder

It is envisaged that the Controlling Shareholder will, under a separate lock-up deed, shall agree not to, and shall procure that none of its affiliates from time to time, nor any person acting on behalf of the Controlling Shareholder will, from the Pricing Date until 180 days after the Share Delivery Date, without the prior written consent of the Joint Global Coordinators and Joint Bookrunners:

(i) offer, sell, contract to sell, lend, mortgage, assign, 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 transaction), directly or indirectly, any Ordinary Shares or any securities convertible or exchangeable into or exercisable for, or substantially similar to, any Ordinary Shares or warrants or other rights to purchase Ordinary Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options representing the right to receive any such securities; or

(ii) enter into any swap or other agreement or any transaction 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.

The foregoing undertakings of the Company, the Selling Subsidiary and the Controlling Shareholder shall be subject to certain customary exceptions such as, among others, (A) the steps and transactions described in the Offering Memorandum, under "*Capitalisation and Indebtedness—Securities Loan Agreement*" and "*Capitalisation and Indebtedness—2017 Forward Agreement*", including (1) the repurchase by the Selling Subsidiary of the Forward GDRs, (2) the conversion of the Forward GDRs into Shares, and (3) the delivery of such Shares by the Selling Subsidiary to Benolita Holdings Ltd. under the Securities Loan Agreement, (B) the issuance, transfer or disposal of Ordinary Shares or to the granting of options, rights or warrants in respect of Ordinary Shares: (1) to the Company's subsidiaries or affiliates (including, without limitation, the Controlling Shareholder or any of its subsidiaries); or (2) to the directors, officers, employees or consultants of any member of the Group under duly authorised benefit plans or arrangements, provided in each case in (1) and (2) under this paragraph, that the transaction is conducted privately, and the transferee agrees to be bound by substantially similar lock-up arrangements; or (3), in case of transfer or disposal of Ordinary Shares only, to lenders as security for financing arrangements or pursuant to any other transaction (including a sale and repurchase agreement) which has the commercial effect of borrowing, provided that (i) the transaction is conducted privately, and (ii) the transferor shall use its best efforts to ensure that the transferee shall comply with the lock-up arrangements as if it were a party hereto; (C) the acceptance of a tender offer made to holders of the Ordinary Shares on terms which treat all such holders alike; (D) taking up any Ordinary Shares in respect of a pre-emptive share offering by the Company; (E) the disposal of Ordinary Shares as a result of statutory squeeze-out procedures under Russian law; (F) the exercise of the statutory put right in case when the relevant shareholder voted against or did not participate in voting for the relevant decisions, as provided by Russian law; or (G) transferring or disposing of Ordinary Shares in accordance with any order made by a court with competent jurisdiction or any decision made by any governmental or other regulatory body, agency, authority or as otherwise required by applicable law.

Other Relationships

The Underwriters 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 Underwriters and their respective affiliates have in the past performed commercial banking, investment banking and advisory services for the Group 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 the Group 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 Underwriters 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 Bank, an affiliate of VTB Capital plc, an Underwriter of the Offering, is a shareholder in the Company. VTB Capital plc has engaged Xtellus Capital Partners Inc. ("**Xtellus**") to act as its agent pursuant to Rule 15a-6 under the Exchange Act 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 (the "**SEC**") and a member of the Financial Industry Regulatory Authority with address at 452 Fifth Avenue, 3rd Floor, New York NY 10018 (U.S.A). Sova Capital Limited has engaged Auerbach Grayson & Company LLC to act as its agent pursuant to Rule 15a-6 under the Exchange Act in connection with securities transactions effected by Sova Capital Limited with U.S. investors. Auerbach Grayson is a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority with its principle place of business at 25 West 45 Street, New York, NY 10036 (U.S.A). Alfa Capital Markets Ltd has engaged StoneX Financial Inc. ("**StoneX**") to act as its agent pursuant to Rule 15a-6 under the Exchange Act in connection with securities transactions effected by Alfa Capital Markets Ltd with U.S. investors. StoneX is a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority with address at 230 Park Avenue, 10th Floor, New York, NY 10169 (U.S.A).

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 with their tax advisors 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 a 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 are subject to change (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 summary 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 Tax Code applicable to holders of and transactions involving the Shares are ambiguous and lack interpretive guidance. Both the substantive provisions of the 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 or contradictory.

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 or more, including days of arrival in the Russian Federation and days of departure from the Russian Federation, 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 at 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 (in case the Russian Federation is recognised as the place of effective management of such legal entity or organisation as determined in the Tax Code unless otherwise envisaged by an applicable double tax treaty); or
- a legal entity or an organisation, in each case organised under a foreign law, that is, in the case of conflicting tax residency statuses based on the relevant foreign law and Russian law, recognised as a Russian tax resident based on the provisions of an applicable double tax treaty (for the purposes of application of such double tax treaty); or
- a legal entity or an organisation organised under a foreign law, which has voluntarily obtained 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% or 15% 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, legal entities resident in the Russian Federation for tax purposes or permanent establishments of foreign legal entities acquiring the Shares and paying taxable Russian source income to non-resident legal entities or organisations without taxable Russian presence or to non-resident individuals must fulfil the responsibilities of a Russian tax agent with respect to withholding tax from the sales proceeds for the Shares to be transferred to a Non-Resident Holder disposing of Shares. Holders of Shares should consult with their own tax advisors 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 Tax Code, is regarded as a tax agent. 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 which is a legal entity or 13% or 15% (an increased tax rate of 15% may apply to income exceeding RUB 5 million) to each Russian Resident Holder who is an individual. See *"Risk Factors—Risks relating to Russian taxation—Certain changes to Russian tax laws announced in 2020 and 2021 – Personal income tax"*.

The effective rate of this tax may be lower than 13% or 15%, 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%, under the current Russian tax law) provided that these amounts have not previously been taken into consideration when calculating tax on dividends.

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 ownership of 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 Tax Code stipulates the rate of 15% for such a case without a possibility to apply reduced tax rates pursuant to the respective double tax treaties. A holder that is a foreign legal entity or organisation that holds the Shares through a permanent establishment in the Russian Federation is entitled to pay this tax to the Russian budget on its own behalf subject to providing the Russian entity distributing the dividends with special documentary evidence confirming the fact that these dividends are attributable to a permanent establishment of such a holder of the Shares in the Russian Federation. Such documentary evidence includes (a) a notarised copy of the form confirming registration of the holder with the Russian tax authorities and (b) notification from the holder stating that such dividends are attributable to the permanent establishment of such holder in the Russian Federation. The Tax Code does not provide any formal guidance as to the required format of the notification.

It is possible that payments of dividends on the Shares made by the Company to a Russian permanent establishment may be subject to Russian withholding tax, not at 15%, but at a rate of up to 13% of the gross dividend amount. This lower rate could apply to each holder that holds the Shares through a permanent establishment in the Russian Federation if the applicable double tax treaty between the Russian Federation and the country of tax residence of such holder provides for the non-discrimination of tax residents of such country as compared to Russian tax residents. However, as the Tax Code does not specifically provide for the application of the reduced tax rate in such situations and the application of treaty-based non-discrimination provisions is still rare in Russian tax practice, no assurance can be given that the claims for the application of the 13% tax rate would not be challenged by the Russian tax authorities, hence it is likely that a 15% withholding tax rate would be applied in such situation.

Russian Resident Holders should therefore consult with their own tax advisors 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 "*Taxation—Russian Tax*

Considerations— Taxation of capital gains from disposal of the Shares: procedures (Resident and Non-Resident Holders who are individuals—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 Tax Code (see "*Taxation—Russian Tax Considerations—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.

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 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 regime, among other things, introduced the new information disclosure requirements in respect of persons executing rights attached to the shares 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 is 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 bylaws is classified as a mutual collective scheme.

If the required information is properly disclosed in accordance with the Tax Code, the Russian custodian should withhold Russian withholding tax at a tax rate envisaged either by the 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 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 attached to the Shares under either the Tax Code or the relevant double tax treaty may apply for a refund in accordance with the general tax refund procedure envisaged by the Tax Code (see "*Taxation—Russian Tax Considerations—Refund of Tax Withheld*").

Non-resident holders should consult with their own tax advisors with respect to the tax consequences of their receipt of dividend income on the Shares registered in 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 Shares by a Russian Resident Holder which is a legal entity or an organisation may be taxable at the regular Russian corporate profit 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, which meet the criteria established by the Securities Market Law, 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 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.

The Tax Code contains certain exemptions from capital gains taxation for shares of Russian companies. In particular, it provides for participation exemption for capital gains derived from the sale of shares (listed or unlisted) or participations in Russian and foreign companies held for more than five years, provided that no more than 50% of the companies' directly or indirectly held assets comprise real estate property located in Russia, based on financial statements as of the last day of the month, preceding the month of disposal. A foreign company whose shares or participations are disposed of must not be resident of a "blacklisted" jurisdiction, as provided by the Russian Ministry of Finance).

Such exemption may be relevant for the Shares if a Russian Resident Holder which is a legal entity or an organisation holds the Shares for more than 5 years on the date of disposal and the total share of the Company's assets consisting directly and indirectly (through its subsidiaries) of Russian real estate does not exceed 50%. In case the Company's assets consist directly and indirectly (through its subsidiaries) of Russian real estate by more than 50%, based on financial statements as of the last day of the month, preceding the month of disposal, the exemption above shall not be applicable.

Russian Resident Holders of the Shares who are legal entities or organisations should in all events consult with their own tax advisors 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 Company'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 Company'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. 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.

There can be no assurance that the Shares will be considered as quoted or immovable property owned directly or indirectly by the Company and located in the Russian Federation will not constitute more than 50% of the Company's assets as at the date of the sale of Shares by non-residents. Very few 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 with their own tax advisors 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% or 15% (applying to income that exceeds RUB 5 million) unless there is a tax agent that calculates and withholds Russian personal income tax at source in full (e.g. Russian broker). 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).

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 tax base for operations with derivatives quoted on a stock exchange where underlying asset 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.

Income derived from the sale of listed or unlisted shares of Russian or foreign company is exempt from taxation where the shares are held for more than five years and no more than 50% of the Russian company's directly or indirectly held assets comprise real estate property located in Russia. Also, the foreign company whose shares are disposed must not be resident in a jurisdiction from the "black list" which is stipulated by the Russian Ministry of Finance. Such exemption may be relevant for the Shares if the total share of the Company's assets consisting directly and indirectly (through its subsidiaries) of Russian real estate does not exceed 50%.

The 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 Shares given that at the moment of sale the Shares qualify 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 with their own tax advisors 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 could be deducted from the gross proceeds), subject 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.

At the same time, capital gains from the sale or redemption of Shares may be exempt from taxation in Russia if the Shares are held by a Non-Resident Holder for more than five years and no more than 50% of the Company's directly or indirectly held assets comprise immovable property located in Russia, based on financial statements as of the last day of the month, preceding the month of disposal. Non-Resident Holders should in all events consult with their own tax advisors with respect to the tax consequences of disposition of the Shares.

Taxation of capital gains from disposal of the Shares: procedures (Resident and Non-Resident Holders who are individuals)

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 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. In the absence of the licensed broker or asset manager for the purposes of income from disposition of Shares received by an individual, a tax agent could be a Russian legal entity or individual entrepreneur acting as a counterparty under the purchase-sale (or barter) agreement concluded with such individual.

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).

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 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 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 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 has been no guidance on the form of such confirmation as well as on the list of documents supporting facts to be provided in the confirmation. Due to uncertainty, there can be no assurance that treaty relief at source will be available in practice.

In accordance with the 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 tax residency certificate issued by the competent authorities in his or her country of residence for tax purposes).

The treaty relief procedure as described above does not apply if dividends are paid on the Shares which are registered in 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 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

Russian Resident Holders

As mentioned above, in absence of proper tax withholding mechanism, Russian Resident Holders may be subject to 15% tax rate on the dividends paid to them. For the application of 13% tax rate on the dividends pursuant to the Tax Code, Russian Resident Holders may be required to provide documented proof of their Russian tax residence. Alternatively, they may attempt to claim the refund of excessively withheld taxes unless their income exceeds RUB 5 million per annum since in this case the 15% tax rate shall apply. *See* "*Risk Factors—Risks relating to Russian taxation—Certain changes to Russian tax laws announced in 2020 and 2021*".

In order to obtain a tax refund, Russian Resident Holder who is an individual should submit an application and the required documents to the tax agent within three years following the date when the respective tax was paid. The Tax Code stipulates that a tax agent must refund over-withheld tax within a three-month period following the date when the application for a refund is submitted. Further, the tax agent itself may request a refund by applying to the Russian tax authorities within three years following the date when the respective tax was paid.

Russian Resident Holder that is a legal entity may claim a refund of excessively withheld tax by filing the application and required documents to the Russian tax authorities within three years following the date when the respective tax was paid.

Non-Resident Holders

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 the 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 the source can be filed with the Russian tax authorities within three years following the tax period in which the tax was withheld.

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 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. The decision regarding the refund of the tax withheld should be taken within six months of the filing of the required documents with the Russian tax authorities. 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 submitted to the tax agent within three years following the date when the respective tax was paid. The Tax Code stipulates that a tax agent must refund over-withheld tax within a three-month period following the date when the application for a refund is submitted. Further, the tax agent itself may request a refund by applying to the Russian tax authorities within three years following the date when the respective tax was paid.

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 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 advisors 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.

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.

U.S. Federal Income Tax Considerations

The following summary describes certain U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) of the Shares. This summary deals only with the Shares purchased in the Offering at the Offer Price and held as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "**Code**"). This summary also does not address the tax consequences that may be relevant to holders in special tax situations including, without limitation, dealers in securities, traders that elect to use a mark-to-market method of accounting, holders that own the Shares as part of a "straddle," "hedge," "conversion transaction," or other integrated investment, banks or other financial institutions, individual retirement accounts and other tax-deferred accounts, insurance companies, tax-exempt organizations, U.S. expatriates, holders whose functional currency is not the U.S. dollar, holders subject to the alternative minimum tax, holders that acquired the Shares in a compensatory transaction, or holders that actually or constructively own 10% or more of the total voting power or value of the Company's Shares.

This summary is based upon the Code, applicable U.S. Treasury regulations, administrative pronouncements and judicial decisions, in each case as in effect on the date hereof, all of which are subject to change (possibly with retroactive effect). No ruling will be requested from the Internal Revenue Service (the "**IRS**") regarding the tax consequences described herein, and there can be no assurance that the IRS will agree with the discussion set out below. This summary does not address any U.S. federal tax consequences other than U.S. federal income tax consequences (such as the estate and gift tax or the Medicare tax on net investment income) and does not address state, local, non-U.S. or other tax laws.

As used herein, the term "U.S. Holder" means a beneficial owner of the Shares that is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation or other entity taxable as a corporation created or organized under the laws of the United States or any state thereof or therein or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust (a) that is subject to the supervision of a court within the United States and the control of one or more United States persons as described in Code Section 7701(a)(30), or (b) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

If an entity or other arrangement treated as a partnership for U.S. federal income tax purposes acquires the Shares, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisors regarding the U.S. federal income tax consequences to them and their partners of purchasing, owning, and disposing of the Shares by the partnership.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF PURCHASING, OWNING AND DISPOSING OF THE SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND NON-U.S. TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Dividends

Subject to the discussion below under *"—Passive Foreign Investment Company*", the amount of dividends paid to a U.S. Holder with respect to the Shares, before reduction for any taxes withheld therefrom, generally will be included in the U.S. Holder's gross income on the date actually or constructively received as ordinary income from foreign sources to the extent paid out of the Company's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Distributions in excess of earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's adjusted tax basis in the Shares, thereby reducing a U.S. Holder's adjusted tax basis (but not below zero) in the Shares, and thereafter as capital gain. However, the Company does not intend to calculate the Company's earnings and profits under U.S. federal income tax principles. Therefore, U.S. Holders should expect to treat a distribution as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. The amount of any distribution paid in foreign currency will be equal to the U.S. dollar value of such currency, translated at the spot rate of exchange on the date such distribution is received, regardless of whether the payment is in fact converted into U.S. dollars at that time.

Dividends paid to a non-corporate U.S. Holder by a "qualified foreign corporation" may be subject to reduced rates of taxation if certain holding period and other requirements are met. A "qualified foreign corporation" generally includes a foreign corporation (other than a foreign corporation that is a PFIC (as defined below) with respect to the relevant U.S. Holder for the taxable year in which the dividends are paid or for the preceding taxable year) which is eligible for benefits under a comprehensive U.S. income tax treaty that includes an exchange of information program and which the U.S. Treasury Department has determined is satisfactory for these purposes. The U.S. Treasury Department has determined that the treaty between the United States and the Russian Federation (the "**Treaty**") is satisfactory for these purposes. U.S. Holders should consult their tax advisors regarding the availability of the reduced tax rate on dividends paid with respect to the Shares. The dividends will not be eligible for the dividends received deduction generally available to corporations in respect of dividends received from other U.S. corporations.

Russian withholding tax at the rate applicable to a U.S. Holder under the Treaty should be treated as a foreign income tax that, subject to generally applicable limitations and conditions, may be eligible for credit against the U.S. Holder's U.S. federal income tax liability or, at such U.S. Holder's election, may be deducted in computing taxable income. If Russian tax is withheld at a rate in excess of the rate applicable to such U.S. Holder under the Treaty, the U.S. Holder will not be entitled to credits for the excess amount, even though the procedures for claiming refunds and the practical likelihood that refunds will be made available in a timely fashion are uncertain. If the Company is a qualified foreign corporation (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will generally be limited to the gross amount of the dividend, multiplied by the reduced rate divided by the highest rate of tax normally applicable to dividends. Dividends paid on the Shares generally will constitute "passive category income" for purposes of the foreign tax credit. The rules governing foreign tax credits are complex. U.S. Holders should consult their tax advisors about the impact of these rules in their particular situations.

Disposition of the Shares

Subject to the discussion below under "*—Passive Foreign Investment Company*", a U.S. Holder generally will recognise capital gain or loss for U.S. federal income tax purposes on the sale or other taxable disposition of the Shares equal to the difference, if any, between the amount realized and the U.S. Holder's adjusted tax basis in Shares. In general, capital gains recognised by a non-corporate U.S. Holder, including an individual, are subject to a lower rate under current law if such U.S. Holder held Shares for more than one year. The deductibility of capital losses is subject to limitations. Any such gain or loss generally will be treated as U.S. source gain or loss for purposes of the foreign tax credit. Therefore, the use of any foreign tax credits relating to any Russian taxes imposed upon such sale may be limited. Each U.S. Holder is urged to consult its tax advisors as to the availability of tax credits for any Russian taxes withheld on the sale of Shares.

If the consideration received upon the sale or other taxable disposition of the Shares is paid in foreign currency, the amount realized will be the U.S. dollar value of the payment received, translated at the spot rate of exchange on the date of taxable disposition. If the Shares are treated as traded on an established securities market, a cash basis U.S. Holder and an accrual basis U.S. Holder who has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the IRS) will determine the U.S. dollar value of the amount realized in foreign currency by translating the amount received at the spot rate of exchange on the settlement date of the sale. An accrual basis U.S. Holder that does not make the special election will recognise exchange gain or loss to the extent attributable to the difference between the exchange rates on the sale date and the settlement date, and such exchange gain or loss generally will constitute U.S. source ordinary income or loss. A U.S. Holder's initial tax basis in its Shares will be the U.S. dollar value of the foreign currency denominated purchase price determined on the date of purchase. If the Shares are treated as traded on an established securities market, a cash basis U.S. Holder and an accrual basis U.S. Holder who has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the IRS) will determine the U.S. dollar value of the cost of such Shares in foreign currency by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

Passive Foreign Investment Company

In general, a non-U.S. corporation will be a PFIC for any taxable year if at least (i) 75% of its gross income is classified as "passive income" (the "income test") or (ii) 50% of the value of its assets (determined on the basis of a quarterly average) produce or are held for the production of passive income (the "asset test"). For these purposes, cash is considered a passive asset. In making this determination, the non-U.S. corporation is treated as earning its proportionate share of any income and owning its proportionate share of any assets of any corporation in which it holds a 25% or greater interest.

Based on the historic and anticipated composition of income, assets and operations of the Company and expected price of the Shares, the Company does not believe that it was a PFIC for U.S. federal income tax purposes for its most recent taxable year, and does not expect to be a PFIC for the current taxable year or for the foreseeable future. However, the determination of whether the Company is a PFIC is made annually. Moreover, the value of the Company's assets for purposes of the PFIC determination will generally be determined by reference to the public price of the Shares, which may fluctuate significantly. Therefore, there is no assurance that the Company would not be a PFIC in the future due to, for example, changes in the composition of the Company's assets or income, as well as changes in the Company's market capitalization.

Under the PFIC rules, if the Company was considered a PFIC at any time that a U.S. Holder holds the Shares, the Company would continue to be treated as a PFIC with respect to such holder's investment unless (i) the Company ceases to be a PFIC, and (ii) the U.S. Holder has made a "deemed sale" election under the PFIC rules.

If the Company is a PFIC for any taxable year that a U.S. Holder holds the Shares, any gain recognised by the U.S. Holder on a sale or other disposition of the Shares would be allocated pro-rata over the U.S. Holder's holding period for the Shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed. Further, to the extent that any distribution received by a U.S. Holder on the Shares exceeds 125% of the average of the annual distributions on the Shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain on the sale or other disposition of Shares if the Company was a PFIC, described above. In addition, if the Company is a PFIC for the taxable year in which it pays a dividend or for the prior taxable year, the reduced rates of taxation discussed above with respect to dividends paid to certain non-corporate U.S. Holders will not apply. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment, discussed below) of the Shares. If the Company is treated as a PFIC with respect to a U.S. Holder for any taxable year, the U.S. Holder will be deemed to own shares in any entities in which we own equity that are also PFICs (the "**lower-tier PFICs**"). A timely election to treat the Company as a qualified electing fund under the Code would result in an alternative treatment. A U.S. Holder may generally make a qualified electing fund election with respect to shares of a foreign corporation only if such taxpayer is furnished annually with a PFIC annual information statement as specified in the applicable Treasury regulations. However, the Company does not intend to prepare or provide the information that would enable U.S. Holders to make a qualified electing fund election. Therefore, U.S. Holders should assume that they will not receive such information from us and would therefore be unable to make a qualified electing fund election with respect to any of the Shares. Alternatively, if the Company is a PFIC for any taxable year and if the Shares are "regularly traded" on a "qualified exchange," a U.S. Holder could make a mark-to-market election with respect to the Shares (but likely not with respect to any lower-tier PFICs, if any) that would result in tax treatment different from the general tax treatment for PFICs described above. As to any elections with respect to the Shares, including mark-to-market elections or qualified electing fund elections, U.S. Holders should consult their tax advisors to determine whether any of these elections would be available or advisable if the Company is or becomes a PFIC and, if so, what the consequences of the alternative treatments would be in their particular circumstances. If the Company is a PFIC, a U.S. Holder also will be subject to annual information reporting requirements. U.S. Holders should consult their tax advisors about the potential application of the PFIC rules, and any elections related thereto, to an investment in the Shares.

Information Reporting and Backup Withholding

Dividend payments and proceeds paid from the sale or other taxable disposition of Shares may be subject to information reporting to the IRS. In addition, a U.S. Holder (other than exempt holders who establish their exempt status if required) may be subject to backup withholding on cash payments received in connection with dividend payments and proceeds from the sale or other taxable disposition of the Shares made within the United States or through certain U.S.-related financial intermediaries.

Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number, makes other required certification and otherwise complies with the applicable requirements of the backup withholding rules. Backup withholding is not an additional tax. Rather, any amount withheld under the backup withholding rules will be creditable or refundable against the U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Foreign Financial Asset Reporting

Certain U.S. Holders are required to report their holdings of certain foreign financial assets, including equity of foreign entities, if the aggregate value of all of these assets exceeds certain threshold amounts. The Shares are expected to constitute foreign financial assets subject to these requirements unless the Shares are held in an account at certain financial institutions. U.S. Holders should consult their tax advisors regarding the application of these reporting requirements.

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 except in certain transactions exempt from the registration requirements of the Securities Act. The Shares are being offered and sold outside of the United States in reliance on Regulation S. The Underwriting Agreement provides that certain of the Underwriters may directly or through their respective U.S. broker-dealer affiliates, arrange for the offer and resale of the Shares within the United States only to QIBs in reliance on Rule 144A.

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 Underwriters has represented and agreed 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 the United Kingdom, except under the following exemptions:

(a) to legal entities which are qualified investors as defined in Article 2 of the UK Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Underwriters for any such offer; or

(c) in any other circumstances falling within Section 86 of FSMA,

provided that no such offer of Shares shall result in a requirement for the publication by the Company or any Underwriter of a prospectus pursuant to Section 85 of FSMA.

For the purposes of this provision, the expression an "*offer of any Shares to the public*" in relation to any Shares in the United Kingdom 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 "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, and the expression "FSMA" means the Financial Services and Markets Act 2000.

In the case of any Shares being offered to a financial intermediary, as that term is used in Article 3(2) of the UK 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 the United Kingdom to qualified investors who are not financial intermediaries as so defined or in circumstances in which the prior consent of the Underwriters has been obtained to each such proposed offer or resale. The Company, the Selling Subsidiary, the Underwriters and their respective affiliates, and others will rely (and the Company and the Selling Subsidiary each acknowledges that the Underwriters 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 Underwriters of such fact in writing may, with the consent of the Underwriters, be permitted to subscribe for or purchase Shares.

In addition, each of the Underwriters 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 Underwriters 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 EU Prospectus Regulation:

(a) to legal entities which are qualified investors as defined in Article 2 of the EU Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the EU Prospectus Regulation), subject to obtaining the prior consent of the Underwriters for any such offer; or

(c) in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of Shares shall result in a requirement for the publication by the Company or any Underwriter of a prospectus pursuant to Article 3 of the EU 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 "EU Prospectus Regulation" means Regulation (EU) 2017/1129.

In the case of any Shares being offered to a financial intermediary, as that term is used in Article 3(2) of the EU 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 Underwriters has been obtained to each such proposed offer or resale. The Company, the Selling Subsidiary, the Underwriters and their respective affiliates, and others will rely (and the Company and the Selling Subsidiary each acknowledges that the Underwriters 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 Underwriters of such fact in writing may, with the consent of the Underwriters, 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 Underwriters 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

(a) 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.

(b) This document is being distributed in Australia by the Underwriters 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.

(c) 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:

1. The purchaser (i) is a QIB as that term is defined by Rule 144A under the Securities Act, (ii) is aware that, and each beneficial owner of such 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.

2. 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**").

3. 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.

4. The Company, the Selling Subsidiary, the Underwriters, 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):

1. 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;

2. 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;

3. any offer, sale, pledge or other transfer made other than in compliance with the above-stated restrictions shall not be recognised by the Company; and

4. the Company, the Selling Subsidiary, the Underwriters 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.

SETTLEMENT AND DELIVERY

The Shares will be priced in Russian Roubles. It is expected that delivery of the Shares to purchasers thereof and payment for the Shares by the purchasers will commence on or about the Share Delivery Date. Each purchaser of the Shares must pay for such Shares by the date and in the currency agreed with the Underwriters. 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 Group in respect of the laws of England, the Russian Federation and the United States by Latham & Watkins LLP. Certain legal matters with respect to the Offering will be passed upon for the Underwriters in respect of the laws of England and the United States by Linklaters LLP and in respect of the laws of the Russian Federation by Linklaters CIS.

INDEPENDENT AUDITORS

The consolidated financial statements of the Group as of and for the years ended 31 December 2020, 2019, and 2018, included in this Offering Memorandum, have been audited by JSC KPMG, independent auditors, as stated in their report appearing herein. With respect to the unaudited interim financial information for the six-month periods ended 30 June 2021 and 2020, included herein, the independent auditors have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report 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.

ANNEX A: C&W LAND BANK VALUATION REPORT

Valuation of:

PIK Group Real Estate and Business Portfolio

Prepared for:

PIK Group Public Joint Stock Company

Valuation date:

31.12.2020

CUSHMAN & WAKEFIELD

Contents

A. Valuation Record 2
1.1. Appointment 2
1.2. Compliance with RICS Valuation – Global Standards 2
1.3. Status of Valuer and Conflicts of Interest 2
1.4. Purpose of Valuation 3
1.5. Bases of Valuation 3
1.6. Disclosures required under the provisions of PS 2.5 3
1.7. Inspection 4
1.8. Town planning 4
1.9. Structure 4
1.10. Site and Contamination 4
1.11. Assumptions, Special Assumptions, Departures and Reservations 5
1.12. Accommodation 6
1.13. Sources of Information 7
1.14. General Comment 7
1.15. Taxation and costs 7
1.16. Valuation 7
1.17. Confidentiality 8
1.18. Conditions on Use and Reliance 8
1.19. Publication 8
B. Market Overview 10
C. Valuation Methodology 14
1.1. Valuation of land bank 14
1.2. Valuation of business 16
1.3. Valuation of brand 18
1.4. Conclusions 18
D. Property and Business Descriptions 19
1.1. Land bank 19
1.2. Business 151
E. Appendices 159
Appendix I Valuer Documents 160
Appendix II Principal Terms and Conditions of Appointment as Valuers 164
Appendix III General Valuation Principles 168
Appendix IV Sources of Information 173

A. Valuation Record

To:	PIK Group Public Joint Stock Company
Properties:	The property and business valued are detailed in Part D of this report
Report Date:	27.09.2021
Valuation Date:	31.12.2020
Our references:	00082962/1

Instructions

1.1. Appointment

In accordance with your request, as confirmed by the Consultancy Services Agreement № 00082962 dated 24.09.2021 (“Agreement”), concluded between LLC “Cushman & Wakefield OOO” (“C&W”) and Public Joint Stock Company «PIK-specialized homebuilder» (“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 Market 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 has 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 offering memorandum (the "Offering Memorandum") concerning the proposed placing and offer ("PIK 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.

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 Market Value.

1.5.2. Definition

Where we have been instructed to value the property on the basis of Market Value, we have done so in accordance with VPS 4.4 of the Global Standards issued by The Royal Institution of Chartered Surveyors, which is defined as follows:

'The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion'.

The interpretative commentary on Market Value, as published in International Valuation Standards, has been applied.

The market value is estimated specially assuming that the Client has executed all the payments related to the purchase of rights for the properties and has executed all the payments related to the change of land use.

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

The members of the Royal Institution of Chartered Surveyors who sign this Report are also signatories of the valuation results for IFRS purposes as at 31.12.2012, 31.12.2013, 31.12.2014, 31.12.2015, 31.12.2016, 31.12.2017, 31.12.2018 and 31.12.2019.

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 is less than 5%.

1.7. Inspection

We have inspected each property in Russia externally on dates between 01 December 2020 and 31 December 2020, because of Covid-19 we were unable to visit foreign projects and were based on the Client's information.

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

This Report does not meet the requirement to the appraisal report of the Federal Law #135-FZ dated July 29, 1998 "On Valuation Activities in the Russian Federation."

The Company is not liable for decisions made on the basis of provided information in this Report. The transaction price of sale may differ from the values mentioned in thisReport.

The valuation is based on the assumption that the Properties are neither encumbered, nor are under obligation or distrainment. Moreover, the Valuer assumed that third parties have no ownership rights to the Properties and there are no other encumbrances.

Information about the Properties was provided by the Client in electronic form. The valuation is based on the assumption that this information is true and correct.

Market values were estimated for each Real Estate Property separately without considering a possible discount for portfolio scale. The market value of the production unit was estimated assuming a single business unit.

Some projects are developed on the basis of escrow accounts, in accordance with the current legislation of the Russian Federation. This scheme envisages borrowed financing in the amount of construction costs. The calculations are based on the information provided by the Client about the agreed loan terms.

The market value is estimated specially assuming that the Client has executed all the payments related to the purchase of rights for the properties and has executed all the payments related to the change of land use.

Our valuation is based on the absence of any hidden factors affecting the value of the Property. We are not obligated to detect such facts or to be liable if they are discovered.

We are not responsible for future social, economic, legal and environmental and other changes after the date of valuation that may affect the value of the Property or the motivation of investors.

We do not guarantee the exact achievement of the results predicted by the Client, as events and circumstances are often not implemented as expected at first. The difference between the planned and actual results can be significant. Achieving the predicted results depends on the actions, plans and assumptions of the management, as well as external conditions.

We have not carried out a measured survey and have relied upon the areas supplied to us by the Client or their representatives. We have assumed that these areas are correct and have been measured in accordance with local market conditions.

Land plots for future development located in Lytkarino include the coastal zone with a total area of 160,000 sqm. The coastal area is not taken into account in our valuation.

We have inspected each property in Russia externally on dates between 01 December 2020 and 31 December 2020, because of Covid-19 we were unable to visit foreign projects and were based on the Client's information.

Unless otherwise stated within the Report, we have not carried out soil, geological or other tests or surveys in order to ascertain the site conditions or other environmental conditions of the property. Unless stated to the contrary within the Report, our valuation assumes that there are no unusual ground conditions, contamination, pollutants or any other substances that may be environmentally harmful.

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 did not include a legal or financial due diligence of the information provided by the Client.

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 PIK 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

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 Market Value of real estate and business portfolio as at the date of valuation is fairly reflected in the sum of:

902,541,000,000 RUB

Including:

	Value, mln. RUB
General contract	39,660
Resource assets: housing maintenance and utility	33,718
Technology in real estate	13,805
Production unit	70,820

	Value, mln. RUB
Brand	51,851
Office	3,619
Land Bank	689,068

Land Bank	Value, mln. RUB	Unsold area, sq.m
Moscow and New Moscow	506,227	7,738,771
Moscow region	126,071	4,547,265
Spb and Leningrad region	14,207	707,427
Other region and countries	42,562	3,579,459

In arriving at our opinion of Market 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

Unless otherwise provided in the Agreement, the contents of this Valuation Report are intended to be confidential to the addressees and for the specific purpose stated.

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 or to whom we provided reliance pursuant to the Agreement (including Alfa Capital Markets Ltd, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc, VTB Capital plc, JSC "Sberbank CIB", Sberbank CIB (UK) Limited, LLC "ATON", Credit Suisse International, Sova Capital Limited and the other persons acting as underwriters in the PIK Offering)), 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 Public Joint Stock Company «PIK-specialized homebuilder».

Unless otherwise provided in the Agreement, 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 Offering Memorandum 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 Public Joint Stock Company «PIK-specialized homebuilder».

Signed for and on behalf of Cushman & Wakefield

Sergey Riabokobylko FRICS

Executive Partner, General Director, Russia

Tel: +7 495 797 9600

E-mail: Sergey.Riabokobylko@eur.cushwake.com

Konstantin Lebedev MRICS, CCIM, ROO

Partner, Head of Department

Valuation & Advisory

Tel: +7 495 797 9600

E-mail: Konstantin.Lebedev@cushwake.com

ОБЩЕСТВО С ОГРАНИЧЕННОЙ ОТВЕТСТВЕННОСТЬЮ КУШМАН ЭНД ВЭЙКФИЛД Г. МОСКВА ДЛЯ ДОКУМЕНТОВ №1

Ksenia Komarova MRICS

Director

Valuation & Advisory

Tel: +7 495 797 9600

E-mail: Ksenia.Komarova@cushwake.com

B. Market Overview

	2019	2020	2021	2022	2023
GDP growth, %	1.19	-2.57	**2.04**	2.52	1.55
RUB/USD	64.7	72.1	**74.34**	70.9	66.29
CPI, %	4.4	3.39	**5.68**	4.23	3.72
GDP deflator,%	2.04	-3.78	**19.27**	4.33	5.07
Interest rate, %	7.32	5.05	**4.79**	5.0	5.0
Government Debt, % of GDP	13.95	20.14	**24.75**	25.62	22.49
Private consumption, %	2.79	-8.53	**2.78**	1.37	1.01
Retail sales, %	1.95	-3.12	**8.09**	1.13	-0.4
Unemployment rate, %	4.6	5.91	**6.61**	6.16	5.73
BRENT crude oil price	64.18	43.21	**64.75**	62.97	63.36

Source: Moody's forecast as of June 2021

On the background of growing inflation, the Central Bank continues to increase the key rate. Bankers expect the indictor to grow up to 6%. Construction is still a key driver of the economy. Preferential interest rate for mortgage loans is playing an importantregulatory role. As a result, the government must continue withthesubsidy program in order to keep consistency in theeconomic strategy. The Central Bank regularly expresses concerns about dramatically growing mortgage portfolios.

In2020producer's inflation diverged with CPI. Producers had to cut costs and prices in order to maintain b2b sales. In 2021 accumulated inflationary pressure in the production sectorwas translated in almost 20% growth of PPI. Together with Ruble strengthening this factor will stimulate import of raw materials and equipment. The government may be forced to protect domestic market by stronger regulation.

Since the second half of 2020, three key factors have influenced the development of the housing construction industry and the situation in the housing market.

The first factor is the increased demand for housing. The general reduction of market interest rates amid the softening of the Bank of Russia's monetary policy, several preferential mortgage programs, especially the 6.5% program, and the interest of banks in increasing their portfolios of highly reliable loan products led to a large-scale increase in mortgage lending. For example, in July-December 2020, an average of more than 180,000 mortgage loans totaling more than 470 billion rubles were originated each month, while in the same months of 2019 there were about 115,000 mortgage loans totaling up to 265 billion rubles each month. The increased availability of credit as a source of funding for real estate expenses has largely supported demand for housing. Moreover, amid the increased volatility of the ruble exchange rate and declining deposit rates in 2020, the attractiveness of housing as a means of savings increased, which became an additional factor in the growth of demand for housing.

The second factor is the limited supply of housing. According to Rosstat, the commissioning of housing in Russia in 2020 was 82.2 million square meters, which is close to the level of 2019. At the same time, despite the support from the demand side, the downward trend in the volume of current construction of multifamily housing, observed since mid-2019, persisted. This is due to the gradual completion of home construction that began on the eve of the industry's transition to project financing, an increase in developers' costs, and continued adaptation of companies in the industry to the new business environment.

The third factor is the growth of construction costs associated with an increase in the price of construction materials and labor shortages due to restrictions on the entry of workers from abroad, introduced to curb the COVID-19 pandemic. In Q4 2020, prices for rolled metal products for construction increased significantly, primarily due to higher demand for metals in foreign commodity markets. Another factor contributing to cost growth was ruble devaluation and higher volatility on the global commodities markets. volatility on global commodity markets.

As a result, housing price growth continued to accelerate in the second half of 2020. The acceleration was noted both on the primary and secondary markets and was typical of the majority of Russian regions. The acceleration of the housing price growth continued in the primary and secondary markets. At the same time, the growth rate of housing prices in the second half of 2020 remained markedly higher than the growth rates of consumer prices. A significant rise in the cost of housing could largely offset the positive effect from lower mortgage rates.

In the near term, the situation in housing construction will largely depend on the speed of recovery processes in the economy, decisions of the government of the Russian Federation with regard to Decisions of the Government of the Russian Federation with regard to support measures for the construction sector and its ability to ensure the required volumes and rates of commissioning of housing.

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.

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 June 2021 the volume of housing under construction in Moscow was 18.359 million square metres.

The average area of a residential unit under construction in Moscow is 56.4 m². For the Russian Federation, this indicator is 50.1 m².

As of June 2021, weighted average price offers on the market of housing under construction in Moscow amounted to 227,034 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 5 months of 2021, the number of mortgage loans issued to residents of Moscow, amounted to 56,730, which is 64.8% more than in 2020 (34,414), and 75.1% more than the level achieved in 2019 (32,400).

According to the Bank of Russia data for 5 months of 2021, the number of mortgage loans issued to residents of Moscow, amounted to 346,832 million rubles, which is 96.5% more than in 2020 (176,517 million rubles), and 132.4% more than the level achieved in 2019 (149,217 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 May 2021 in Moscow, weighted average rate amounted to 7.32%. Compared to the same indicator in May 2020, the rate decreased by 0.08 p.p. (from 7.4 to 7.32%).

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 2021 the volume of housing under construction in the Moscow Region was 10.5 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 June 2021 in the Moscow region, the weighted average rate was 7.4%. Compared to the same in June 2020, there was a decrease in the rate by 1.15 p.p. (from 8.55 to7.4%).

According to the Bank of Russia, for 4 months of 2021 the number mortgage loans issued to residents Moscow region, amounted to 36,052, which is 46.5% more than the level 2020 (24,614).

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

The Central Bank reported on December that prices of various types of new housing units in the Philippines contracted by 0.4 percent in the third quarter of 2020 compared to their level a year ago based on the Residential Real Estate Price Index (RREPI). The BSP has been conducting a nationwide real-estate loans and pricing survey since 2016 to monitor the valuation of the property sector in the Philippines. According to them, this is the first time that the index posted a contraction since the start of the series in 2016.

The decline in the RREPI may be partly due to the weak consumer demand for houses and lots. This is consistent with the outcome of the third quarter of 2020 Consumer Expectations Survey (CES), which pointed to the low preference of consumers to buy real-estate property amid the pandemic and economic uncertainty," the BSP said.

The RREPI is a measure of the average change in the prices of housing units based on banks' data on actual loans granted to acquire new housing units.

Geographically, housing units in the country's capital drove the decline during the period. The BSP said property prices in the National Capital Region (NCR) dropped by 12.2 percent relative to a year ago, while prices in areas outside NCR grew by 6.4 percent.

In NCR, the decrease in prices of condominium units and duplexes outweighed the increase in prices of single detached/attached houses and townhouses.

Meanwhile, prices in areas in NCR rose across all types of housing units, except for the prices of duplexes.

The choices of housing unit buyers in NCR and areas outside NCR also varied.

Most of the property loans granted in NCR were for the purchase of condominium units, while loans granted in areas outside NCR were for the purchase of single detached or attached houses.

By region, 46.5 percent of the total number of housing loans granted were accounted for in NCR. The Calabarzon region accounted for 26.5 percent, Central Luzon 7.7 percent, Western Visayas 5.1 percent, Central Visayas 4.9 percent, Davao region 2.8 percent and Northern Mindanao 2 percent.

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 Market 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 Market 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 Market 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 Market 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.

1.2. 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 Market 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.

1.3. 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.

1.4. Conclusions

Subject to the contents of this report and based on current values, we are of the opinion that the Market Value of real estate and business portfolio as at the date of valuation is fairly reflected in the sum of:

902,541,000,000 RUB

Including:

	Value, mln. RUB
General contract	39,660
Resource assets: housing maintenance and utility	33,718
Technology in real estate	13,805
Production unit	70,820
Brand	51,851
Land Bank	689,068
Office	3,619

D. Property and Business Descriptions

1.1. Land bank

1.1.1. Moscow and New Moscow

1. B.Akademicheskaya Street;1, 3rd Nizhnelikhoborskiy Drive

Map

Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:	Address: 1, 3rd Nizhnelikhoborskiy Drive, Timiryazevskiy District, Moscow.

	Access to the Property is possible from 3rd Nizhnelikhoborskiy Drive and Dmitrovskoye Highway. The nearest metro and MCC stations are Okruzhnaya and Likhobory.
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 108,777 sqm, including: • 108,777 sqm – residential area; • 5,802 sqm – built-in commercial premises. • 440 sqm – storages; • 200 parking lots.
Land rights:	Leasehold
Construction Completion Date:	2024
Unsold Area:	101,241 sqm
Current Stage:	Under design
Discount Rate:	8.75% - 12.75%
Average Price per sqm:	195,612 RUB
Remaining Construction Costs (excluding financial costs):	8,760,165,000 RUB
Land Area:	Land plot with a total area of 8.59 ha
Market Value:	**7,097,576,000 RUB**

2. Volokolamskoye Highway, 24

Map

Source: yandex.ru/maps

Location:	Address: 24, Volokolamskoye Highway, Schukino District, Moscow. The Property is located in the north-west of Moscow, within walking distance from Streshnevo station. The distance to Schukinskaya metro station is about 1.6 km, to Voykovskaya metro station – about 1.7 km. Transportation service network provides a convenient connection to the entire city.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential and apartment complex with a total sellable area of 71,748 sqm, including: • 68,657 sqm – apartments; • 2,836 sqm – built-in commercial premises. • 255 sqm – storages; • 250 parking lots.
Land rights:	Leasehold
Construction Completion Date:	2023
Unsold Area:	53,670 sqm
Current Stage:	Under construction (34% completed)
Discount Rate:	8.7%
Average Price per sqm:	204,374 RUB
Remaining Construction Costs (excluding financial costs):	4,372,260,000 RUB
Land Area:	Land plot with a total area of 2.17 ha
Market Value:	**6,073,538,000 RUB**

3. Ilmenskiy 17

Map

Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:	Address: 17, Ilmenskiy Drive, Degunino District, Moscow. The Property is located in the north of Moscow. The nearest metro station Seligerskaya is in a 5-minutes' walk. It takes 15-20 minutes by car to the Garden Ring without traffic jams.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 6 buildings with a total sellable area of 85,536 sqm, including: • 80,020 sqm – residential area;

	• 4,048 sqm – built-in commercial premises. • 1,468 sqm – storages; • 600 parking lots. Infrastructure: kindergartens.
Land rights:	Leasehold
Construction Completion Date:	2023
Unsold Area:	38,962 sqm
Current Stage:	Under construction (68% completed)
Discount Rate:	7.4%
Average Price per sqm:	231,796 RUB
Remaining Construction Costs (excluding financial costs):	4,666,426,000 RUB
Land Area:	Land plot with a total area of 4.1 ha
Market Value:	**7,767,809,000 RUB**

4. Sheremetievskiy

Map

Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:	Address: 6, Skladochnaya street, Maryina Roscha District, Moscow. The Property is located in Maryina Roscha District of Moscow in 15 minutes' drive from the city center. Savelovskaya metro station is situated in a 10-minutes' walk from the Property. There is a railway station "Stankolit" in close proximity. The distance to TTK is about 1.5 km, and the distance to MKAD is about 15 km.
Project Description:	As at the valuation date, the Property is under construction. The Property represents a residential complex with a total sellable area of 183,955 sqm, including: • 133,716 sqm – residential area; • 41,612 sqm – built-in commercial premises; • 8,627 sqm – storages; • 1,466 parking lots.
Land rights:	Ownership
Construction Completion Date:	2024
Unsold Area:	77,855 sqm
Current Stage:	Under construction (57% completed)
Discount Rate:	11.1%
Average Price per sqm:	180,663 RUB
Remaining Construction Costs (excluding financial costs):	7,868,486,000 RUB
Land Area:	Land plot with a total area of 12.85 ha
Market Value:	**7,555,852,000 RUB**

5. Novokhokhlovskaya Street, 15

Map

Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:

Address: 15, Novokhokhlovskaya street, Nizhegorodskiy district, Moscow.

The Property is located in about 3 minutes' drive from TTK and 10 minutes' drive from the Graden Ring. Transportation hub "Novokhokhlovskaya" with a park-and-ride parking is located in less than 10 minutes' walk.

Project Description:

As at the valuation date, the Property is under construction. The Project comprises 4 buildings with a total sellable area of 77,211 sqm, including:

- 73,886 sqm – residential area;
- 2,536 sqm – built-in commercial premises;
- 789 sqm - storages;

	• 336 parking lots. Infrastructure: kindergarten.
Land rights:	Leasehold
Construction Completion Date:	2025
Unsold Area:	69,869 sqm
Current Stage:	Under design
Discount Rate:	9.25% -12.75%
Average Price per sqm:	211,695 RUB
Remaining Construction Costs (excluding financial costs):	6,021,139,000 RUB
Land Area:	Land plot with a total area of 3.16 ha
Market Value:	**5,311,835,000 RUB**

6. Simonovskaya Naberezhnaya

Map

Source: yandex.ru/maps

Location:	Address: Simonovskaya Naberezhnaya, Danilovskiy District, Moscow. Access to the Property is possible from Avtozavodskaya Street, TTK. The nearest metro station is Avtozavodskaya.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 47,240 sqm, including: • 35,633 sqm – residential area; • 1,572 sqm – built-in commercial premises.

	• 1,035 sqm – storages; • 292 parking lots.
Land rights:	Leasehold
Construction Completion Date:	2023
Unsold Area:	46,205 sqm
Current Stage:	Under construction (2% completed)
Discount Rate:	6.79%-12.75%
Average Price per sqm:	251,946 RUB
Remaining Construction Costs (excluding financial costs):	6,610,563,000 RUB
Land Area:	Land plot with a total area of 2.07 ha
Market Value:	**4,012,034,000 RUB**

7. Akademika Pavlova Street., 38, 56

Map

Source: yandex.ru/maps
Site Plan

Source: https://www.pik.ru/

Location:	Address: 38, 56, Akademika Pavlova Street, Kuntsevo District, Moscow. The Property is located at the intersection of Rublevskoye highway and Yartsevskaya street, in a 5-minutes' walk from Molodezhnaya metro station. Transportation service network provides a convenient connection to the entire city. Major highways are the Rublevskoye Highway and the Moscow Ring Road.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 89,988 sqm, including: • 85,629 sqm – residential area; • 2,070 sqm – built-in commercial premises. • 909 sqm – storages; • 456 parking lots.
Land rights:	Leasehold
Construction Completion Date:	2023
Unsold Area:	70,395 sqm
Current Stage:	Under construction (6% completed)
Discount Rate:	8.75% - 9.25%
Average Price per sqm:	240,906 RUB
Remaining Construction Costs (excluding financial costs):	5,983,236,000 RUB
Land Area:	Land plot with a total area of 2.07 ha
Market Value:	**8,299,156,000 RUB**

8. Bolshaya Ochakovskaya Street, 2

Map

Source: yandex.ru/maps

Location:	Address: 2, Bolshaya Ochakovskaya Street, Ochakovo-Matveevskoye District, Moscow. Access to the Property is possible directly from Bolshaya Ochakovskaya Street, as well as from Lobachevsky Street. Michurinsky Prospekt metro station is located at a distance of 1.3 km from the Property.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 110,765 sqm, including: • 105,305 sqm – residential area; • 4,270 sqm – built-in commercial premises. • 1,190 sqm – storages; • 517 parking lots.
Land rights:	Leasehold
Construction Completion Date:	2025
Unsold Area:	91,427 sqm
Current Stage:	Under construction (45% completed)
Discount Rate:	8.6%
Average Price per sqm:	240,562 RUB
Remaining Construction Costs (excluding financial costs):	8,452,625,000 RUB
Land Area:	Land plot with a total area of 4.7 ha
Fair value:	**10,050,859,000 RUB**

9. Businovskiy Park

Map

Source: yandex.ru/maps

Site Plan

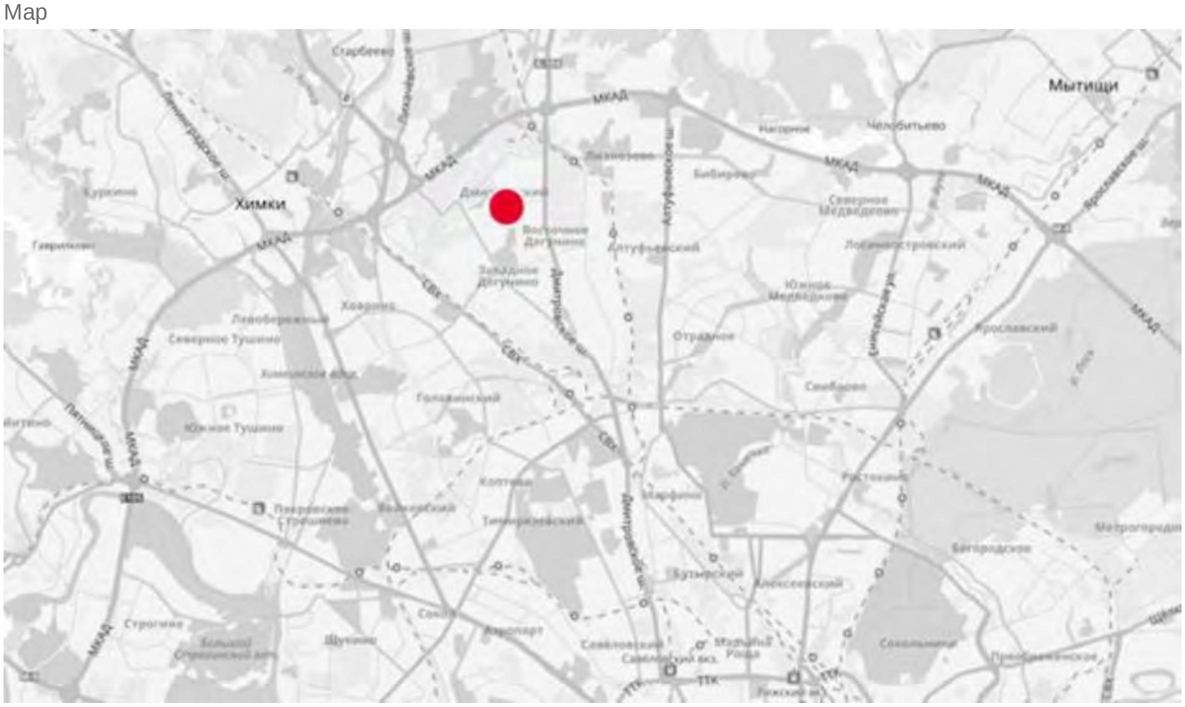
Source: https://www.pik.ru/

Location:	Address: 6, Izhorskaya Street, Zapadnoye Degunino District, Moscow. Access to the Property is possible from Izhorskaya Street and Korovinskoye Highway. The nearest metro station is Khovrino.
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 300,030 sqm, including: • 271,140 sqm – residential area; • 12,844 sqm – built-in commercial premises.

	• 446 sqm – storages; • 1,350 parking lots.
Land rights:	Leasehold
Construction Completion Date:	2026
Unsold Area:	266,642 sqm
Current Stage:	Under design
Discount Rate:	8.8% - 13.48%
Average Price per sqm:	173,197 RUB
Remaining Construction Costs (excluding financial costs):	23,253,244,000 RUB
Land Area:	Land plot with a total area of 16.8 ha
Market Value:	**15,776,248,000 RUB**

10. Dmitrovskiy Park

Map



Source: yandex.ru/maps

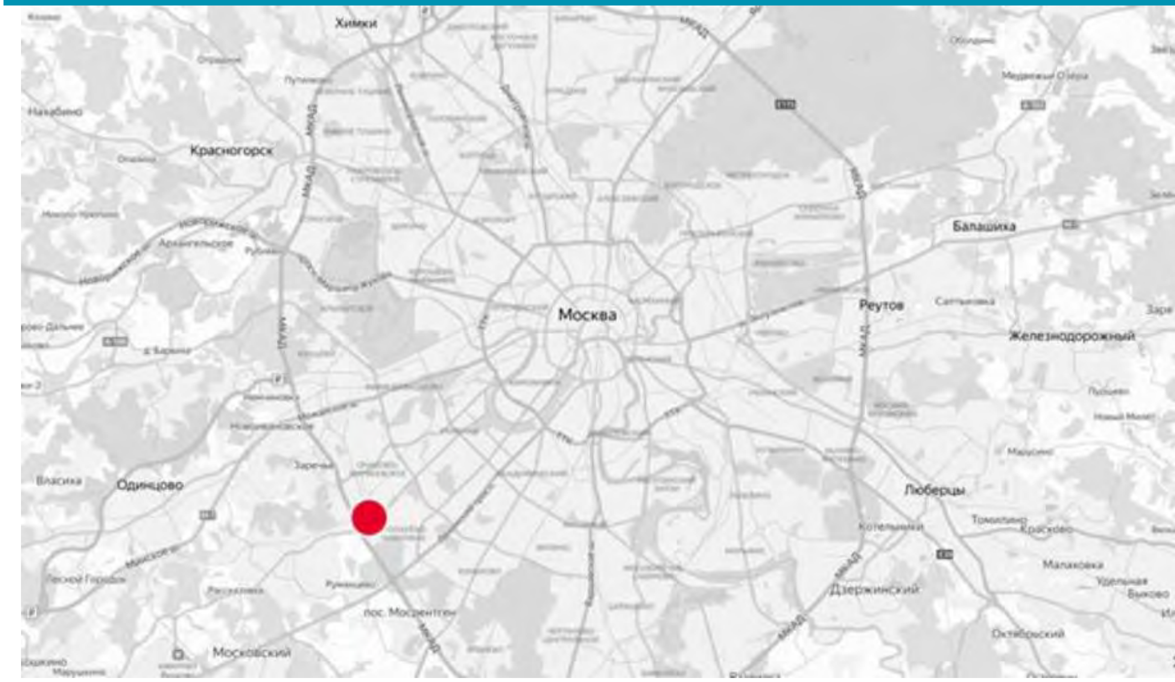
Site Plan

Source: https://www.pik.ru/

Location:	Address: 13, Lobnenskaya Street, Dmitrovsiy District, Moscow. The Property is located in Dmitrovskiy district of Moscow, at a distance of 3.2 km from Seligerskaya metro station. In 2022 Lianozovo and 800-letiya Moskvy Street metro stations will be constructed near the project. It has a convenient exit to Dmitrovskoye highway. The distance to MKAD is about 3.5 km, and the distance to TTK is about 12 km.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 3 phases with a total sellable area of 214,371 sqm, including: • 204,594 sqm – residential area; • 7,809 - built-in commercial premises; • 1,968 – storages; • 905 – parking lots. Infrastructure includes kindergarten.
Land rights:	Leasehold
Construction Completion Date:	2023
Unsold Area:	91,669 sqm
Current Stage:	Under construction (45% completed)
Discount Rate:	8.5%
Average Price per sqm:	190,911 RUB
Remaining Construction Costs (excluding financial costs):	7,260,279,000 RUB
Land Area:	Land plot with a total area of 8.38 ha
Market Value:	**16,600,203,000 RUB**

11. Michurinskiy Park

Map



Source: yandex.ru/maps

Site Plan

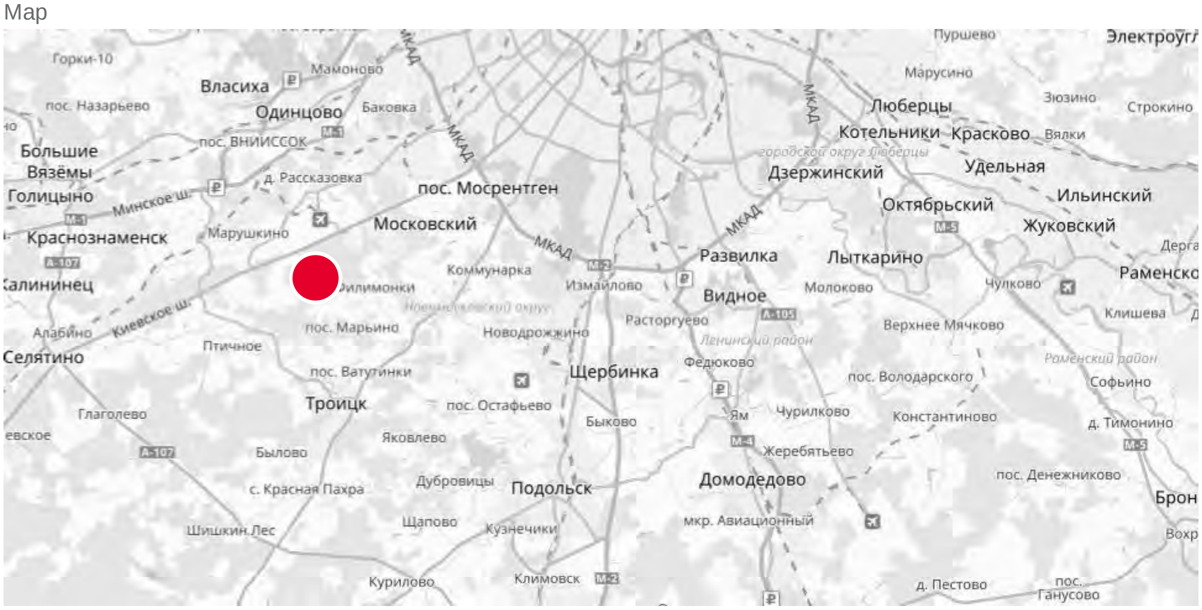
Source: https://www.pik.ru/

Location:	Address: Ozernaya Street, Ochakovo-Matveevskoye District, Moscow. Access to the Property is possible from Malaya Ochakovskaya Street. The nearest metro station Ozernaya is in a 11-minutes' walk.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 511,666 sqm, including: • 46,897 sqm – residential area; • 34,206 sqm – built-in commercial premises. • 564 sqm – storages; • 2,029 parking lots.

Land rights:	Ownership
Construction Completion Date:	2029
Unsold Area:	475,097 sqm
Current Stage:	Under construction (1% completed)
Discount Rate:	10.80% - 13.00%
Average Price per sqm:	202,018 RUB
Remaining Construction Costs (excluding financial costs):	47,803,142,000 RUB
Land Area:	Land plot with a total area of 5.46 ha
Market Value:	**33,196,469,000 RUB**

12. Serednevo, Filimonovskoye Settlement

Map



Source: yandex.ru/maps

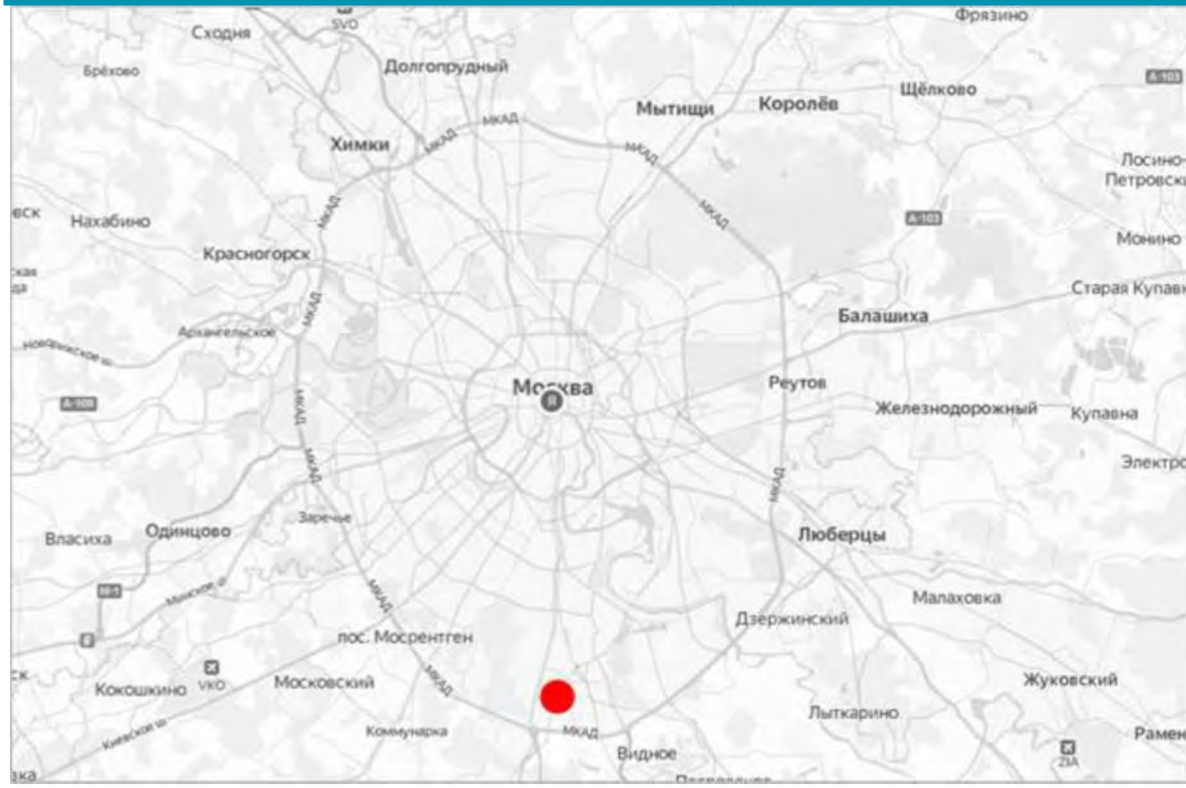
Site Plan

Source: https://www.pik.ru/

Location:	Address: OJSC "Maryinskaya Ptitsefabrika", Philimonovskoye settlement, Serednevo micro-district, New Moscow. Nearest metro station "Salarievo" is in several km from the Property. The distance to MKAD is about 20 km.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 360,815 sqm, including: • 334,761 sqm – residential area; • 12,437 sqm – built-in commercial premises; • 13,618 sqm – storages.
Land rights:	Ownership
Construction Completion Date:	2027
Unsold Area:	322,177 sqm
Current Stage:	Under construction (7% completed)
Discount Rate:	13.2%
Average Price per sqm:	128,821 RUB
Remaining Construction Costs (excluding financial costs):	26,118,942,000 RUB
Land Area:	Land plot with a total area of 24.29 ha
Market Value:	**13,054,905,000 RUB**

13. Moscow, Gazoprovod

Map



Source: yandex.ru/maps

Location:	Address: Gazoprovod street, Chertanovo district, Moscow. Nearest metro stations of “Ulitsa Akademika Yangelya” and “Annino” are located in 15-20 minutes’ drive by public transport.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 9 buildings with a total sellable area of 84,380 sqm, including: • 81,072 sqm – residential area; • 3,308 sqm – built-in commercial premises; • 360 parking lots. Infrastructure: kindergarten, school, polyclinic.
Land rights:	Ownership
Construction Completion Date:	2024
Unsold Area:	84,380 sqm
Current Stage:	Under construction (5% completed)
Discount Rate:	12.75%
Average Price per sqm:	195,217 RUB
Remaining Construction Costs (excluding financial costs):	9,857,104,000 RUB
Land Area:	Land plot with a total area of 3.63 ha
Market Value:	**4,881,652,000 RUB**

14. Kavkazskiy Boulevard, 51

Map

Source: yandex.ru/maps

Location:	Address: 51, Kavkazskiy boulevard, Tsaritsyno district, Moscow. Nearest metro stations of “Tsaritsyno” and “Kantemirovskaya” are located in 10-15 minutes’ drive by public transport.
Project Description:	As at the valuation date, the Property is under design. The Project comprises 25 buildings with a total sellable area of 243,217 sqm, including: • 232,280 sqm – residential area; • 10,937 sqm – built-in commercial premises; • 1,250 parking lots. Infrastructure: 2 kindergarten, sports school.
Land rights:	Leasehold
Construction Completion Date:	2028
Unsold Area:	243,217 sqm
Current Stage:	Under design
Discount Rate:	12.75% - 14.00%
Average Price per sqm:	193,265 RUB
Remaining Construction Costs (excluding financial costs):	30,228,313,000 RUB
Land Area:	Land plot with a total area of 9.8 ha
Market Value:	**9,978,627,000 RUB**

15. Yuzhnoportovaya Street, 42

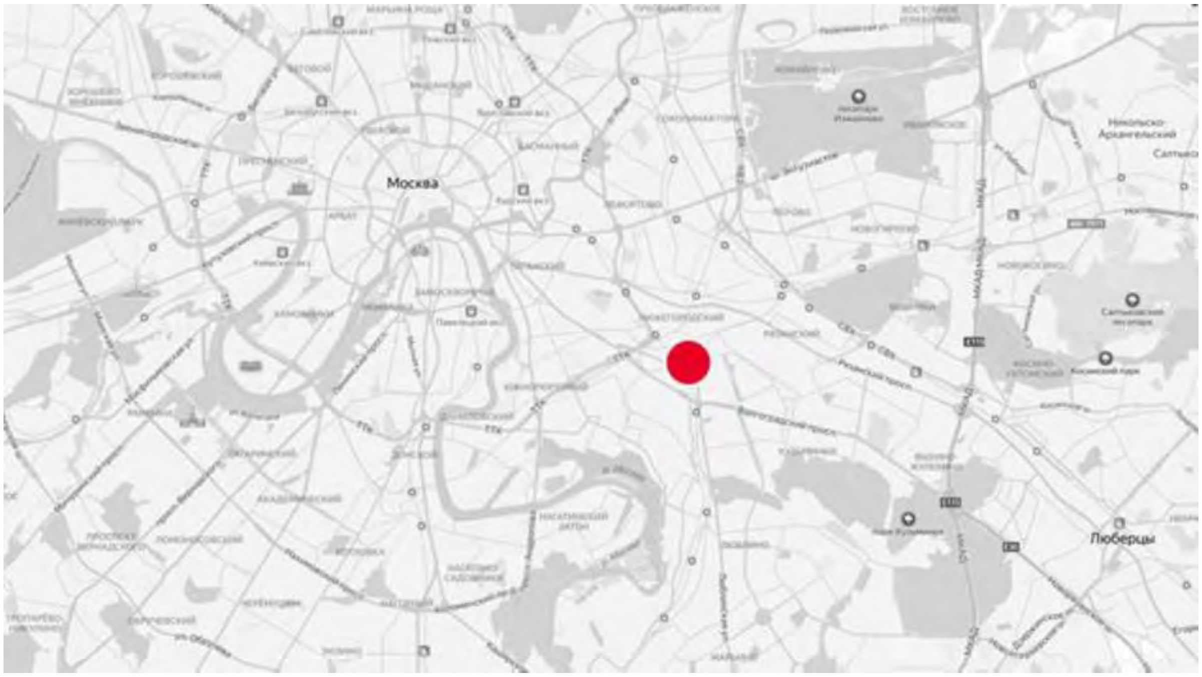
Map

Source: yandex.ru/maps

Location:	Address: 42, Yuzhnoportovaya street, Pechatniki district, Moscow. The nearest metro station "Pechatniki" is within transport distance.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 3 buildings with a total sellable area of 69,310 sqm, including: • 65,390 sqm – residential area; • 3,920 sqm – built-in commercial premises; • 360 parking lots.
Land rights:	Leasehold
Construction Completion Date:	2025
Unsold Area:	69,310 sqm
Current Stage:	Under construction (23% completed)
Discount Rate:	12.75% - 13.48%
Average Price per sqm:	227,977 RUB
Remaining Construction Costs (excluding financial costs):	7,879,995,000 RUB
Land Area:	Land plot with a total area of 7.24 ha
Market Value:	**5,830,617,000 RUB**

16. Volzhskiy Park

Map



Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:	Address: 3, 1st Grayvoronovsky Drive, Tekstilschiki District, Moscow. The property is in a 15-minutes' walk from Tekstilshchiki metro station and a 10-minutes' drive by car or metro to the center of Moscow. The nearest major transport arteries are Volgogradsy Avenue and Ryazansky Avenue.
Project Description:	As at the valuation date, the Property is under construction. The Property represents residential complex with a total area of 209,601 sqm, including:

	• 199,273 sqm – residential area; • 9,186 sqm – built-in commercial premises; • 1,141 sqm – storages; • 1,403 – parking lots. Infrastructure: kindergartens, schools.
Land rights:	Leasehold
Construction Completion Date:	2026
Unsold Area:	173,765 sqm
Current Stage:	Under construction (7% completed)
Discount Rate:	8.30% - 10.48%
Average Price per sqm:	179,693 RUB
Remaining Construction Costs (excluding financial costs):	17,035,341,000 RUB
Land Area:	Land plot with a total area of 12.51 ha
Market Value:	**11,970,665,000 RUB**

17. Green Park

Map

Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:	Address: 35, Selskokhozyaystvennaya Street, Ostankinskiy district, Moscow. The Property is located in the north-east of Moscow, within walking distance from Botanicheskiy Sad metro station. Transport accessibility is provided by Yaroslavskoye highway and Altufievskoye highway. The Third transport Ring Road is in a 10-minutes' drive.

Project Description:	The development is expected to comprise approximately 405,626 square metres of total net sellable area including residential buildings with a total net sellable area of 368,479 square metres and commercial built-in premises with a total net sellable area of 25,268 square metres, other non-residential space (such as storages) and 2,647 parking lots, located on an 34-hectare land plot.
Land rights:	Leasehold
Construction Completion Date:	2024
Unsold Area:	115,484 sqm
Current Stage:	Under construction (73% completed)
Discount Rate:	8.5%
Average Price per sqm:	213,473 RUB
Remaining Construction Costs (excluding financial costs):	12,915,950,000 RUB
Land Area:	Land plot with a total area of 33.99 ha
Market Value:	**16,796,522,000 RUB**

18. Rimskogo-Korsakova, 11

Map

Source: yandex.ru/maps

Site Plan

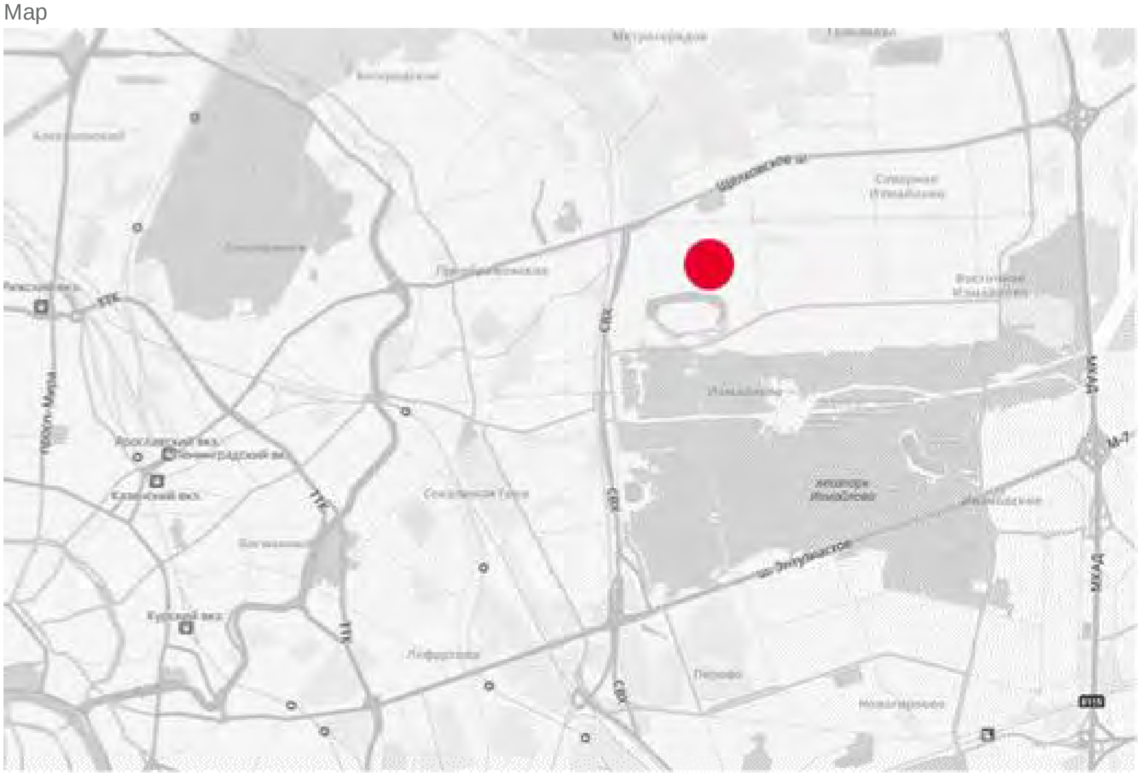
Source: https://www.pik.ru/

Location:	Address: 5, Vysokovoltniy Drive, Beskudnikovo district, Moscow. The nearest metro station Otradnoe is in a 15-minutes' walk. It has a convenient exit to Altufyevskoye highway. The distance to MKAD is about 6 km, and the distance to TTK is about 11 km.

Project Description:	As at the valuation date, the Property is under construction. The Property represents a residential complex with a total sellable area of 173,864 sqm, including: • 155,901 sqm – residential area; • 14,102 sqm – built-in commercial premises; • 674 – parking lots. Infrastructure includes clinic with an ambulance station, kindergarten and school.
Land rights:	Ownership
Construction Completion Date:	2024
Unsold Area:	37,216 sqm
Current Stage:	Under construction (78% completed)
Discount Rate:	9.7%
Average Price per sqm:	183,918 RUB
Remaining Construction Costs (excluding financial costs):	3,685,040,000 RUB
Land Area:	Land plot with a total area of 15.7 ha
Market Value:	**3,388,457,000 RUB**

19. Izmailovskiy, 11

Map



Source: yandex.ru/maps

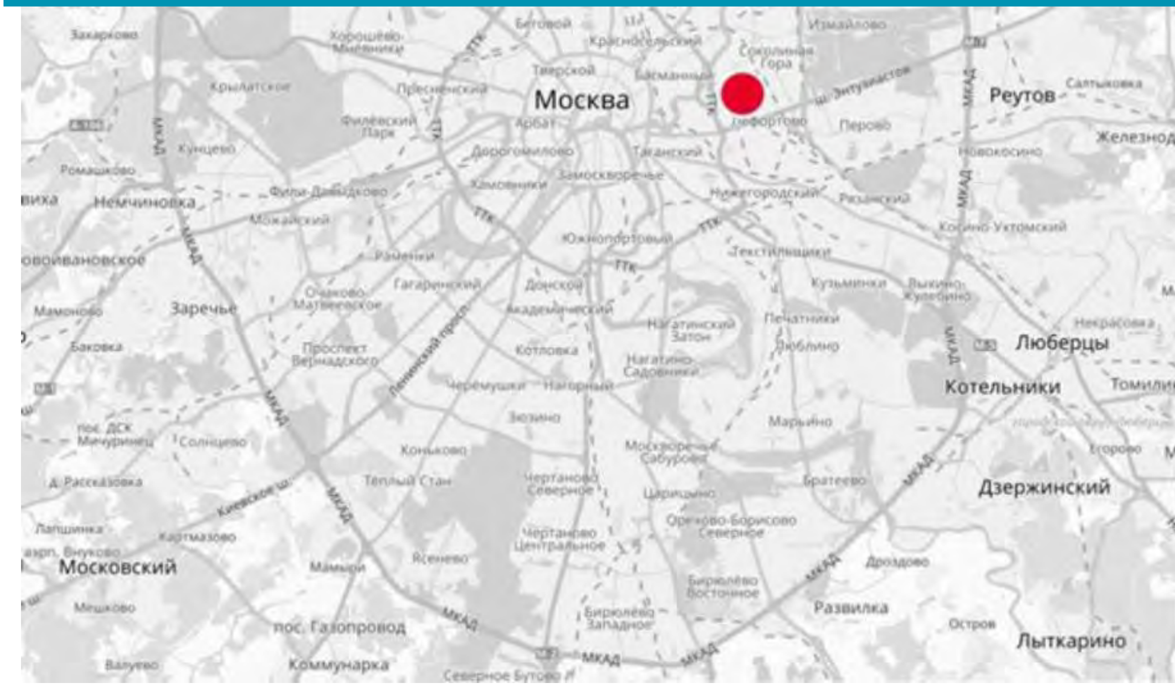
Site Plan

Source: https://www.pik.ru/

Location:	Address: 11, Izmailovskiy Drive, Izmailovo District, Moscow. The nearest metro stations Izmailovskaya, Partizanskaya and Cherkizovskaya are located in 7-10 minutes by car from the Property. Shchelkovskoye Highway, MKAD and Entuziastov Highway provide convenient access to central and peripheral districts of Moscow.
Project Description:	The development is expected to comprise approximately 58,552 square metres of total net sellable area including residential buildings with a total net sellable area of 54,052 square metres and commercial built-in premises with a total net sellable area of 4,500 square metres, other non-residential space (such as storages) and 447 parking lots, located on an 3.5-hectare land plot.
Land rights:	Ownership
Construction Completion Date:	2021
Unsold Area:	4,245 sqm
Current Stage:	Under construction (85% completed)
Discount Rate:	9%
Average Price per sqm:	221,959 RUB
Remaining Construction Costs (excluding financial costs):	1,098,806,000 RUB
Land Area:	Land plot with a total area of 3.5 ha
Market Value	**1,574,408,000 RUB**

20. Krasnokazarmennaya 15

Map



Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:	Address: 15, Krasnokazarmennaya Street, Lefortovo District, Moscow. The Property is in a 12-minutes' walk from Aviamotornaya metro station. Near the Property there are public transport stops connecting the Property with other districts of Moscow. It is advantageously located at the intersection of Entuziastov Highway and the Serp i Molot Drive, in close proximity to the Third Ring Road.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 26 buildings with a total area of 61,245 sqm, including: • 57,406 sqm – residential area; • 2,590 sqm – built-in commercial premises.

	• 1,250 sqm – storages; • 401 parking lots. Infrastructure: kindergarten.
Land rights:	Leasehold
Construction Completion Date:	2023
Unsold Area:	47,162 sqm
Current Stage:	Under construction (7% completed)
Discount Rate:	8.30% - 9.25%
Average Price per sqm:	237,997 RUB
Remaining Construction Costs (excluding financial costs):	5,462,273,000 RUB
Land Area:	Land plot with a total area of 2.87 ha
Market Value:	**4,934,632,000 RUB**

21. Kuntsevo Park

Map

Source: yandex.ru/maps

Site Plan

Source: Client Data

Location:	Address: blocks 47, 48, Kuntsevo District, Moscow.

	The Property is located at the intersection of Rublevskoye highway and Yartsevskaya street, a 5-minute walk from Molodezhnaya metro station. Transportation service network provides a convenient connection to the entire city. Major highways are the Rublevskoye Highway and the Moscow Ring Road.
Project Description:	The completed development is expected to comprise approximately 216,009 square metres of total net sellable area including residential buildings with a total net sellable area of 206,893 square metres, commercial built-in premises with a total net sellable area of 9,115 square metres and other non-residential space (such as 1,755 parking plots), located on a 20-hectare land plot.
Land rights:	Ownership
Construction Completion Date:	2032
Unsold Area:	216,009 sqm
Current Stage:	Under construction (2% completed)
Discount Rate:	7.79% - 11.78%
Average Price per sqm:	233,590 RUB
Remaining Construction Costs (excluding financial costs):	23,118,119,000 RUB
Land Area:	Land plot with a total area of 19.89 ha
Market Value	**16,866,980,000 RUB**

22. Mescherskiy Les

Map

Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:	Address: 2, Borovskoye Highway, New Moscow. The Property is located in the southwest of Moscow within 1 km from MKAD. The distance to Govorovo metro station is about 750 m. Skolkovo platform is in a ten-minutes' walk. The object can be reached by car along the Borovskoe highway, by train from the Kievskiy railway station (to Skolkovo station), or by bus.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 389,142 sqm, including: • 370,476 sqm – residential area; • 10,960 sqm – built-in commercial premises;

	• 7,706 sqm – storages; • 2,003 – parking lots. Infrastructure includes: skate park with a total area of 900 sqm, 2 schools and 2 kindergartens.
Land rights:	Leasehold
Construction Completion Date:	2024
Unsold Area:	50,792 sqm
Current Stage:	Under construction (75% completed)
Discount Rate:	3.38% - 9.04%
Average Price per sqm:	194,871 RUB
Remaining Construction Costs (excluding financial costs):	8,368,703,000 RUB
Land Area:	Land plot with a total area of 31.18 ha
Market Value:	**8,368,703,000 RUB**

23. Solntsevo Park

Map

Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:	Address: Solntsevo Park micro-district, Vnukovskoye settlement, New Moscow. The Property is located in 15-20 minutes' drive from MKAD along Borovskoye highway. Nearest metro station "Rasskazovka" is in 4 minutes' way by public transport. Another metro station "Pykhtino" is planned for opening in 2022. It takes 20 minutes by commuter train to get to Kievskiy Railway station, 7 minutes – to get to Vnukovo airport.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 5 buildings with a total sellable area of 136,473 sqm, including: • 27,245 sqm – residential area; • 21,385 sqm – built-in commercial premises; • 1,691 sqm – storages; • 2,365 parking lots. Infrastructure: kindergartens, schools, polyclinic.
Land rights:	Ownership
Construction Completion Date:	2022
Unsold Area:	6,468 sqm
Current Stage:	Under construction (77% completed)
Discount Rate:	6.38% - 8.04%
Average Price per sqm:	156,258 RUB
Remaining Construction Costs (excluding financial costs):	718,655,000 RUB
Land Area:	Land plot with a total area of 10 ha
Market Value:	**1,087,969,000 RUB**

24. Myakinino Park

Map

Source: yandex.ru/maps

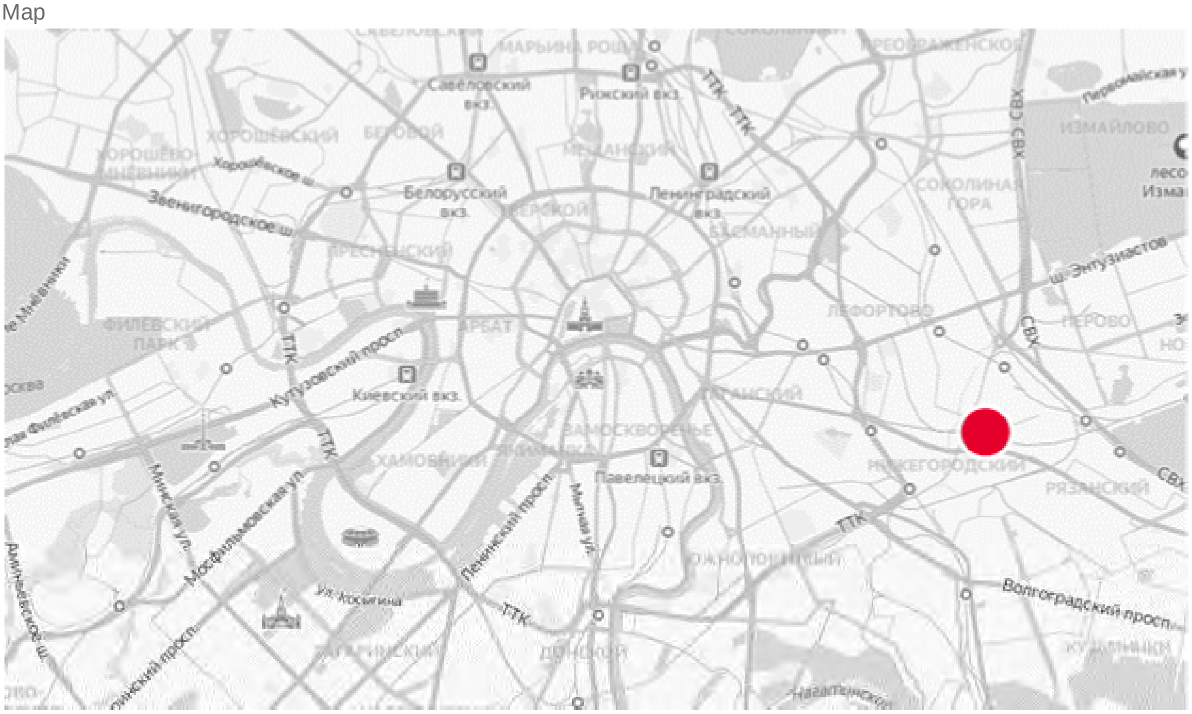
Site Plan

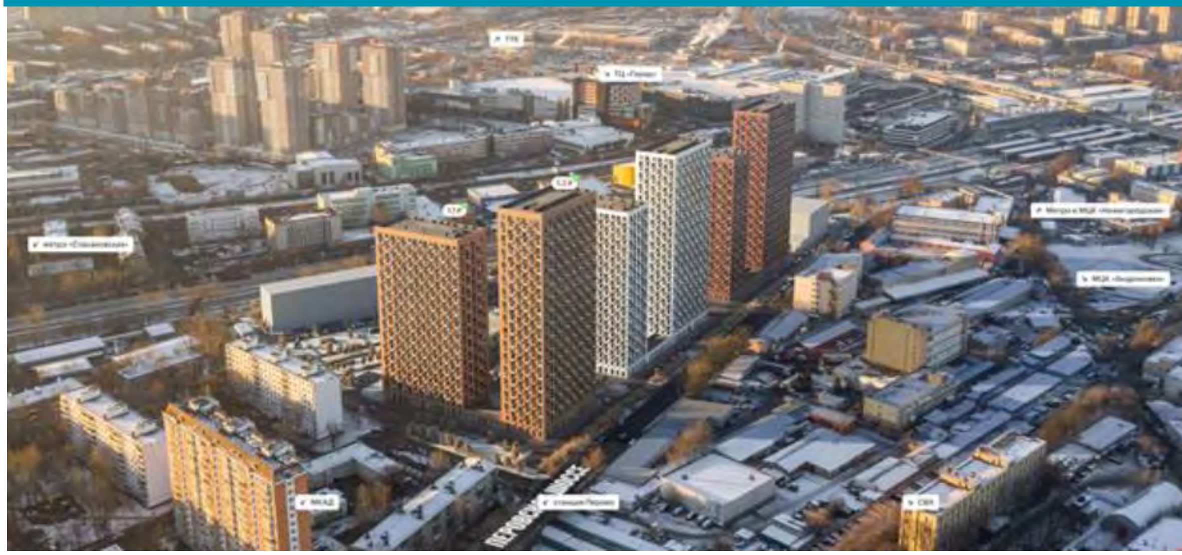
Source: https://www.pik.ru/

Location:	Address: Myakininskaya poyma, Kuntsevo District, Moscow. The nearest metro station Strogino is in 15-20 minutes' drive from the Property. Transportation service network provides a convenient connection to the entire city. Major highways are the Novorizhskoye Highway and the Moscow Ring Road.

Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 252,154 sqm, including: • 227,715 sqm – residential area; • 14,390 sqm – built-in commercial premises. • 10,049 sqm – storages; • 1,989 parking lots. Infrastructure: office buildings, yacht club, school, kindergarten.
Land rights:	Leasehold
Construction Completion Date:	2024
Unsold Area:	142,250 sqm
Current Stage:	Under construction (28% completed)
Discount Rate:	10.0%
Average Price per sqm:	157,272 RUB
Remaining Construction Costs (excluding financial costs):	17,032,465,000 RUB
Land Area:	Land plot with a total area of 28.03 ha
Market Value:	**7,693,859,000 RUB**

25. Perovskoye-2

Map

Source: yandex.ru/maps
Site Plan



Source: https://www.pik.ru/

Location:	Address: 4, 2, Perovskoye highway, Nizhegorodskiy district, Moscow. It takes 10 minutes to drive to TTK, 14 minutes to the centre, to North-East express way and MKAD – less than half an hour. Nearest metro and Moscow Central Circle station "Nizhegorodskaya" is within 10 minutes' walk.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 6 buildings with a total sellable area of 119,558 sqm, including: • 108,100 sqm – residential area; • 9,615 sqm – built-in commercial premises; • 1,844 sqm – storages; • 600 parking lots. Infrastructure: kindergarten, school, mall.
Land rights:	Leasehold
Construction Completion Date:	2024
Unsold Area:	114,135 sqm
Current Stage:	Under construction (23% completed)
Discount Rate:	9.5%
Average Price per sqm:	181,250 RUB
Remaining Construction Costs (excluding financial costs):	10,093,379,000 RUB
Land Area:	Land plot with a total area of 4.87 ha
Market Value:	**9,262,743,000 RUB**

26. 1st Drive Perova Polya, 2nd Drive Perova Polya, Plekhanova Street

Map

Source: yandex.ru/maps

Location:	Address: • 3/10, 1st Drive Perova Polya • 9, 2nd Drive Perova Polya • 13, Plekhanova Street • 11, Plekhanova Street The Property is located in Perovo District. The nearest metro and MCC stations are Shosse Entuziastov, Perovo. Near the Property there are public transport stops connecting the Property with other districts of Moscow.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 7 buildings with a total sellable area of 336,415 sqm, including: • 324,155 sqm – residential area; • 12,260 sqm – built-in commercial premises; • 1,950 underground parking lots; • 500 - surface parking lots.
Land rights:	Leasehold
Construction Completion Date:	2030
Unsold Area:	336,415 sqm
Current Stage:	Under design
Discount Rate:	12.75% - 14.53%
Average Price per sqm:	215,726 RUB
Remaining Construction Costs (excluding financial costs):	54,093,664,000 RUB

Land Area:	Land plot with a total area of 20 ha
Market Value:	**9,457,516,000 RUB**

27. Presnenskiy Val, 27

Map

Source: yandex.ru/maps

Location:	Address: 27, Presnenskiy Val, Tsentralniy District, Moscow. The nearest metro station Belorusskaya is a 7-minute walk. The distance to Ulitsa 1905 goda metro station is about 1 km
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 268,428 sqm, including: • 195,166 sqm – residential area; • 73,262 sqm – built-in commercial premises. • 2,750 parking lots.
Land rights:	Ownership
Construction Completion Date:	2027
Unsold Area:	268,428 sqm
Current Stage:	Under design
Discount Rate:	9.25% - 13.00%
Average Price per sqm:	297,071 RUB
Remaining Construction Costs (excluding financial costs):	56,113,955,000 RUB
Land Area:	Land plot with a total area of 8.3 ha
Market Value:	**23,068,117,000 RUB**

28. Zapadniy Port

Map

Source: yandex.ru/maps

Site Plan

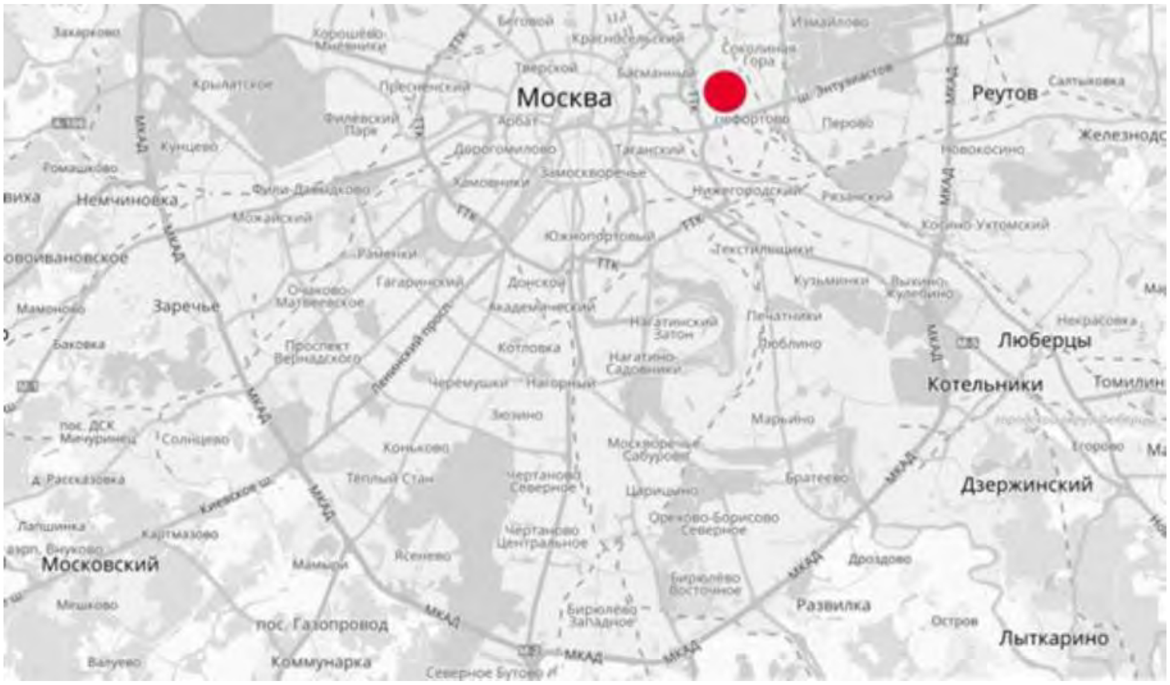
Source: https://www.pik.ru/

Location:	Address: 2/1, Zarechnaya Street, Filevskiy Park District, Moscow. The Property is in a 5-minutes' walk from Fili metro station. The distance to the Garden Ring is about 5 km, the distance to the Red Square is about 10 km. Transport accessibility is provided by Kutuzovskiy Avenue, TTK and Bolshaya Filevskaya street.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 5 phases with a total area of 225,347 sqm, including: • 210,698 sqm – residential area; • 8,895 sqm – built-in commercial premises. • 5,754 sqm – storages; • 1,765 parking lots.

	Infrastructure: kindergartens, fitness center.
Land rights:	Leasehold
Construction Completion Date:	2024
Unsold Area:	123,065 sqm
Current Stage:	Under construction (53% completed)
Discount Rate:	7.54% - 9.00%
Average Price per sqm:	233,374 RUB
Remaining Construction Costs (excluding financial costs):	6,908,152,000 RUB
Land Area:	Land plot with a total area of 10.66 ha
Market Value:	**27,056,539,000 RUB**

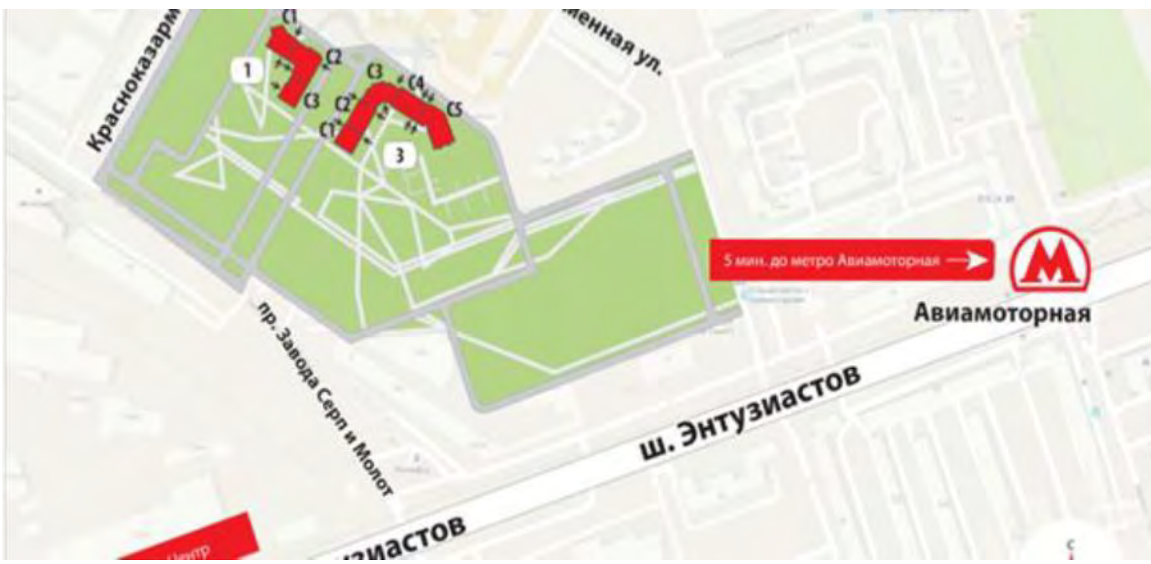
29. Lefortovo Park

Map



Source: yandex.ru/maps

Site Plan



Source: https://www.pik.ru/

Location:	Address: 14A, Krasnokazarmennaya Street, Lefortovo District, Moscow. The Property is in a 5-minutes' walk from Aviamotornaya metro station. Near the Property there are public transport stops connecting the Property with other districts of Moscow. It is advantageously located at the intersection of Entuziastov Highway and the Serp i Molot Drive, in close proximity to the Third Ring Road.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 12 phases with a total sellable area of 133,155 sqm, including:

	• 119,862 sqm – residential area; • 8,762 sqm – built-in commercial premises. • 4,531 sqm – storages; • 1,227 parking lots.
Land rights:	Ownership
Construction Completion Date:	2021
Unsold Area:	8,197 sqm
Current Stage:	Under construction (92% completed)
Discount Rate:	6.38% - 8.04%
Average Price per sqm:	263,035 RUB
Remaining Construction Costs (excluding financial costs):	1,038,737,000 RUB
Land Area:	Land plot with a total area of 29.27 ha
Market Value:	**2,917,820,000 RUB**

30. Stolichnye polyany

Map

Source: yandex.ru/maps

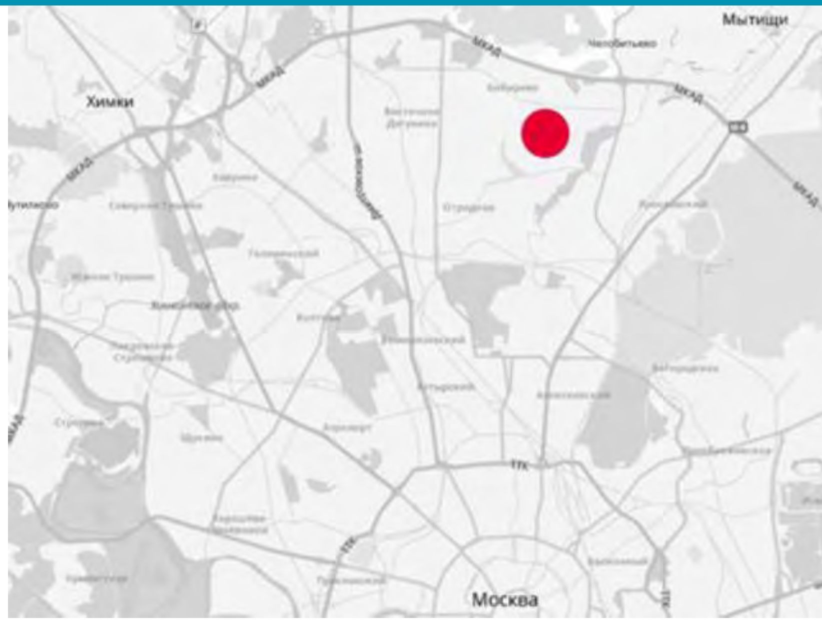
Site Plan

Source: https://www.pik.ru/

Location:	Address: Polyany Street, Yuzhnoye Butovo District, Moscow. The Property is located at the intersection of Polyany Street and Skobelevskaya Street, a 5-minutes' walk from Ulitsa Skobelevskaya metro station. 10 minutes from the Object is Butovo railway station of the Kursk railroad. In close proximity there is a stop of public transport, which can get to the station Yugo-Zapadnaya and Yasenevo. MKAD, Kaluzhskoye highway and Warsaw highway are located in 5 minutes by car from the Property.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 5 buildings with a total area of 188,733 sqm, including: • 175,556 sqm – residential area; • 6,234 sqm – built-in commercial premises. • 6,943 sqm – storages; • 810 parking lots. Infrastructure: 2 kindergartens.
Land rights:	Leasehold
Construction Completion Date:	2022
Unsold Area:	40,098 sqm
Current Stage:	Under construction (80% completed)
Discount Rate:	9.0%
Average Price per sqm:	186,243 RUB
Remaining Construction Costs (excluding financial costs):	3,772,841,000 RUB
Land Area:	Land plot with a total area of 14.63 ha
Market Value:	**5,816,626,000 RUB**

31. Polyarnaya 25

Map



Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:	Address: 25, Polyarnaya Street, Medvedkovo District, Moscow. The nearest metro stations Medvedkovo and Babushkinskaya are in 2 km from the Property.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 248,062 sqm, including: • 230,142 sqm – residential area; • 10,865 sqm – built-in commercial premises. • 7,054 sqm – storages; • 1,039 parking lots. Infrastructure: kindergartens, schools, polyclinic.

Land rights:	Leasehold
Construction Completion Date:	2024
Unsold Area:	116,302 sqm
Current Stage:	Under construction (41% completed)
Discount Rate:	7.04% - 8.75%
Average Price per sqm:	197,743 RUB
Remaining Construction Costs (excluding financial costs):	12,376,892,000 RUB
Land Area:	Land plot with a total area of 18.84 ha
Market Value:	**12,339,826,000 RUB**

32. Prostornaya, 7

Map

Source: yandex.ru/maps

Site Plan

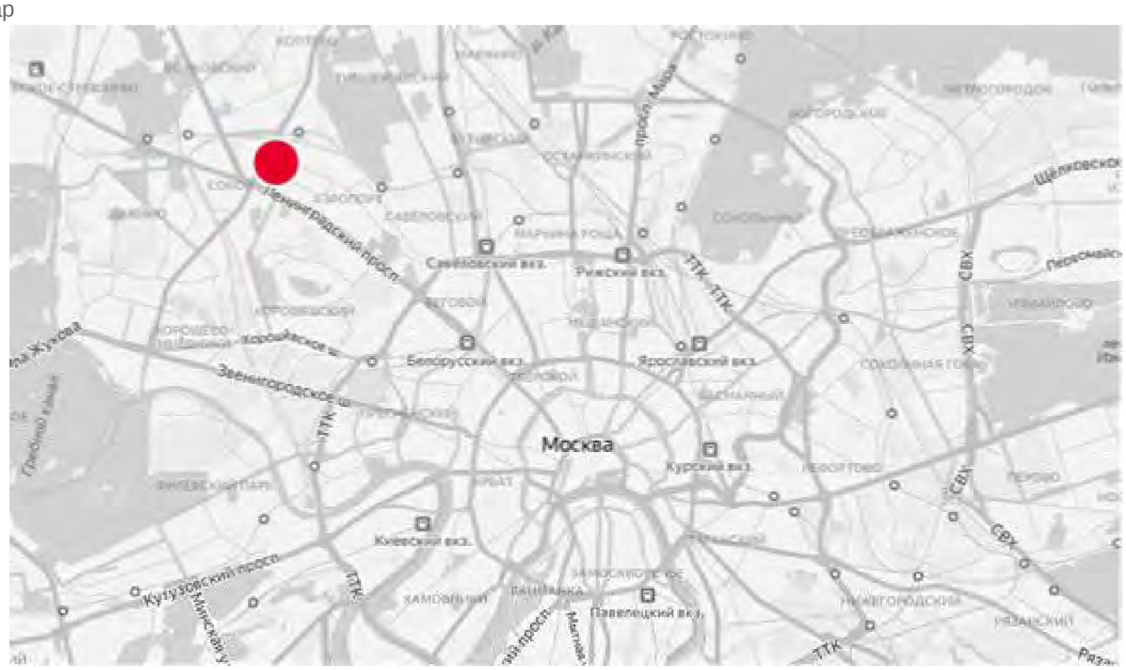
Source: https://www.pik.ru/

Location:	Address: 7, Prostornaya Street, Bogorodskoye District, Moscow. The Property is located in a 15-minutes' walk from Preobrazhenskaya Ploshchad metro station and a 20-minutes' walk from Bulvar Rokossovsky metro station. There is a bus stop in 250 meters from the Object. Streetcar stop "Krasnobogatyrskaya Street" is in a 8-minutes' walk - a streetcar can get to the metro stations "VDNH", "Sokolniki", "Prospekt Mira", "Komsomolskaya" and "Belorusskaya" without traffic jams. It takes 10 minutes by car to the Third Transport Ring Road and 15 minutes to the Moscow Ring Road. Also 10 minutes by car is the MCC "Lokomotiv" station with intercepting parking.

Project Description:	As at the valuation date, the Property is under construction. The Project comprises 2 phases with a total sellable area of 42,989 sqm, including: • 40,558 sqm – residential area; • 1,188 sqm – built-in commercial premises; • 1,243 sqm – storages; • 195 parking lots. Infrastructure: kindergarten.
Land rights:	Leasehold
Construction Completion Date:	2022
Unsold Area:	20,393 sqm
Current Stage:	Under construction (62% completed)
Discount Rate:	7.8%
Average Price per sqm:	249,965 RUB
Remaining Construction Costs (excluding financial costs):	2,456,523,000 RUB
Land Area:	Land plot with a total area of 2.21 ha
Market Value:	**4,345,176,000 RUB**

33. Chasovaya Street. 28

Map



Source: yandex.ru/maps

Location:	Address: 28, Chasovaya Street, Aeroport District, Moscow. Transport accessibility is provided by Leningradskoye highway, Volokolamskoye highway and Bolshaya Akademicheskaya street. The distance to TTK is about 5 km, and the distance to MKAD is about 10 km. Sokol metro station is located шт about 1 km from the Property.

Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 236,062 sqm, including: • 221,570 sqm – residential area; • 14,492 sqm – built-in commercial premises. • 1,765 parking lots. Infrastructure includes pre-school, school, children's playgrounds, sports grounds, sports centre.
Land rights:	Leasehold
Construction Completion Date:	2026
Unsold Area:	236 062 sqm
Current Stage:	Under construction (13% completed)
Discount Rate:	12.0%
Average Price per sqm:	218,577 RUB
Remaining Construction Costs (excluding financial costs):	29,121,904,000 RUB
Land Area:	Land plot with a total area of 7.81 ha
Market Value:	**17,394,200,000 RUB**

34. Yasenevaya 14

Map

Source: yandex.ru/maps

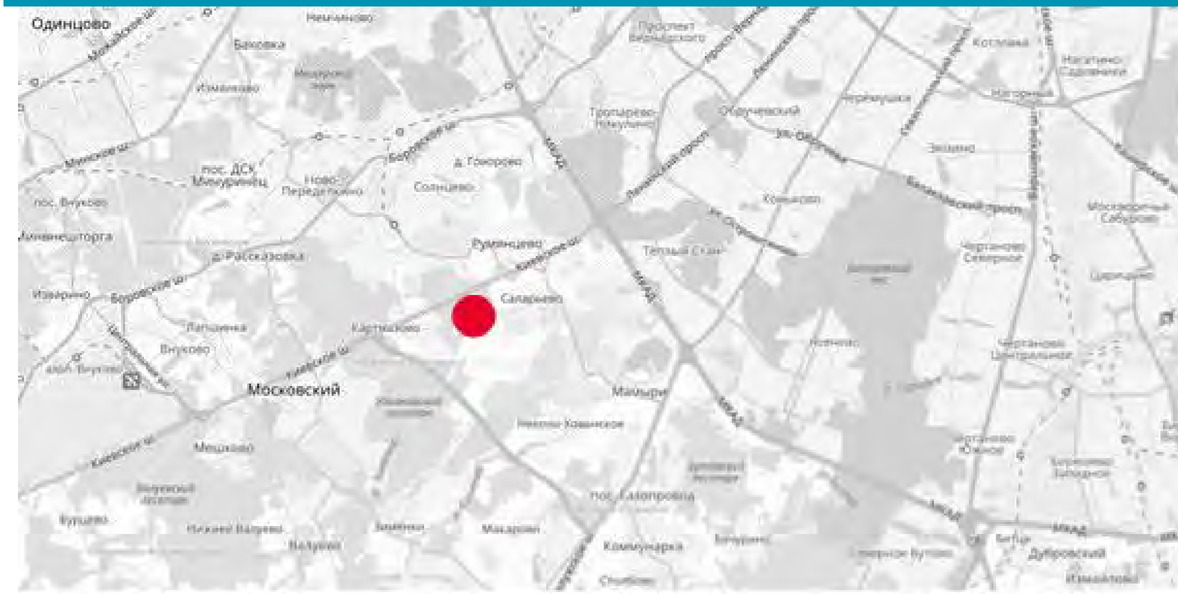
Site Plan

Source: https://www.pik.ru/

Location:	Address: 14, Yasenevaya Street, Orekhovo-Borisovo Yuzhnoye District, Moscow. The nearest metro stations Domodedovskaya and Zyablikovo are in 1 km from the Property. Kashirskoye highway and MKAD are located in 100 meters and 500 meters from the site correspondingly.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 157,451 sqm, including: • 146,310 sqm – residential area; • 5,846 sqm – built-in commercial premises. • 5,295 sqm – storages; • 638 parking lots.
Land rights:	Leasehold
Construction Completion Date:	2022
Unsold Area:	4,240 sqm
Current Stage:	Under construction (86% completed)
Discount Rate:	7.4%
Average Price per sqm:	226,000 RUB
Remaining Construction Costs (excluding financial costs):	1,669,807,000 RUB
Land Area:	Land plot with a total area of 17.11 ha
Market Value:	**1,120,681,000 RUB**

35. Salarievo Park

Map



Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:	Address: Sosenskoye Settlement, near Nikolo-Khovanskoye Village, New Moscow. The nearest metro station Salarievo is 0.5 km from the Property. The distance to MKAD is about 3-4 km along the Kievskoye highway.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 1,482,457 sqm, including: • 1,013,093 sqm – residential area; • 62,884 sqm – built-in commercial premises; • 22,695 sqm – storages.
Land rights:	Ownership
Construction Completion Date:	2026
Unsold Area:	788,664 sqm
Current Stage:	Under construction (31% completed)

Discount Rate:	11%
Average Price per sqm:	152,998 RUB
Remaining Construction Costs (excluding financial costs):	63,094,343,000 RUB
Land Area:	Land plot with a total area of 192.1 ha
Market Value:	**51,509,066,000 RUB**

36. Kotlyakovskaya

Map

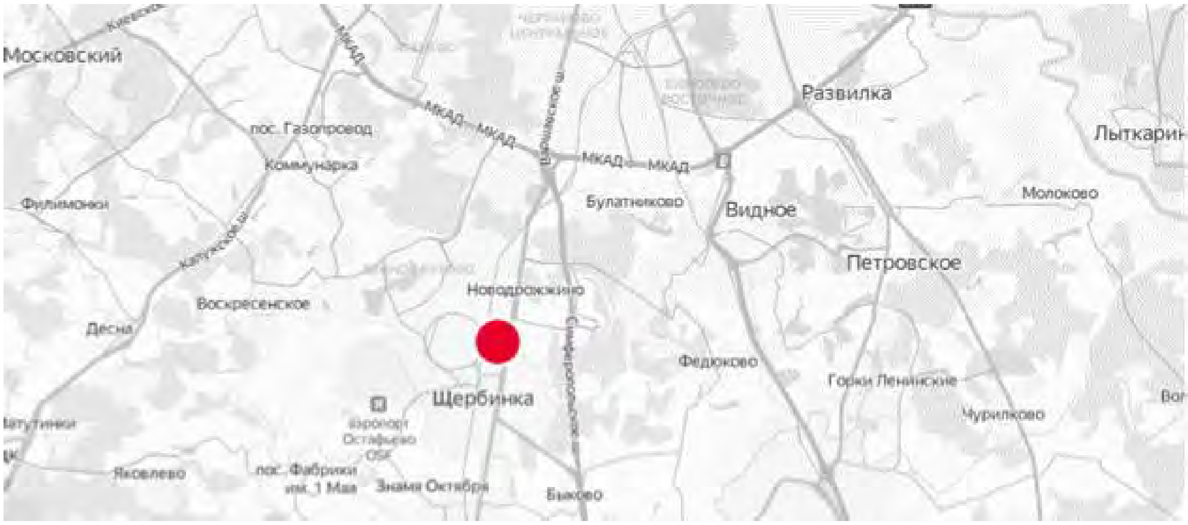
Source: yandex.ru/maps

Location:	Address: Kotlyakovskaya street, 3,4,5. The nearest metro station Kantemirovskaya is 1.7 km from the Property. Near the Property are railways.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 103,680 sqm, including: • 103,680 sqm – residential area; • 350 – parking lots.
Land rights:	Lease (Evklaz LLC, Expostroimash LLC)
Construction Completion Date:	2027
Unsold Area:	103,680 sqm
Current Stage:	Under construction (11% completed)
Discount Rate:	14.9%
Average Price per sqm:	219,957 RUB
Remaining Construction Costs (excluding financial costs):	10,818,762,000 RUB

Land Area:	Land plot with a total area of 10 ha
Market Value:	**6,085,384,000 RUB**

37. Varshavskoye Highway, Butovo industrial zone

Map



Source: yandex.ru/maps

Site Plan

Source: https://pkk.rosreestr.ru/

Location:	Address: 1-st design complex of Butovo industrial area, Varashavskoye highway, Yuzhnoye Butovo district, Moscow.

	The Property is located on the first line of Varshavskoye highway. There is a public transport stop in immediate proximity with the Property.
Project Description:	As at the valuation date, the Property is under design. The Project comprises 8 buildings with a total sellable area of 307,643 sqm, including: • 283,677 sqm – residential area; • 23,966 sqm – built-in commercial premises; • 406 parking lots. Infrastructure: kindergarten, school, polyclinic.
Land rights:	Leasehold
Construction Completion Date:	2027
Unsold Area:	307,643 sqm
Current Stage:	Under design
Discount Rate:	13.2%
Average Price per sqm:	140,226 RUB
Remaining Construction Costs (excluding financial costs):	28,516,102,000 RUB
Land Area:	Land plot with a total area of 63.4 ha
Market Value:	**8,975,997,000 RUB**

38. Altufievskoye Highway, 51, 53

Map

Source: yandex.ru/maps

Location:	Address: 53, 51, Altuphievskoye highway, Altuphievskiy district, Moscow. The Property is immediately accessed via back-up route of Altuphievskoye highway. Nearest metro station "Otradnoye" is located in 2,1 km.
Project Description:	As at the valuation date, the Property is under design. The Project comprises 6 buildings with a total sellable area of 170,136 sqm, including: • 164,504 sqm – residential area; • 5,632 sqm – built-in commercial premises;

	• 975 parking lots. Infrastructure: kindergarten.
Land rights:	Leasehold
Construction Completion Date:	2027
Unsold Area:	170,136 sqm
Current Stage:	Under design
Discount Rate:	13.1%
Average Price per sqm:	202,186 RUB
Remaining Construction Costs (excluding financial costs):	28,827,158,000 RUB
Land Area:	Land plot with a total area of 10.21 ha
Market Value:	**5,289,088,000 RUB**

39. Ochakovskoye Highway, 3a, 5a

Map

Source: yandex.ru/maps
Site Plan

Source: Client Data

Location:	Address: 5a, 3a, Ochakovskoye highway, Ochakovo-Matveevskoye district, Moscow. The Property is immediately accessed from Ochakovskoye, as well as Aminievskoye highway, the same-name metro station of which (planned for opening in 2021) is located in a couple of minutes' walking distance. Aminievskaya MCD station, planned for opening at the end of 2020- beginning of 2021 – in less than 5 minutes' walk. In about 20 minutes' walk metro station "Michurinskiy prospect" is located. There also several public transport routes in close proximity to the Property.
Project Description:	As at the valuation date, the Property is under design. The Project comprises 58 buildings with a total area of 662,561 sqm, including: • 507,190 sqm – residential area; • 109,810 sqm – apartments; • 45,561 sqm – built-in commercial premises; • 6,480 sqm – mall; • 2,895 parking lots. Infrastructure: kindergartens, 2 school, mall.
Land rights:	Ownership
Construction Completion Date:	2027
Unsold Area:	662,561sqm
Current Stage:	Under design
Discount Rate:	13.1%
Average Price per sqm:	222,186 RUB
Remaining Construction Costs (excluding financial costs):	102,270,274,000 RUB
Land Area:	Land plot with a total area of 26.3 ha
Market Value:	**29,689,656,000 RUB**

40. Vander Park, Akademika Pavlova, Pavlova 40

Map

Source: yandex.ru/maps

Site Plan

Source: Client Data

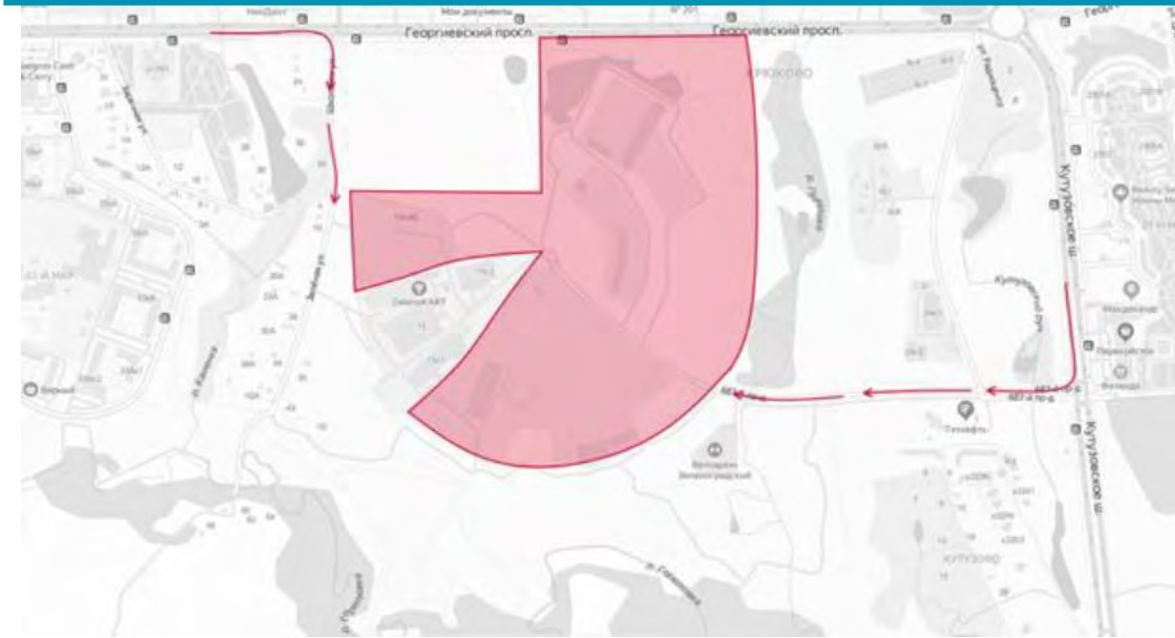
Location:	Address: blocks 7, 20, Kuntsevo District, Moscow. The Property is located at the intersection of Rublevskoye highway and Yartsevskaya street, a 7-minutes' walk from Molodezhnaya metro station. Transportation service network provides a convenient connection to the entire city. Major highways are the Rublevskoye Highway and the Moscow Ring Road.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 3 residential complexes with a total area of 270,825 sqm, including: • 256,950 sqm – residential area; • 9,690 sqm – built-in commercial premises. • 4,184 sqm – storages; • 2,311 parking lots; • 37 moto-parking lots.
Land rights:	Leasehold
Construction Completion Date:	2021
Unsold Area:	8,296 sqm
Current Stage:	Under construction (91% completed)
Discount Rate:	7.38% - 9.04%
Average Price per sqm:	271,358 RUB
Remaining Construction Costs (excluding financial costs):	786,234,000 RUB
Land Area:	Land plot with a total area of 21.65 ha
Market Value:	**3,332,018,000 RUB**

41. Zelenograd, CIE

Map

Source: yandex.ru/maps

Site Plan

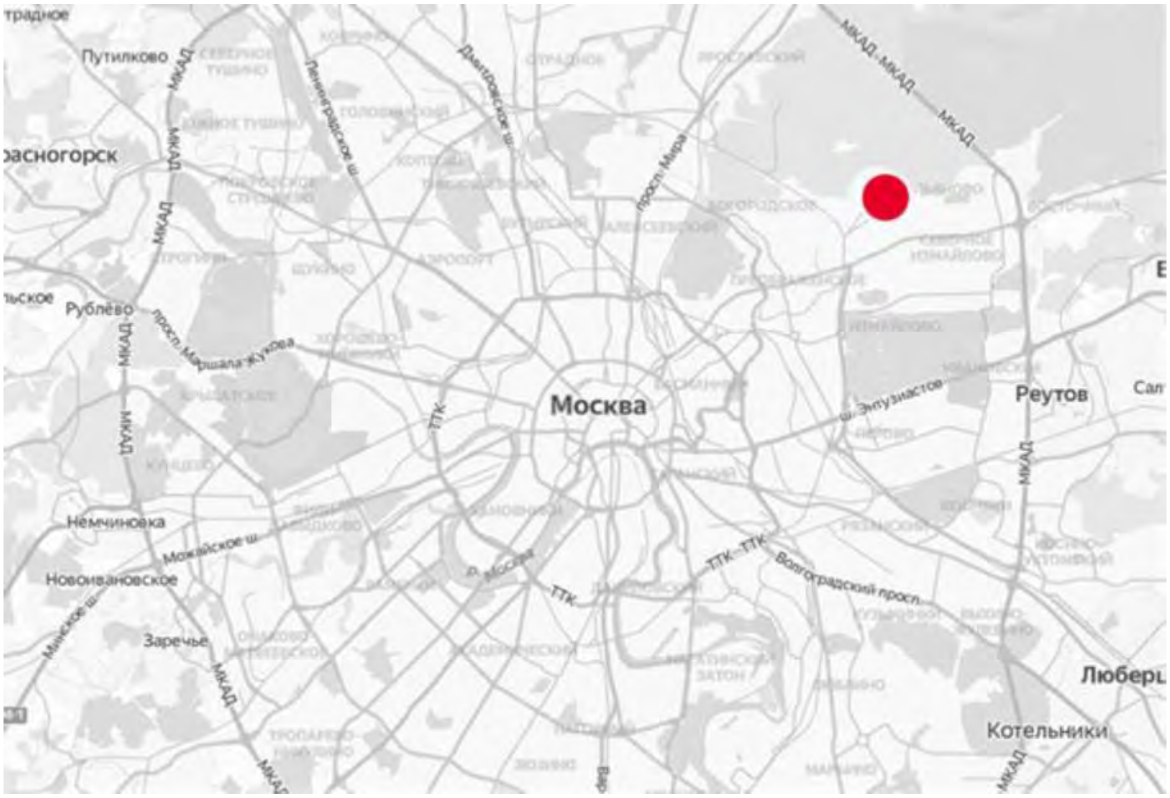


Source: yandex.ru/maps

Location:	Address: CIE industrial area, Kryukovo district, Zelenograd, Moscow. The Property is accessed from Kutuzovskoye highway, Georgievskiy avenue, along which there is a public transport stop “Ledovy dvorets”.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 44 buildings with a total area of 424,412 sqm, including: • 403,912 sqm – residential area; • 121,392 sqm – apartments; • 20,500 sqm – built-in commercial premises. Infrastructure: 2 kindergartens, 2 schools.
Land rights:	Leasehold
Construction Completion Date:	2030
Unsold Area:	424,412 sqm
Current Stage:	Under construction (12% completed)
Discount Rate:	13.6%
Average Price per sqm:	137,629 RUB
Remaining Construction Costs (excluding financial costs):	34,821,500,000 RUB
Land Area:	Land plot with a total area of 45.5 ha
Market Value:	**12,609,104,000 RUB**

42. Nikolaya Khimushina, Otkrytoye Highway

Map



Source: yandex.ru/maps

Location:	Address: • 2/7, Nikolaya Khimushina Street • 18/1, Otkrytoye highway • 20, Otkrytoye highway • 6, Tagilskaya Street • 3, 1st Irtyshskiy Drive The Property is located in Metrogorodok District. Access to the Property is possible from Otkrytoye Highway, 1st Irtyshskiy Drive, Nikolaya Khimushina Street, Tagilskaya Street, Amurskaya Street and Schelkovskoye Highway. The nearest metro stations are Cherkizovskaya, Bulvar Rokossovskogo. Near the Property there are public transport stops connecting the Property with other districts of Moscow.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 44 phases with a total area of 629,068 sqm, including: • 600,810 sqm – residential area; • 28,258 sqm – built-in commercial premises. • 4,050 parking lots.
Land rights:	Leasehold
Construction Completion Date:	2029
Unsold Area:	629 068 sqm
Current Stage:	Under design
Discount Rate:	12.75% - 14.00%

Average Price per sqm:	189,941 RUB
Remaining Construction Costs (excluding financial costs):	86,846,209,000 RUB
Land Area:	Land plot with a total area of 40.58 ha
Market Value:	**20,750,601,000 RUB**

43. Severny Terminal

Map

Source: yandex.ru/maps

Location:	Address: 35, Korovinskoye highway, Zapadnoye Degunino district, Moscow. The nearest metro station "Seligerskaya" is located in half an hour walking distance. In close proximity there are public transport stops connecting Property with other districts of Moscow.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 187,643 sqm, including: • 180,520 sqm – residential area; • 7,123 sqm – built-in commercial premises; • 1,180 parking lots.
Land rights:	Leasehold
Construction Completion Date:	2027
Unsold Area:	187,643 sqm
Current Stage:	Under construction (8% completed)
Discount Rate:	12.75% - 14.00%
Average Price per sqm:	171,071RUB
Remaining Construction Costs (excluding financial costs):	22,553,851,000 RUB
Land Area:	Land plot with a total area of 8.5 ha

Market Value:	**5,998,021,000 RUB**

44. Buninskiy, Buninskiye Luga

Map

Source: yandex.ru/maps

Site Plan

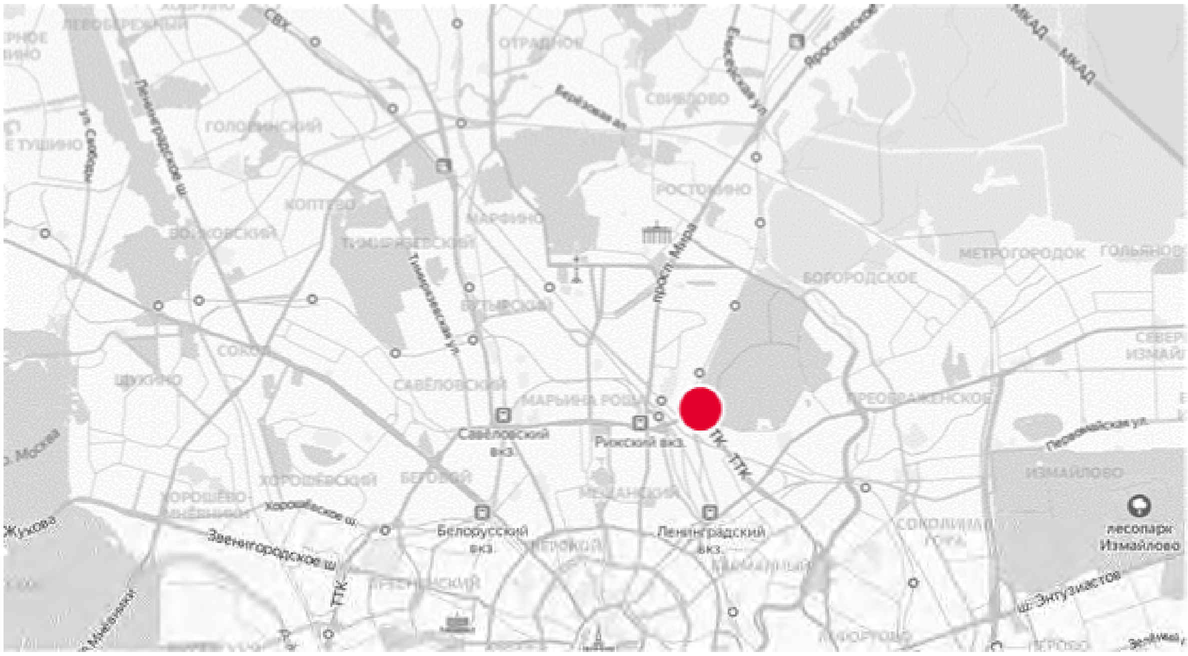
Source: https://www.pik.ru/

Location:	Address: Aleksandry Monakhovoy Street, Sosenskoye Settlement, New Moscow. Nearest metro stations are Buninskaya Alleya and Kommunarka. In 2022 Stolbovo metro station will be constructed near the project. The distance to MKAD is about 7 km.

Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 1,250,837 sqm, including: • 1,013,093 sqm – residential area; • 71,429 sqm – built-in commercial premises; • 24,647 sqm – storages. Infrastructure includes kindergartens, schools, polyclinic, sports center, children's playgrounds, wi-fi zones, bike lanes.
Land rights:	Ownership
Construction Completion Date:	2026
Unsold Area:	317,640 sqm
Current Stage:	Under construction (31% completed)
Discount Rate:	8.9%
Average Price per sqm:	145,807 RUB
Remaining Construction Costs (excluding financial costs):	21,158,465,000 RUB
Land Area:	Land plot with a total area of 127.79 ha
Market Value:	**25,431,263,000 RUB**

45. Sokolnicheskiy Val Street, 1D

Map

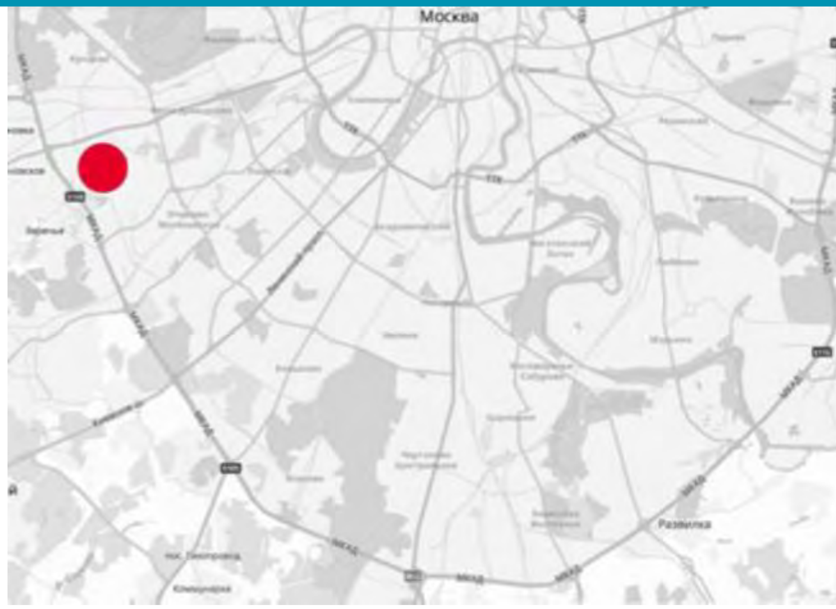


Source: yandex.ru/maps

Location:	Address: 1D, Sokolnicheskiy Val, Sokolniki district, Moscow. The Property is accessed immediately from Sokolnicheskiy Val and TTK. Nearest metro station "Rizhskaya" is located in 1,6 km. Also, there are several above-ground public transport routes in close vicinity to the Property.
Project Description:	As at the valuation date, the Property is under construction. The Project represents an apartment complex with a total sellable area of 17,455 sqm, including: • 16,405 sqm – apartments; • 1,050 sqm – built-in commercial premises.
Land rights:	Leasehold
Construction Completion Date:	2023
Unsold Area:	17,455 sqm
Current Stage:	Under construction (17% completed)
Discount Rate:	9.2%
Average Price per sqm:	189,443 RUB
Remaining Construction Costs (excluding financial costs):	2,221,517,000 RUB
Land Area:	Land plot with a total area of 1.01 ha
Market Value:	**921,368,000 RUB**

46. Ryabinovaya 22

Map



Source: yandex.ru/maps

Site Plan

Source: Client Data

Location:	Address: 22, Ryabinovaya Street, Ochakovo-Matveyevskoye District, Moscow. The nearest metro stations Slavyanskiy Bulvar and Kuntsevskaya are in 15-30 minutes' drive from the Property. The distance to MKAD is about 1 km. Kutuzovsky Avenue is in close proximity.
Project Description:	The Property is a production base consisting of 9 administrative and warehouse buildings with a total area of 12,009 square meters, located on the land plot with a total area of 3.72 hectares. As at the date of valuation there are no vacant units in the subject property.
Land rights:	Lease (PIK-Region CJSC)
Gross building area:	12,009 sqm

Gross Leasable Area:	9,926 sqm
Office area:	1,663 sqm
Heated warehouse area:	7,420 sqm
Cold warehouse area:	734 sqm
Parking:	100 lots
Net operating income:	48,501,695 RUB
Net rental rate for office premises:	12,000 RUB/sqm/year
Net rental rate for heated warehouse premises:	6,000 RUB/sqm/year
Net rental rate for cold warehouse premises:	4,500 RUB/sqm/year
Net rental rate for parking lots:	9,000 RUB/lot/year
Market Value:	**344,700,000 RUB**

1.1.2. Moscow Region

1. Belaya Dacha Park

Map

Source: yandex.ru/maps

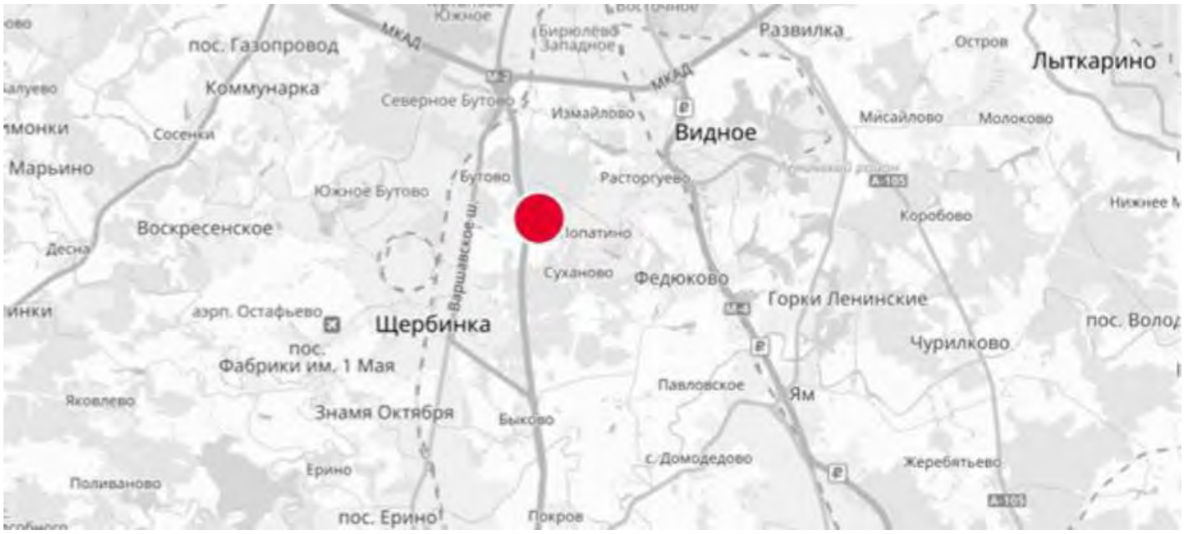
Site Plan

Source: https://www.pik.ru/

Location:	Address: Yanichkin lane, Novoegorievskoye highway, Kotelniki, Moscow region. The Property is located in 2 km from MKAD. Moscow is within 5 minutes' drive via Novoegorievskoye highway and 15 minutes' drive via Novoryazanskoye highway from the Property. Nearest metro station is Kotelniki – 7 minutes by bus #474. Railway station "Yanichkino" is in 700 m from the Property.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 30 buildings with a total sellable area of 698,819 sqm, including: • 638,588 sqm – residential area; • 38,887 sqm - built-in commercial premises; • 21,344 sqm – storages; • 2,400 – parking lots. Infrastructure includes kindergartens, schools, polyclinics.
Land rights:	Ownership
Construction Completion Date:	2030
Unsold Area:	513,779 sqm
Current Stage:	Under construction (22% completed)
Discount Rate:	13.1%
Average Price per sqm:	113,456 RUB
Remaining Construction Costs (excluding financial costs):	40,613,082,000 RUB
Land Area:	Land plot with a total area of 50.0 ha
Market Value:	**9,834,260,000 RUB**

2. Vostochnoye Butovo

Map



Source: yandex.ru/maps

Site Plan

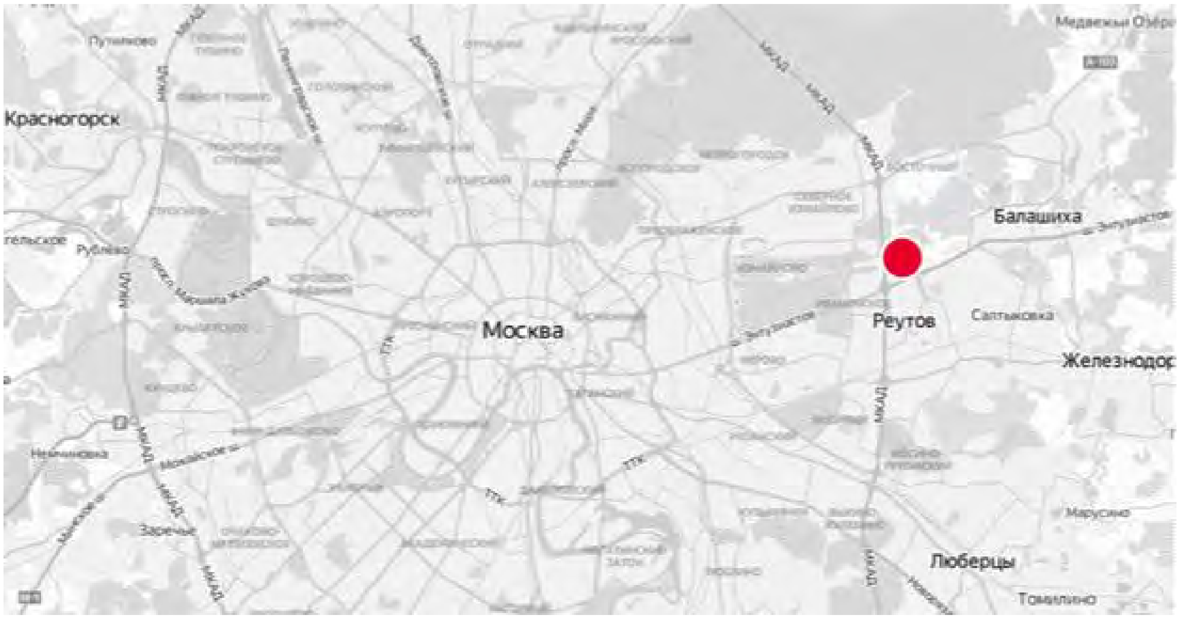
Source: https://www.pik.ru/

Location:	Address: Bobrovo village, Leninskiy district, Moscow region. The Property is located in 5 km from MKAD along Simpheropolskoye highway, near village of Bobrovo. The Property is accessed from Simpheropolskoye and Rastorguevskoye highways. Varshavskoye highway also can be used. There are several public transport routes from the Property to nearest metro station of “Bulvar Dmitriya Donskogo”. Nearest railway station is Butovo of Kursk railway direction.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 36 buildings with a total sellable area of 868,624 sqm, including: • 805,590 sqm – residential area; • 45,141 sqm - built-in commercial premises; • 17,893 sqm – storages.

	Infrastructure includes kindergartens, schools, polyclinic, mall, cultural and business center.
Land rights:	Leasehold
Construction Completion Date:	2028
Unsold Area:	588,045 sqm
Current Stage:	Under construction (29% completed)
Discount Rate:	14.9%
Average Price per sqm:	115,653 RUB
Remaining Construction Costs (excluding financial costs):	46,497,941,000 RUB
Land Area:	Land plot with a total area of 1,287.97 ha
Market Value:	**12,702,054,000 RUB**

3. Izmailovskiy Les

Map



Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:

Address: 16th km of M7 highway “Volga”, Balashikhinskiy district, Moscow region.

The Property is located in Balaschiha in 800 m from MKAD along Entuziastov highway.

Metro stations of “Novogireevo”, “Pervomayskaya”, “Novokosino” are located within 15 minutes’ drive by public transport. Way from “Stroika” station to Kurskiy railway station takes 25 minutes.

Project Description:

As at the valuation date, the Property is under construction. The Project comprises 13 buildings with a total sellable area of 382,732 sqm, including:

- 350,960 sqm – residential area;
- 21,010 sqm - built-in commercial premises;
- 10,762 sqm – storages.

	Infrastructure includes pre-school, school, polyclinic.
Land rights:	Leasehold
Construction Completion Date:	2024
Unsold Area:	130,247 sqm
Current Stage:	Under construction (52% completed)
Discount Rate:	8.54% - 16.50%
Average Price per sqm:	124,284 RUB
Remaining Construction Costs (excluding financial costs):	12,874,069,000 RUB
Land Area:	Land plot with a total area of 60.05 ha
Market Value:	**4 800 785 000 RUB** **+ 1 850 000 000 RUB (commercial land plot)**

4. Kvartal S-5

Map

Source: yandex.ru/maps

Location:	Address: in 975, 1025, 1050 m to south-east from 50Bld1 Makarenko Street, Dubna, Moscow region. The Property is located in 120 km from MKAD along Dmitrovskoye highway. The Property is reached via private transport via Dmitrovskoye highway. There is a commuter route with the city.
Project Description:	The Project comprises 2 buildings with a total sellable area of 13,265 sqm, including: • 11,447 sqm – residential area; • 1,818 sqm - built-in commercial premises. Infrastructure includes children's playgrounds, sports grounds, recreation zone.
Land rights:	Leasehold

Construction Completion Date:	2021
Unsold Area:	5,320 sqm
Current Stage:	Construction completed
Discount Rate:	8.54%
Average Price per sqm:	51,007 RUB
Remaining Construction Costs (excluding financial costs):	18,914,000 RUB
Land Area:	Land plot with a total area of 1.19 ha
Market Value:	**194,850,000 RUB**

5. Kuzminskiy Les

Map

Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:	Address: micro-district Belaya Datcha, between Kuzminskaya street, Central alley, 1st Pokrovskiy lane, and Kuzminskiy wood park, Moscow region. The Property is in 2 km from MKAD. Metro station "Kotelniki" is located within 1,8 km or in 20 minutes' walk from the Property. Nearest bus stop on the 2nd Pokrovskiy lane is in 420 m from the complex, providing the latter with route mini-buses to Kotelniki and Lyublino metro station, as well as large retail centres and Sadovod market.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 216,376 sqm, including: • 202,327 sqm – residential area; • 9,792 sqm - built-in commercial premises; • 4,257 sqm – storages; • 543 – parking lots. Infrastructure includes kindergarten, school.
Land rights:	Leasehold, ownership
Construction Completion Date:	2026
Unsold Area:	164,261 sqm
Current Stage:	Under construction (20% completed)
Discount Rate:	8.54% - 15.50%
Average Price per sqm:	123,241 RUB
Remaining Construction Costs (excluding financial costs):	11,050,376,000 RUB
Land Area:	Land plot with a total area of 3.78 ha
Market Value:	**7,357,381,000 RUB**

6. Kotelniki Park

Map

Source: yandex.ru/maps

Site Plan

Source: Client Data

Location:	Address: micro-district Kovrovy, Kotelniki, Moscow region. The Property is located in 2 km from MKAD. Moscow is reachable via Novoegorievskoye highway and via Novoryazanskoye highway. Nearest metro station is Kotelniki is in 2 km from the Proeprty. Bus stop "Kovrovy kombinat" is in immediate proximity from the Property.
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 150,522 sqm, including:

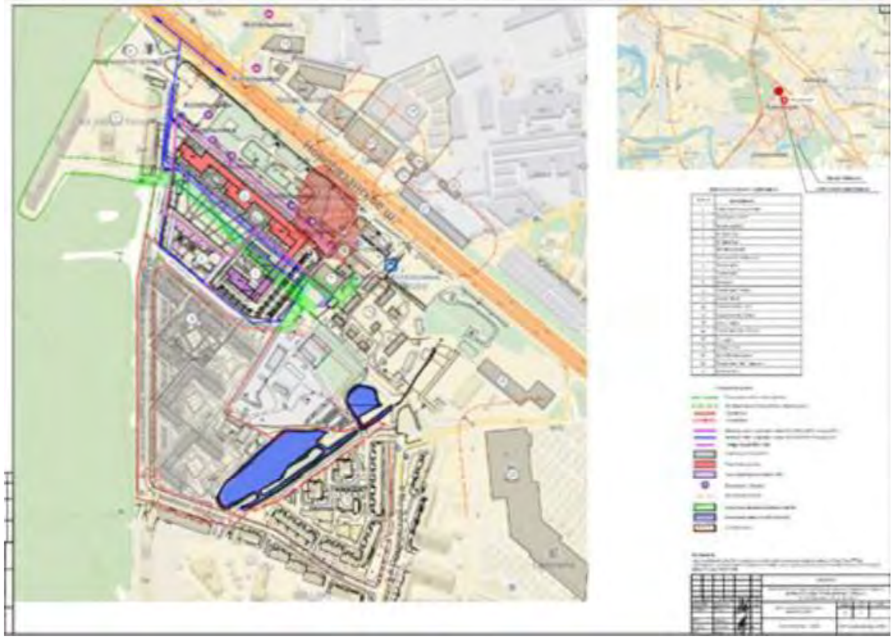
	• 140,202 sqm – residential area; • 8,230 sqm - built-in commercial premises; • 2,090 sqm – storages. Infrastructure includes pre-school, school, polyclinics.
Land rights:	Leasehold
Construction Completion Date:	2026
Unsold Area:	148,432 sqm
Current Stage:	Under design
Discount Rate:	11.23% - 13.50%
Average Price per sqm:	120,655 RUB
Remaining Construction Costs (excluding financial costs):	11,316,634,000 RUB
Land Area:	Land plot with a total area of 14.0 ha
Market Value:	**4,274,521,000 RUB**

7. Oranzh Park, 2nd phase

Map

Source: yandex.ru/maps

Site Plan



Source: Client Data

Location:	Address: Kotelniki, Moscow region. The Property is located in the north-western part of Kotelniki, and borders on transportation hub in the north, on a wood park in the west, on micro-district Belaya Datcha in the south, and on 3d Pokrovskiy lane in the east.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 143,121 sqm, including: • 127,971 sqm – residential area; • 13,171 sqm - built-in commercial premises; • 1,980 sqm – storages; • 1,172 – parking lots. Infrastructure includes pre-school, school, polyclinic.
Land rights:	Ownership
Construction Completion Date:	2024
Unsold Area:	51,803 sqm
Current Stage:	Under construction (61% completed)
Discount Rate:	10.54% - 13.05%
Average Price per sqm:	158,222 RUB
Remaining Construction Costs (excluding financial costs):	6,682,957,000 RUB
Land Area:	Land plot with a total area of 6.62 ha
Market Value:	**3,272,251,000 RUB**

8. Zhulebino Park

Map

Source: yandex.ru/maps

Site Plan

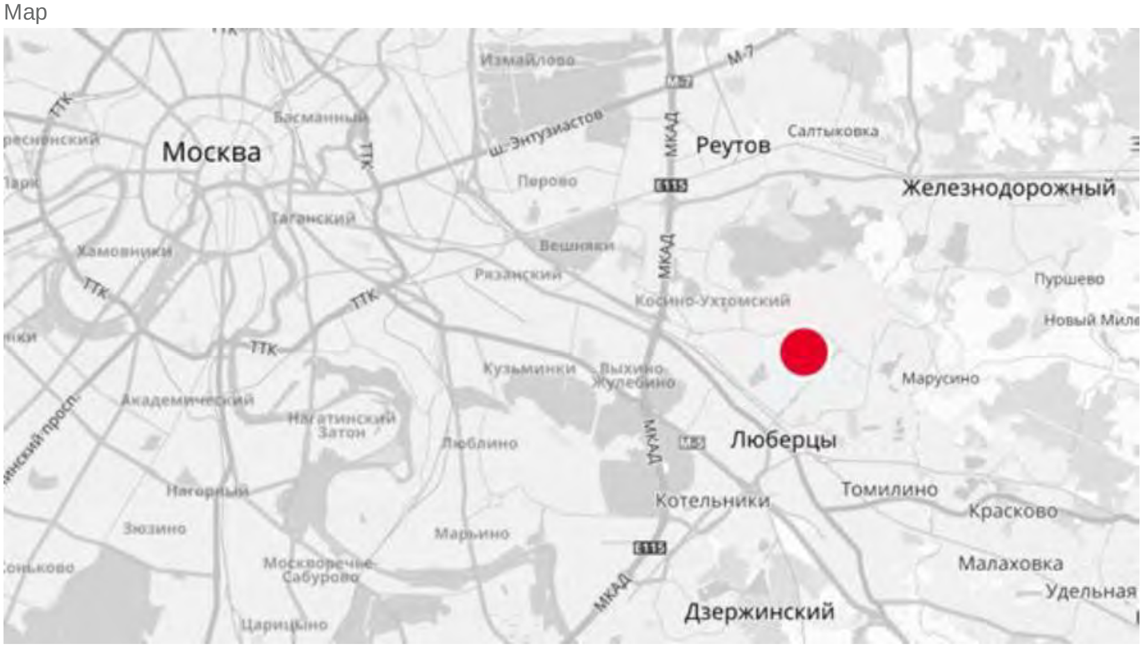
Source: https://www.pik.ru/

Location:	Address: Military part 75360, Gorodok B, Lyubertsy, Moscow region. The Property is located in north-eastern part of Lyubertsy, not far from “Kotelniki” metro station. Currently the Property is accessed via “3-go Pochtovogo Otdeleniya” street. Nearest station “Kotelniki” is reachable within 5 minutes’ walk.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 312,853 sqm, including:

	• 291,361 sqm – residential area; • 14,666 sqm - built-in commercial premises; • 6,827 sqm – storages; • 1,272 – parking lots. Infrastructure includes 2 kindergartens, school, polyclinics.
Land rights:	Leasehold
Construction Completion Date:	2025
Unsold Area:	135,061 sqm
Current Stage:	Under construction (44% completed)
Discount Rate:	9.54% - 14.50%
Average Price per sqm:	139,734 RUB
Remaining Construction Costs (excluding financial costs):	13,869,178,000 RUB
Land Area:	Land plot with a total area of 22.15 ha
Market Value:	**8,963,871,000 RUB**

9. Lyuberetskiy

Map



Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:	Address: Rozhdestvenskaya, Cheremukhina, Gogolya streerts, Kosinskoye highway, Lyubertsy, Moscow region. The Property is located in 4,5 km away from MKAD along Oktyabrskiy avenue. Nearest station “Lukhmanovskaya” is reachable within 5 minutes’ walk, “Vykhino” metro station and railway station “Lyubertsy-1” – within 10 minutes by public transport.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 305,310 sqm, including: • 290,583 sqm – residential area; • 9,235 sqm - built-in commercial premises; • 5,492 sqm – storages; • 1,400 – parking lots. Infrastructure includes 3 kindergartens, school, polyclinic, children's playgrounds, sports grounds, recreation zone.
Land rights:	Ownership, leasehold
Construction Completion Date:	2023
Unsold Area:	58,911 sqm
Current Stage:	Under construction (78% completed)
Discount Rate:	8.54% - 13.50%
Average Price per sqm:	141,085 RUB
Remaining Construction Costs (excluding financial costs):	7,224,471,000 RUB
Land Area:	Land plot with a total area of 59.7 ha
Market Value:	**2,432,400,000 RUB**

10. Lyuberstsy Park

Map

Source: yandex.ru/maps

Site Plan

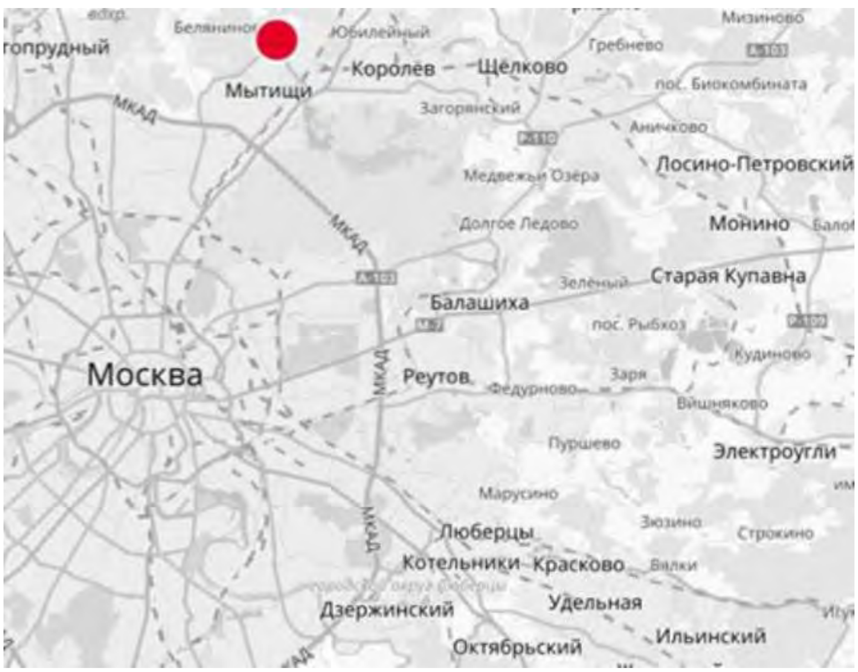
Source: https://www.pik.ru/

Location:	Address: Kamov, 8th March street, Lyubertsy, Moscow region. The Property is located in 3 km away from MKAD along Oktyabrskiy avenue. The Property is accessed from 8th March street. The Property is located within 1,6 km from "Lermontovskiy prospeckt" metro station and within 800 m from railway station "Ukhtomskaya".
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 10 buildings with a total sellable area of 276,656 sqm, including: • 234,739 sqm – residential area; • 35,739 sqm - built-in commercial premises; • 6,178 sqm– storages;

	• 1,602 – parking lots. Infrastructure includes 2 kindergartens, school, polyclinic.
Land rights:	Ownership
Construction Completion Date:	2024
Unsold Area:	119,890 sqm
Current Stage:	Under construction (42% completed)
Discount Rate:	11.5%
Average Price per sqm:	121,576 RUB
Remaining Construction Costs (excluding financial costs):	11,310,288,000 RUB
Land Area:	Land plot with a total area of 18.2 ha
Market Value:	**4,659,484,000 RUB**

11. Yaroslavskiy

Map



Source: yandex.ru/maps

Site Plan

Source: Client Data

Location:	Address: micro-districts 15,16, Yaroslavskiy district, Mytischi, Moscow region. The Property is located in north-western part of Mytischi, within streets of Mira, Yubileynaya, and Sukromka. The Property is accessed via Yaroslavskoye highway, and further – Olimpiyskiy prospect, as well as via MKAD – Ostashkovskoye highway and Volkovskoye highway. Currently nearest metro and railway stations (Medvedkovo and Mytischi) are reachable via public transport. A new close to the Property metro station “Chelobtievo” is planned for opening in the nearest future.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 1,063,694 sqm, including: • 1,012,619 sqm – residential area; • 37,442 sqm - built-in commercial premises; • 13,633 sqm – storages; • 2,961 parking lots. Infrastructure includes kindergartens, schools, polyclinics, children's playgrounds, sports grounds, mall.
Land rights:	Leasehold
Construction Completion Date:	2023
Unsold Area:	15,148 sqm
Current Stage:	Under construction (92% completed)
Discount Rate:	7.88% - 13.05%
Average Price per sqm:	169,794 RUB
Remaining Construction Costs (excluding financial costs):	5,013,357,000 RUB
Land Area:	Land plot with a total area of 112.11 ha
Market Value:	**-455,622,000 RUB**

12. Mitino Park

Map

Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:	Address: community area "Krasnogorsk-Mitino", Krasnogorsk, Moscow region. Metro station "Mitino" is located within 1 km. The Property's territory borders on Dubravnaya Str, crossing Pyatnitskoye highway (1,6 km from the Property). Distance to MKAD is about 3 km.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 6 buildings with a total sellable area of 149,026 sqm, including: • 142,367 sqm – residential area;

	• 3,715 sqm - built-in commercial premises; • 2,944 sqm – storages; • 259 – parking lots. Infrastructure includes kindergarten, schools.
Land rights:	Leasehold
Construction Completion Date:	2021
Unsold Area:	5,855 sqm
Current Stage:	Under construction (89% completed)
Discount Rate:	8.8%
Average Price per sqm:	200,151 RUB
Remaining Construction Costs (excluding financial costs):	767,183,000 RUB
Land Area:	Land plot with a total area of 7.97 ha
Market Value:	**1,039,231,000 RUB**

13. Butovo Park 2

Map

Source: yandex.ru/maps

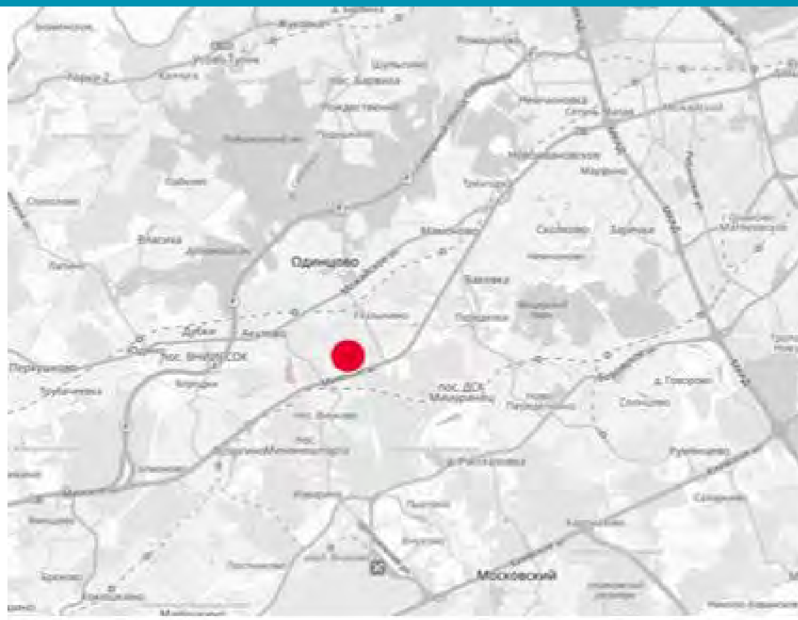
Site Plan

Source: https://www.pik.ru/

Location:	Address: Drozhzhino District, Moscow region. The Property is located in 5,5 km from MKAD along Varshavskoye highway. There are several public transport routes from the Property to nearest metro station of “Bulvar Dmitriya Donskogo”. Nearest railway stations are Butovo and Scherbinka.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 566,238 sqm, including: • 543,632 sqm – residential area; • 12,853 sqm - built-in commercial premises; • 9,752 sqm – storages; • 2,625 parking lots. Infrastructure includes kindergartens, schools, polyclinics, sports center, recreation zones, bike lanes.
Land rights:	Leasehold
Construction Completion Date:	2024
Unsold Area:	220,396 sqm
Current Stage:	Under construction (52% completed)
Discount Rate:	7.88% - 12.50%
Average Price per sqm:	117,616 RUB
Remaining Construction Costs (excluding financial costs):	21,131,146,000 RUB
Land Area:	Land plot with a total area of 116.41 ha
Market Value:	**9,559,881,000 RUB**

14. Odintsovo-1

Map



Source: yandex.ru/maps

Site Plan

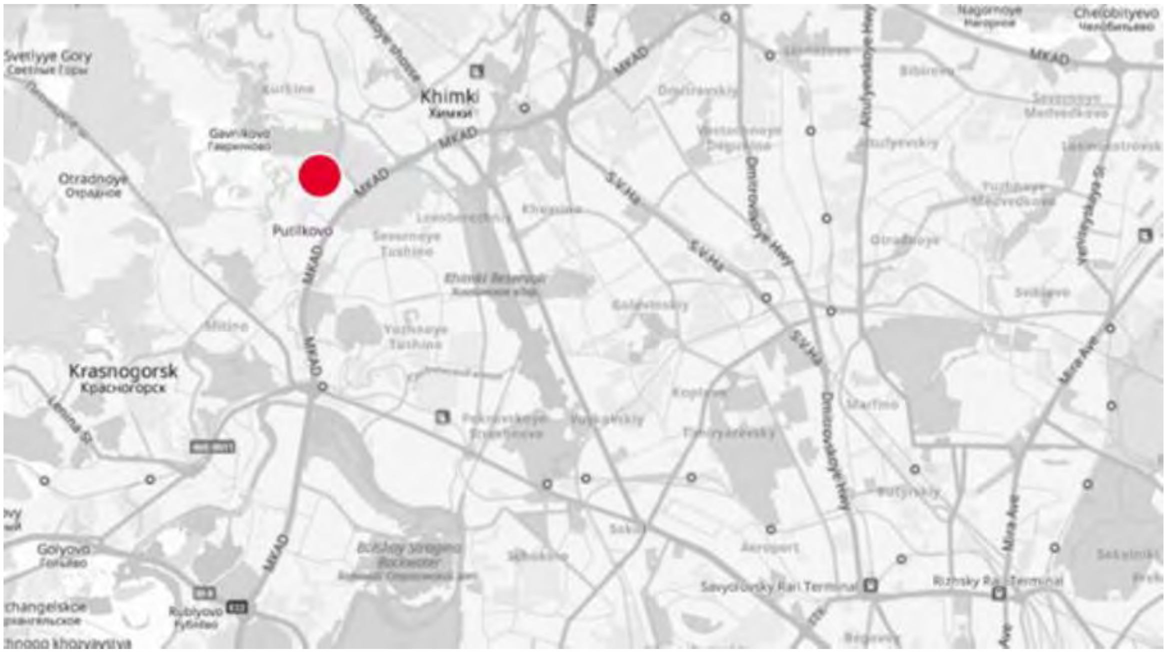
Source: https://www.pik.ru/

Location:	Address: micro-district Odintsovo-1, Odintsovo. A comfort-class residential area located in 10 km from MKAD by Minskoye highway. The Property is connected with Moscow via bus routes from metro stations of “Molodezhnaya”, “Park Pobedy”, and “Yugo-zapadnaya”. In 10-minutes’ walk railway station “Vnukovo” is located. There is a newly opened MCD station “Odintsovo” with rapid trains as an alternative to private cars.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 25 buildings with a total sellable area of 695,458 sqm, including: • 463,916 sqm – residential area; • 222,701 sqm - built-in commercial premises; • 8,841 sqm – storages;

	• 8,230 – parking lots. Infrastructure includes kindergarten.
Land rights:	Leasehold
Construction Completion Date:	2024
Unsold Area:	432,198 sqm
Current Stage:	Under construction (42% completed)
Discount Rate:	9.7%
Average Price per sqm:	88,406 RUB
Remaining Construction Costs (excluding financial costs):	31,119,665,000 RUB
Land Area:	Land plot with a total area of 59.43 ha
Market Value:	**8,899,152,000 RUB**

15. Putilkovo

Map



Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:	Address: Spaso-Tushinskiy boulevard, Putilkovo village, Krasnogorsk district, Moscow region. The Property is located in 700 m from MKAD, in an ecologically beneficial area close to Aleshkinskiy forest. Metro stations “Skhodnenskaya” and “Mitino” are in in 15 minutes’ drive, MCD station “Volokolamskaya” is in 15 minutes’ drive.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 160,949 sqm, including: • 154,944 sqm – residential area;

	• 5,327 sqm - built-in commercial premises; • 678 sqm – storages; • 332 parking lots. Infrastructure includes 4 kindergartens, 2 school, polyclinic.
Land rights:	Leasehold, ownership
Construction Completion Date:	2022
Unsold Area:	7,255 sqm
Current Stage:	Under construction (96% completed)
Discount Rate:	7.88% - 11.05%
Average Price per sqm:	135,825 RUB
Remaining Construction Costs (excluding financial costs):	547,444,000 RUB
Land Area:	Land plot with a total area of 57.57 ha
Market Value:	**898,782,000 RUB**

16. Usovo-Tupik Settlement, Odintsovskiy District

Map

Source: yandex.ru/maps

Location:	Address: Usovo-Tupik settlement, Odintsovo district, Moscow region. The Property is accessed from Rublyovo-Uspenskoye highway. Also, there are above ground public transport stops and railway stations in close proximity.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 83,509 sqm, including: • 69,396 sqm – residential area; • 14,114 sqm - built-in commercial premises; • 452 parking lots. Infrastructure includes pre-school, school, polyclinic.
Land rights:	Ownership
Construction Completion Date:	2024
Unsold Area:	83,509 sqm
Current Stage:	Under construction (8% completed)
Discount Rate:	13.50%
Average Price per sqm:	122,547 RUB
Remaining Construction Costs (excluding financial costs):	8,441,871,000 RUB
Land Area:	Land plot with a total area of 13.6 ha
Market Value:	**1,706,019,000 RUB**

17. Mytischi, Metrovagonmash

Map

Source: yandex.ru/maps

Location:	Address: Mytischi, Moscow region. The Property is accessed from Yaroslavskoye highway, the side of direction to the centre, as well as via Olimpiyskiy avenue through Abramova street. Railway station “Mytischi” and bus station are within walking distance
Project Description:	As at the valuation date, the Property is under design. The Project comprises 16 buildings with a total sellable area of 254,885 sqm, including: • 242,020 sqm – residential area; • 10,665 sqm - built-in commercial premises; • 2,200 sqm – storages; • 1,000 parking lots. Infrastructure includes kindergarten, school, 2 polyclinics, children's playground.
Land rights:	Ownership, leasehold
Construction Completion Date:	2027
Unsold Area:	252,685 sqm
Current Stage:	Under design
Discount Rate:	13.50% -14.75%
Average Price per sqm:	128,492 RUB
Remaining Construction Costs (excluding financial costs):	22,688,782,000 RUB
Land Area:	Land plot with a total area of 17.8 ha
Market Value:	**5,605,187,000 RUB**

18. Mytischi, Tsentralnaya Usadba

Map

Source: yandex.ru/maps

Location:	Address: Mytischi, Moscow region. The Property is located on the second line of Yaroslavskoye highway in the direction from the centre in 5 km from MKAD.
Project Description:	As at the valuation date, the Property is under design. The Project comprises 8 buildings with a total sellable area of 114,570 sqm, including: • 109,000 sqm – residential area; • 800 sqm - built-in commercial premises; • 4,770 sqm – storages; • 500 parking lots. Infrastructure includes kindergarten, polyclinic, children's playground.
Land rights:	Ownership
Construction Completion Date:	2025
Unsold Area:	113,770 sqm
Current Stage:	Under design
Discount Rate:	13.50% -14.23%
Average Price per sqm:	118,166 RUB
Remaining Construction Costs (excluding financial costs):	9,306,096,000 RUB
Land Area:	Land plot with a total area of 18.1 ha
Market Value:	**2,709,977,000 RUB**

19. Mytischi, Garazhi

Map

Source: yandex.ru/maps

Location:	Address: Mytischi, Moscow region. The Property is located on the first line of Raspolovoy boulevard, within Yaroslavskoye and Volkovskoye highways in the direction from the city, in 7 km from MKAD. In 15-20 minutes there are railwat station Mytischi and an auto station.
Project Description:	As at the valuation date, the Property is under design. The Project comprises 8 buildings with a total sellable area of 124,670 sqm, including: • 118,960 sqm – residential area; • 5,710 sqm - built-in commercial premises; • 920 parking lots. Infrastructure includes kindergarten, polyclinic, children's playground.
Land rights:	Leasehold
Construction Completion Date:	2024
Unsold Area:	124,670 sqm
Current Stage:	Under design
Discount Rate:	13.50%
Average Price per sqm:	124,312 RUB
Remaining Construction Costs (excluding financial costs):	9,581,823,000 RUB
Land Area:	Land plot with a total area of 8.1 ha
Market Value:	**4,364,785,000 RUB**

20. Khimki, Akademika Grushina, 41

Map

Source: yandex.ru/maps

Location:	Address: 41, Akademika Grushina street, Khimki, Moscow region. The Property is accessed immediately via Akademika Grushina street from the side of Leningradskoye highway. There is no access track from M-11 highway. There are public transport stops in 500 m from the Property.
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 225,350 sqm, including: • 204,880 sqm – residential area; • 15,990 sqm - built-in commercial premises; • 4,480 sqm – storages; • 1,000 parking lots. Infrastructure includes pre-school, school, polyclinic.
Land rights:	Ownership
Construction Completion Date:	2027
Unsold Area:	220,870 sqm
Current Stage:	Under design
Discount Rate:	13.50% - 14.75%
Average Price per sqm:	125,192 RUB
Remaining Construction Costs (excluding financial costs):	19,168,245,000 RUB
Land Area:	Land plot with a total area of 47.26 ha
Market Value:	**5,106,312,000 RUB**

21. Ilinskie Luga

Map

Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:	Address: Ilinskoye rural settlement, Krasnogorsk district, Moscow region. The Property is located in 10 km from MKAD along Novorizhskoye highway, within 20 minutes' drive from "Volokolamskaya", "Tushinskaya", and "Strogino" metro stations.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 1,245,061 sqm, including: • 1,245,469 sqm – residential area; • 90,556 sqm - built-in commercial premises; • 69,829 sqm – storages; • 8,000 parking lots. Infrastructure includes 11 kindergartens, schools, medical center, mall, sports center summer theatre, Russian cultural and educational center, orthodox church.

Land rights:	Ownership, leasehold
Construction Completion Date:	2037
Unsold Area:	1,080,860 sqm
Current Stage:	Under construction (15% completed)
Discount Rate:	13.1%
Average Price per sqm:	106,821 RUB
Remaining Construction Costs (excluding financial costs):	103,831,958,000 RUB
Land Area:	Land plot with a total area of 215 ha
Market Value:	**19,021,953,000 RUB**

1.1.3. Regions

1. Iset' Park, Ekaterinburg

Map

Source: yandex.ru/maps

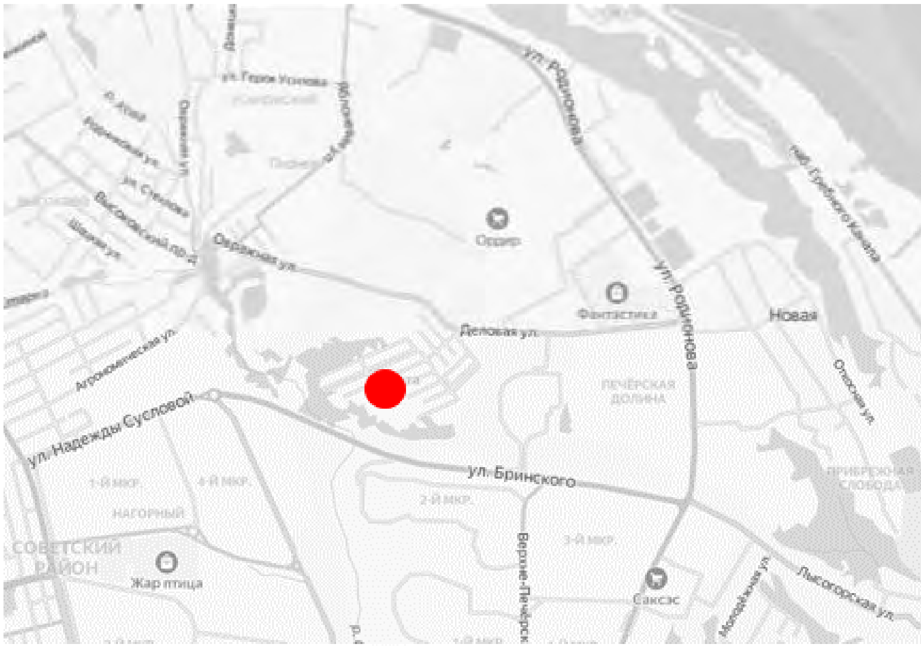
Site Plan

Source: https://www.pik.ru/

Location:	Address: approximate to the streets of Luganskaya and Savvy Belykh, Ekaterinburg. The Property is located in micro-district Avtovokzal of Oktyabrskiy district of the city. Nearest to the Property metro station, “Botanicheskaya”, locates in 1 km. There are public transport routes running along Luganskaya street and Bazovy lane. It takes about 10 minutes to get to the historical centre of the city.
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 90,682 sqm, including: • 86,475 sqm – residential area; • 3,002 sqm - built-in commercial premises; • 1,204 sqm – storages; • 400 parking lots.
Land rights:	Ownership
Construction Completion Date:	2026
Unsold Area:	89,477 sqm
Current Stage:	Under design
Discount Rate:	10.53% - 15.35%
Average Price per sqm:	87,094 RUB
Remaining Construction Costs (excluding financial costs):	6,106,791,000 RUB
Land Area:	Land plot with a total area of 3.9 ha
Market Value:	**1,362,314,000 RUB**

2. Raketa, Nizhniy Novgorod

Map

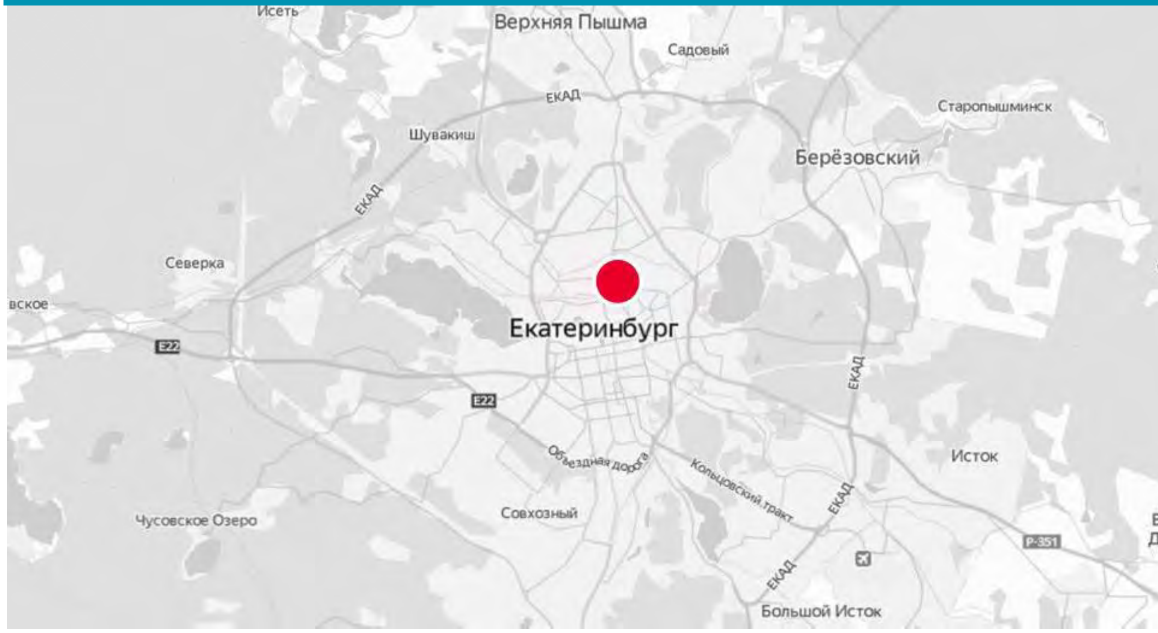


Source: yandex.ru/maps

Location:	Address: Raketa TSN (property owners partnership), Nizhniy Novgorod. The Property is located in Nizhniy Novgorod. The Property is accessed via Delovaya street.
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 61,794 sqm, including: • 58,270 sqm – residential area; • 3,524 sqm - built-in commercial premises; • 486 parking lots.
Land rights:	Ownership
Construction Completion Date:	2036
Unsold Area:	61,794 sqm
Current Stage:	Under design
Discount Rate:	15.3%
Average Price per sqm:	92,325 RUB
Remaining Construction Costs (excluding financial costs):	4,390,939,000 RUB
Land Area:	Land plot with a total area of 4.4 ha
Market Value:	**1,086,902,000 RUB**

3. Kosmonavtov, 11, Ekaterinburg

Map



Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:	Address: 11, Kosmonavtov avenue, Ekaterinburg. The Property is located in Zheleznodorozhny district of the city, in walking distance from metro stations of "Uralskaya" and "Mashinostroiteley". There is a public transport stop in immediate proximity to the Property, from where one can get to the city centre within 25-30 minutes (Routes 12, 17, 3,5).
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 10 buildings with a total sellable area of 259,036 sqm, including: • 243,601 sqm – residential area; • 11,371 sqm - built-in commercial premises; • 4,065 sqm – storages; • 600 parking lots.

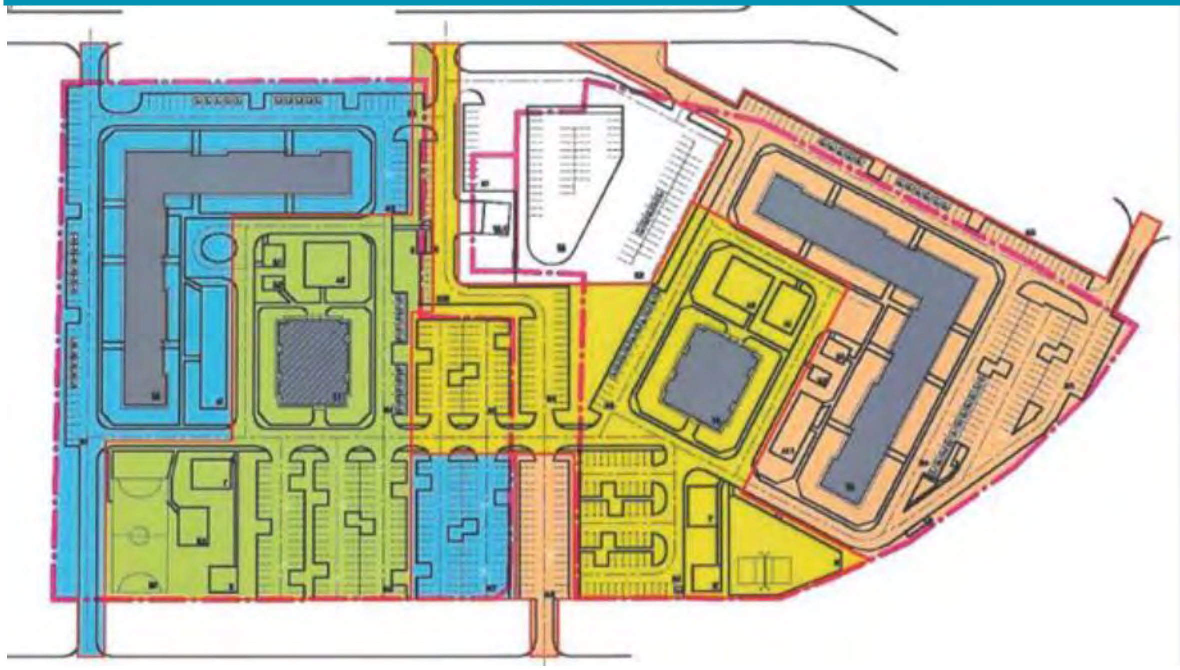
	Infrastructure includes 2 kindergartens.
Land rights:	Leasehold
Construction Completion Date:	2024
Unsold Area:	134,707 sqm
Current Stage:	Under construction (33% completed)
Discount Rate:	11.7%
Average Price per sqm:	82,990 RUB
Remaining Construction Costs (excluding financial costs):	10,473,031,000 RUB
Land Area:	Land plot with a total area of 22 ha
Market Value:	**421,903,000 RUB**

4. Lesnoy, Kaluga

Map

Source: yandex.ru/maps

Site Plan



Source: Client Data

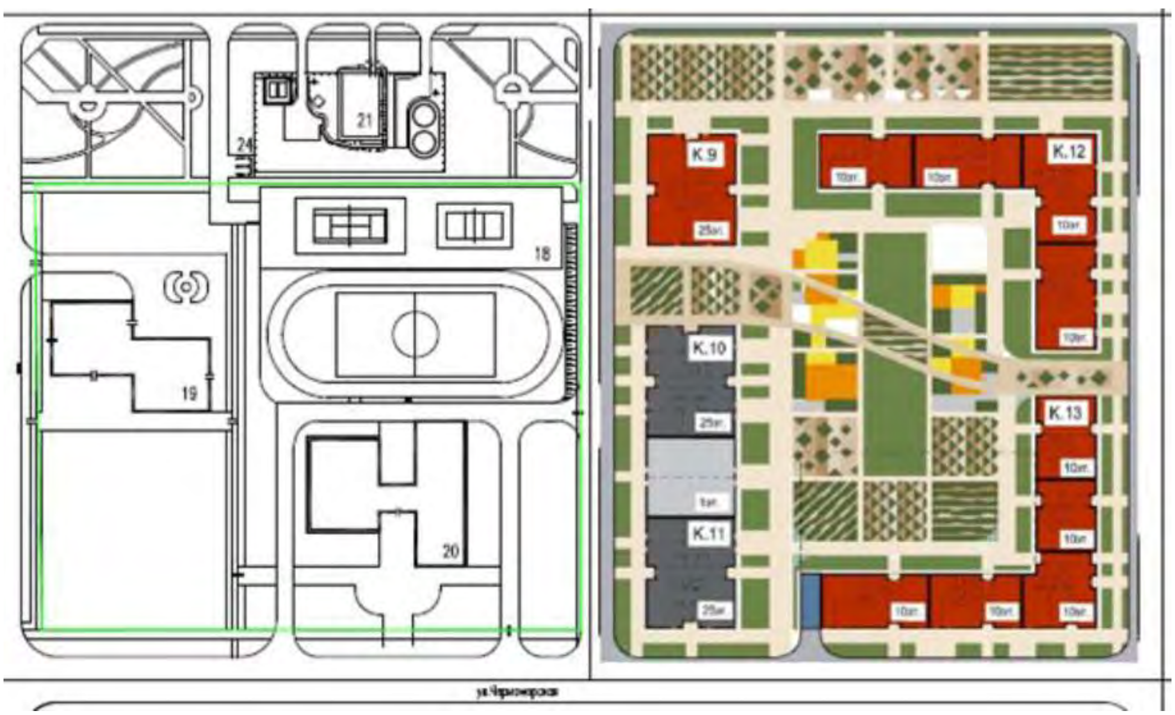
Location:	Address: Plots 8-9, Pravoberezhny district, Kaluga. The Property is located in a residential area of a new developing district Pravoberezhie on the Oka right bank. There is a public transport stop in 10 minutes' walk from the Property. It takes 15-20 minutes to get to city centre by public transport.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 62,810 sqm, including: • 60,807 sqm – residential area; • 1,377 sqm - built-in commercial premises; • 625 sqm– storages. Infrastructure includes mall.
Land rights:	Leasehold
Construction Completion Date:	2021
Unsold Area:	7,853 sqm
Current Stage:	Under construction (90% completed)
Discount Rate:	9.47%-11.78%
Average Price per sqm:	78,904 RUB
Remaining Construction Costs (excluding financial costs):	73,921,000 RUB
Land Area:	Land plot with a total area of 7.39 ha
Market Value:	**152,684,000 RUB**

5. Chernomorskiy, Novorossiysk

Map

Source: yandex.ru/maps

Site Plan



Source: Client Data

Location:	Address: micro-district 16, Yuzhny bereg, Novorossiysk. The Property is located in a new residential area of Novorossiysk – Yuzhny Bereg, at the bank of Tsemess bay of the Black Sea, within Dzerzhinsk avenue, Yuzhnaya street, Pioneer street, and Chernomorskaya street. The district is featured with good transport accessibility. The intersection of Chernomorskaya street and Dzerzhinsk avenue is terminal stop of several trolleybus, bus and mini-bus routes. Public transport in the area is expected to

	develop further. It takes 10-15 minutes by private transport to get to the city centre.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 156,421 sqm, including: • 148,094 sqm – residential area; • 8,328 sqm - built-in commercial premises; • 53 parking lots.
Land rights:	Leasehold, ownership
Construction Completion Date:	2021
Unsold Area:	2,120 sqm
Current Stage:	Under construction (99% completed)
Discount Rate:	9.47% - 10.21%
Average Price per sqm:	81,324 RUB
Remaining Construction Costs (excluding financial costs):	47,245,000 RUB
Land Area:	Land plot with a total area of 15.51 ha
Market Value:	**144,499,000 RUB**

6. Chernomorskiy-2, Novorossiysk

Map

Source: yandex.ru/maps

Site Plan

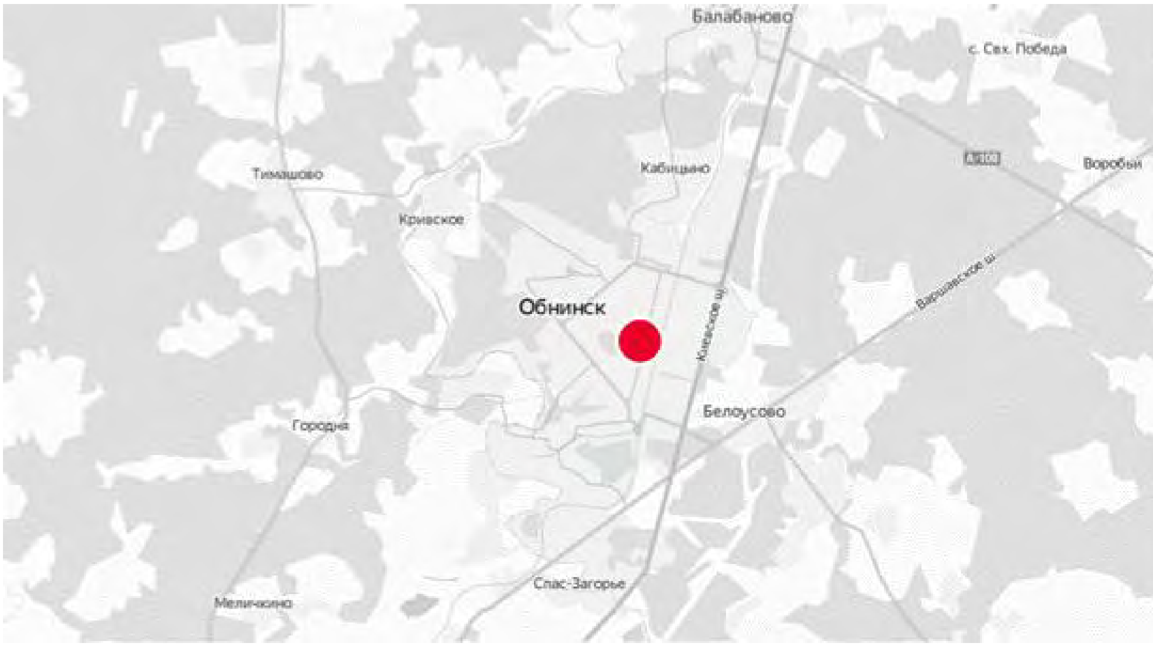
Source: https://www.pik.ru/

Location:	Address: micro-district 17, Yuzhny bereg, Novorossiysk. The Property is located in a new residential area of Novorossiysk – Yuzhny Bereg, at the bank of Tsemess bay of the Black Sea. On the west and south-west, it borders on a vinery – vine factory "Myskhako" property, from the south – a military (missile unit) base. From the end south point of the land plot to the Black Sea coast line – about 50 m. The district is featured with good transport accessibility. The intersection of Chernomorskaya street and Dzerzhinsk avenue is terminal stop of several trolleybus, bus and mini-bus routes. Public transport in the area is expected to develop further. It takes 10-15 minutes by private transport to get to the city centre.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 306,813 sqm, including: • 276,411 sqm – residential area; • 27,873 sqm - built-in commercial premises; • 2,529 sqm – storages. Infrastructure includes kindergarten, school.
Land rights:	Ownership
Construction Completion Date:	2030
Unsold Area:	257,249 sqm
Current Stage:	Under construction (11% completed)
Discount Rate:	10.71% - 15.60%
Average Price per sqm:	72,857 RUB
Remaining Construction Costs (excluding financial costs):	13,691,938,000 RUB
Land Area:	Land plot with a total area of 31.69 ha

Market Value:	**2,725,365,000 RUB**

7. Parkoviy Kvartal, Obninsk

Map



Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:	Address: 21, Kurchatova street, Kaluga. The Property is located almost in the centre of the town along Kurchatova street. There is a public transport stop in immediate proximity to the Property, from where one can get to the city centre within 5 minutes.

Project Description:	As at the valuation date, the Property is under construction. The Project comprises 6 buildings with a total sellable area of 61,940 sqm, including: • 54,865 sqm – residential area; • 4,000 sqm - built-in commercial premises; • 961 sqm– storages; • 300 parking lots. Infrastructure includes kindergarten, children's playgrounds.
Land rights:	Ownership
Construction Completion Date:	2024
Unsold Area:	30,632 sqm
Current Stage:	Under construction (60% completed)
Discount Rate:	10.21% - 15.28%
Average Price per sqm:	71,884 RUB
Remaining Construction Costs (excluding financial costs):	1,874,400,000 RUB
Land Area:	Land plot with a total area of 4.05 ha
Market Value:	**512,067,000 RUB**

8. Moskovskiy Kvartal, Obninsk

Map

Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:	Address: Intersection of Belkinskaya street and Marks avenue, Obninsk. The Property is located in a new developing district of the town on the intersection of Belkinskaya street and Marks avenue. Opposite to the Property there is a public transport stop, from where one can get to the city centre within 5-7 minutes. Marks avenue joins directly with Kievskoye highway, connecting the Property with Moscow and Kaluga – the regional centre of Kaluga region.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 9 buildings with a total sellable area of 101,759 sqm, including: • 97,811 sqm – residential area; • 3,948 sqm - built-in commercial premises; Infrastructure includes children's playgrounds.
Land rights:	Ownership
Construction Completion Date:	2023
Unsold Area:	28,047 sqm
Current Stage:	Under construction (41% completed)
Discount Rate:	9.47% - 14.28%
Average Price per sqm:	70,588 RUB
Remaining Construction Costs (excluding financial costs):	2,165,779,000 RUB
Land Area:	Land plot with a total area of 14.78 ha
Market Value:	**- 120,845,000 RUB**

9. Nord, Rostov-on-Don

Map

Source: yandex.ru/maps

Site Plan

Source: Client Data

Location:	Address: north from Orbitalnaya street, Rostov-on-Don. The Property is located in Severny residential district, north from Orbitalnaya street. Part of the land plot constitutes municipal area of Rostov-on-Don, and the other related to Aksaysk district of Rostov-on-Don region. The Property is accessed through Orbitalnaya street and Belyaeva street. There are bus routes running along Orbitalnaya street.

Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 247,108 sqm, including: • 236,200 sqm – residential area; • 8,377 sqm - built-in commercial premises; • 2,530 sqm – storages.
Land rights:	Leasehold
Construction Completion Date:	2028
Unsold Area:	113,234 sqm
Current Stage:	Under construction (50% completed)
Discount Rate:	8.97% - 15.18%
Average Price per sqm:	64,548 RUB
Remaining Construction Costs (excluding financial costs):	5,071,953,000 RUB
Land Area:	Land plot with a total area of 15.64 ha
Market Value:	**1,538,832,000 RUB**

10. Dalnevostochniy, Saint Petersburg

Map

Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:	Address: plots 1,2,3, Litera T, Bld 8, Krylenko street; plots 1 and 2, Litera A, Bld 15, Dalnevostochny avenue, Saint-Petersburg. The Property is located in the Nevskiy district right bank side, and borders on Dalnevostochny avenue. In immediate proximity to the Property there are bus stops “Evdokima Ogneva street” and “Krylenko street”. Nearest metro station “Ulitsa Dybenko” is located in 2 km.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 77,746 sqm, including: • 72,649 sqm – residential area; • 4,786 sqm - built-in commercial premises; • 311 sqm – storages; • 493 parking lots.
Land rights:	Ownership
Construction Completion Date:	2022
Unsold Area:	12,949 sqm
Current Stage:	Under construction (70% completed)
Discount Rate:	10.28% - 12.71%
Average Price per sqm:	139,463 RUB
Remaining Construction Costs (excluding financial costs):	2,619,189,000 RUB
Land Area:	Land plot with a total area of 4.28 ha
Market Value:	**899,715,000 RUB**

11. Orlovskiy Park, Saint Petersburg

Map

Source: yandex.ru/maps

Site Plan

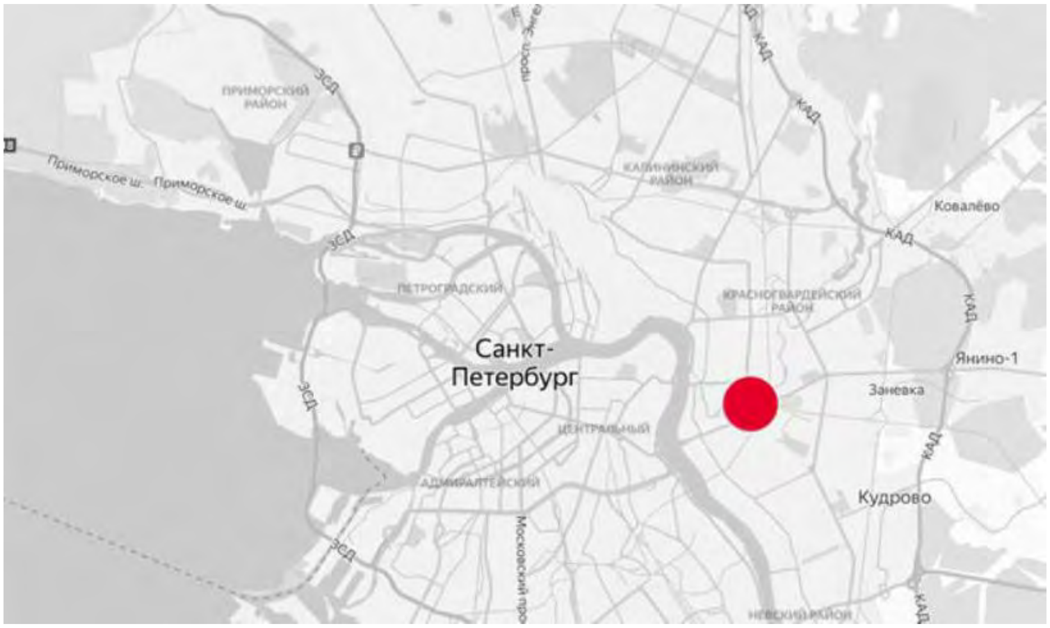
Source: https://www.pik.ru/

Location:	Address: plots 3-6, Orlovo-Denisovskiy avenue, Saint-Petersburg. The Property is located in Primorskiy district of Saint-Petersburg. The Property borders on Suzdal highway, locates in 800 m from Oktyabr railway and in 2 km from Vyborgsk highway and Shuvalovo railway station. It takes 10 minutes by car to get to “Prospekt Prosvyascheniya” and “Ozerki” metro stations, as well as to KAD and ZSD. Way to the city centre will take about 40 minutes.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 122,252 sqm, including: • 114,542 sqm – residential area; • 5,821 sqm - built-in commercial premises;

	• 1,889 sqm – storages; • 1,086 parking lots.
Land rights:	Ownership
Construction Completion Date:	2022
Unsold Area:	13,691 sqm
Current Stage:	Under construction (62% completed)
Discount Rate:	9.71% - 13.78%
Average Price per sqm:	141,124 RUB
Remaining Construction Costs (excluding financial costs):	3,532,094,000 RUB
Land Area:	Land plot with a total area of 11.61 ha
Market Value:	**379,277,000 RUB**

12. Energetikov Avenue, Saint Petersburg

Map

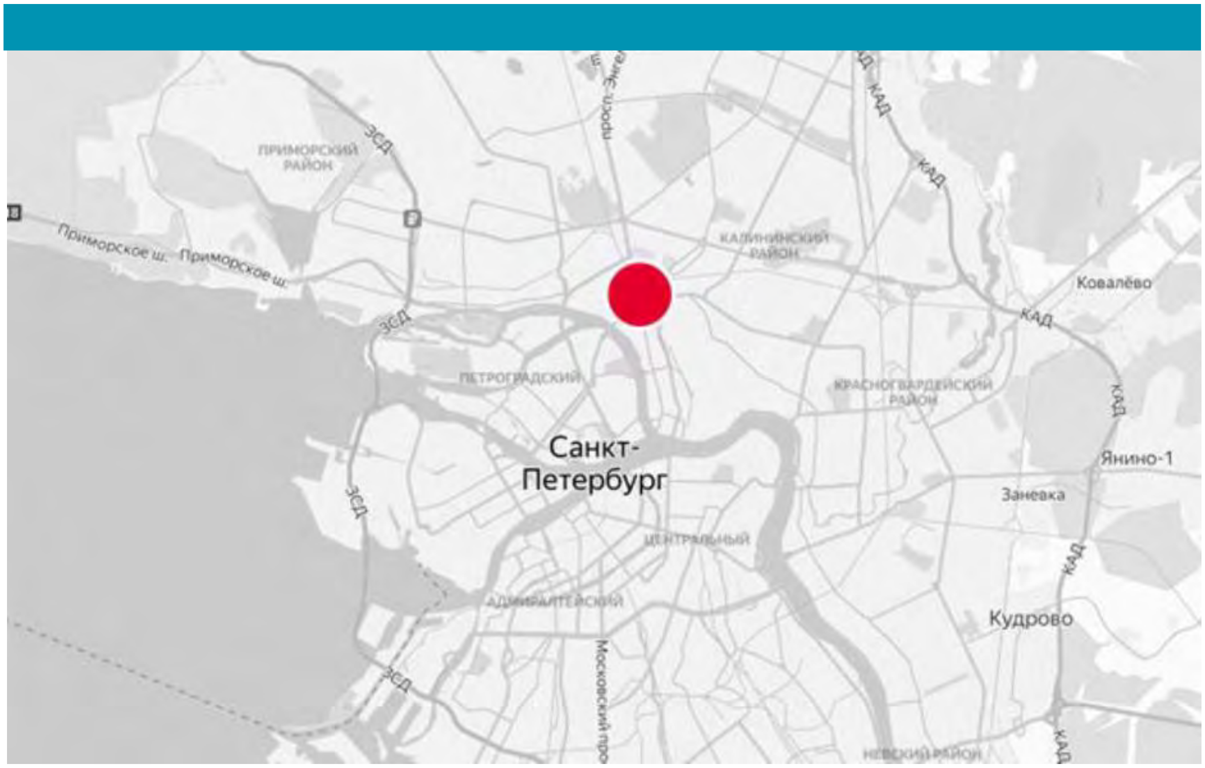


Source: yandex.ru/maps

Location:	Address: Litera A, Bld 2, 6, Energetikov avenue, Saint-Petersburg. The Property is located on the Neva right bank side, on the territory of Krasnogvardeyskiy district of Saint-Petersburg. The Property is located on the Okhta riverbank in immediate vicinity to Energetikov bridge. Nearest metro station “Ladozhskaya” in in 700 metres.
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 12,700 sqm, including: • 11,300 sqm – residential area; • 1,400 sqm - built-in commercial premises.
Land rights:	Ownership
Construction Completion Date:	2024
Unsold Area:	12,700 sqm
Current Stage:	Under design
Discount Rate:	11.53%
Average Price per sqm:	155,444 RUB
Remaining Construction Costs (excluding financial costs):	96,623,000 RUB
Land Area:	Land plot with a total area of 0.4 ha
Market Value:	**534,560,000 RUB**

13. Klimov, Saint Petersburg

Map

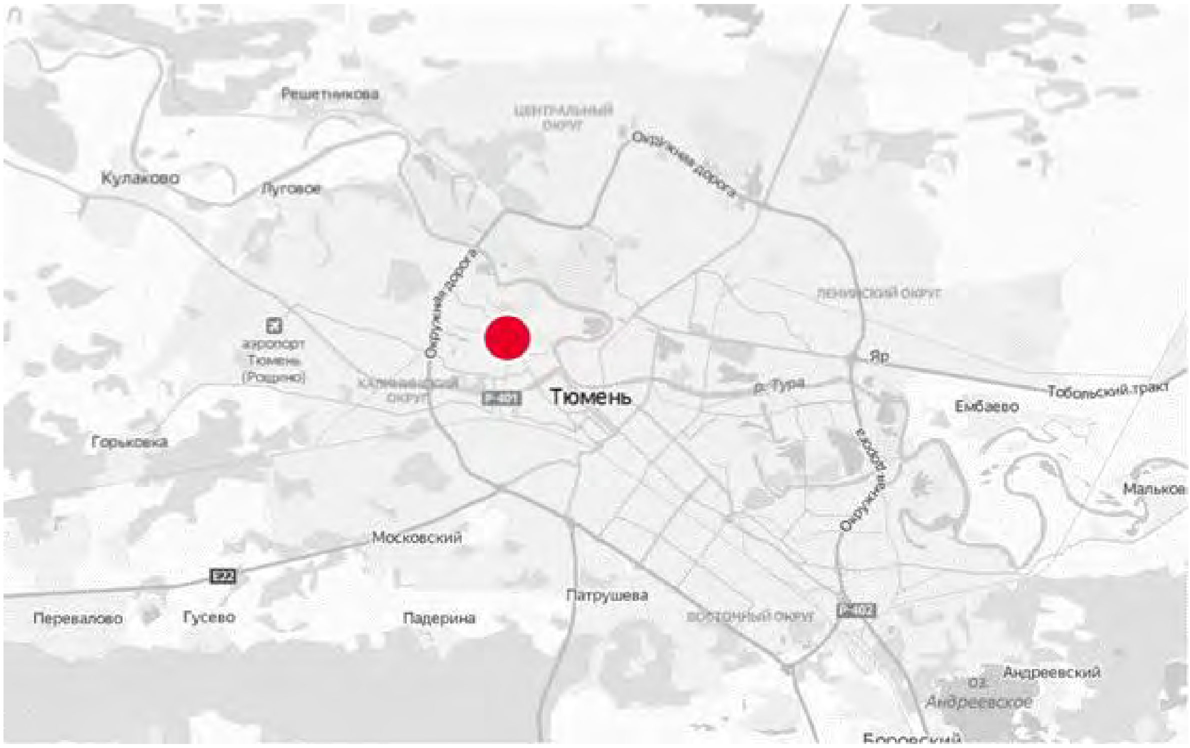


Source: yandex.ru/maps

Location:	Address: Litera A, 11, Kantemirovskaya street, Saint-Petersburg. The Property is located on the territory of Vyborg district of Saint-Petersburg. The Property borders on Kantemirovskaya street in the north, B. Sampsonievskiy lane in the west, A. Matrosova street in the south, and A. Matrosov Garden in the east. Distance to “Lesnaya” metro station makes 360 m. There are several bus routes running along Kantemirovskaya street. Distance to the city centre makes 7,5 km. it takes 15-20 min (without traffic jams) to get to Nevsky lane. Distance to the KAD junction – 10 km, to ZSD junction – 7 km.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 71,707 sqm, including: • 65,935 sqm – residential area; • 3,887 sqm - built-in commercial premises; • 1,815 sqm – storages; • 394 parking lots; • 70 moto-parking lots.
Land rights:	Ownership
Construction Completion Date:	2023
Unsold Area:	63,054 sqm
Current Stage:	Under construction (22% completed)
Discount Rate:	12.7%
Average Price per sqm:	160,307 RUB
Remaining Construction Costs (excluding financial costs):	5,760,257,000 RUB
Land Area:	Land plot with a total area of 7.2 ha
Market Value:	**3,231,353,000 RUB**

14. Ozerniy Park, Tumen

Map



Source: yandex.ru/maps

Location:	Address: 115, Polevaya street, Tyumen. The Property is located in Dom Oborony district, in 10 minutes' drive to the city centre. There is a public transport stop in 2 minutes' walk from the Property. It takes 10 minutes to get to Plekhanovo airport.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises 13 buildings with a total sellable area of 262,259 sqm, including: • 249,210 sqm – residential area; • 11,679 sqm - built-in commercial premises; • 1,370 sqm – storages; • 1,000 parking lots. Infrastructure includes kindergarten, school, children's playgrounds, sports grounds.
Land rights:	Ownership, leasehold
Construction Completion Date:	2029
Unsold Area:	199,417 sqm
Current Stage:	Under construction (16% completed)
Discount Rate:	14.6%
Average Price per sqm:	72,538 RUB
Remaining Construction Costs (excluding financial costs):	14,611,232,000 RUB
Land Area:	Land plot with a total area of 34.25 ha
Market Value:	**621,991,000 RUB**

15. Volga Park, Yaroslavl

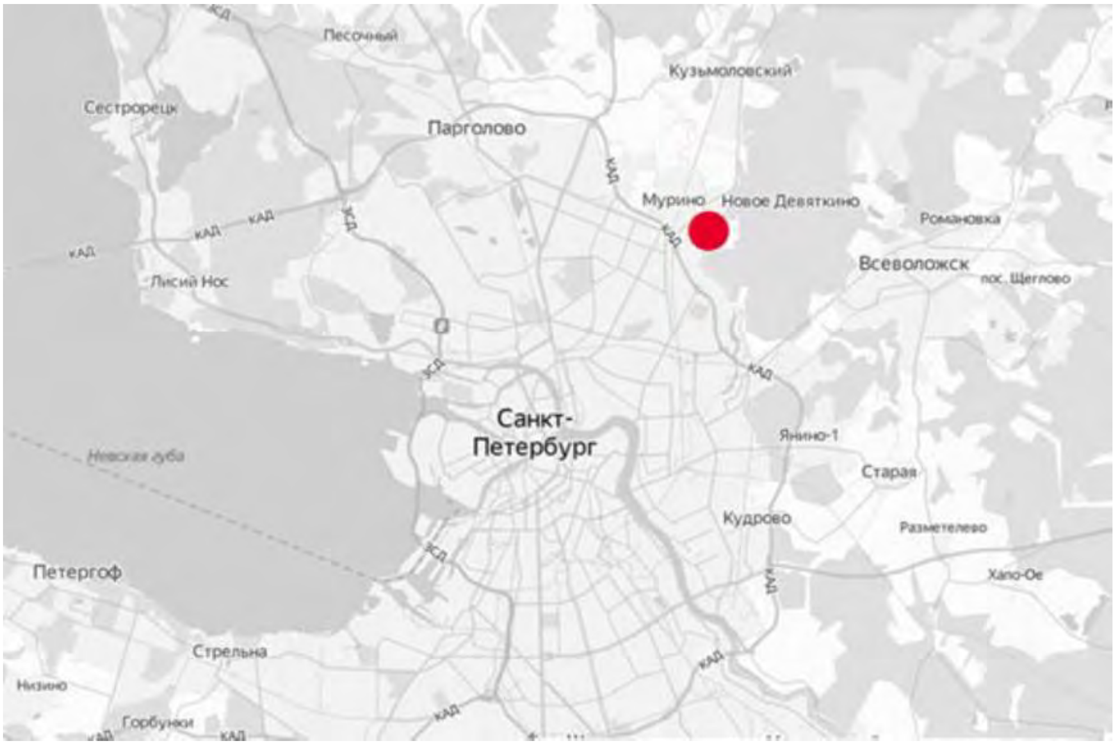
Map

Source: yandex.ru/maps

Location:	Address: micro-district “Sokol 1”, Frunze avenue, Frunze district, Yaroslavl. Micro-district “Sokol 1” is located not far from the city centre, in Frunze district, on the Volga right bank. The micro-district is featured with good transport accessibility both by private and public transport. Way to the centre takes less than 15 minutes.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 259,324 sqm, including: • 252,174 sqm – residential area; • 5,356 sqm - built-in commercial premises; • 1,795 sqm – storages.
Land rights:	Leasehold
Construction Completion Date:	2028
Unsold Area:	167,529 sqm
Current Stage:	Under construction (33% completed)
Discount Rate:	12.21% - 16.68%
Average Price per sqm:	65,631 RUB
Remaining Construction Costs (excluding financial costs):	8,213,414,000 RUB
Land Area:	Land plot with a total area of 24.83 ha
Market Value:	**1,951,582,000 RUB**

16. Novoye Devyatkino, Leningrad Region

Map



Source: yandex.ru/maps

Site Plan

Source: https://www.pik.ru/

Location:	Address: micro-district 1, Novoye Devyatkino village, Vsevolozhsk municipal district, Leningrad region. The Property borders on Glavnaya street and is located in 2 km from KAD. Nearest metro station “Devyatkino” and the same name railway station are located in 2,2 km from the Property.

Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 208,102 sqm, including: • 190,819 sqm – residential area; • 11,383 sqm - built-in commercial premises; • 1,300 parking lots.
Land rights:	Leasehold
Construction Completion Date:	2027
Unsold Area:	208,102 sqm
Current Stage:	Under design
Discount Rate:	11.53%
Average Price per sqm:	97,030 RUB
Remaining Construction Costs (excluding financial costs):	13,360,602,000 RUB
Land Area:	Land plot with a total area of 13.2 ha
Market Value:	**4,002,081,000 RUB**

17. Garshina Street, 1, Ekaterinburg

Map

Source: yandex.ru/maps

Location:	Address: 1, Garshina Street, Ekaterinburg. The Property is located in Uktus micro-district of Chkalovskiy district of Ekaterinburg. The Property is directly accessed via Garshina street as well as fom Zaryadny lane. The Property is located between the two main thoroughfares of the district, i.e. Scherbakova street and Koltsovskiy trakt, which provides convenient communication with other parts of the city. There are several public transport stops along Molodogvardeyskaya street.
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 132,400 sqm, including: • 128,400 sqm – residential area; • 4,000 sqm - built-in commercial premises; • 930 parking lots.
Land rights:	Ownership
Construction Completion Date:	2026
Unsold Area:	132,400 sqm
Current Stage:	Under design
Discount Rate:	14.53% - 15.35%
Average Price per sqm:	83,613 RUB
Remaining Construction Costs (excluding financial costs):	8,411,510,000 RUB
Land Area:	Land plot with a total area of 6.4 ha
Market Value:	**1,524,114,000 RUB**

18. Shefskaya Street, Ekaterinburg

Map

Source: yandex.ru/maps

Location:	Address: 2, Shefskaya Street, Ekaterinburg. The Property is located in Elmash micro-district of Ordzhonikidze district of Ekaterinburg. The Property is directly accessed via Shefskaya street. Metro station “Mashinostroiteley” is located in 2,7 km from the Property. Nearest public transport stop “Elektroremontnaya” is in the immediate proximity.
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 497,550 sqm, including: • 475,880 sqm – residential area; • 21,670 sqm - built-in commercial premises.
Land rights:	
Construction Completion Date:	2031
Unsold Area:	497,550 sqm
Current Stage:	Under design
Discount Rate:	14.53% - 16.51%
Average Price per sqm:	67,782 RUB
Remaining Construction Costs (excluding financial costs):	26,143,817,000 RUB
Land Area:	Land plot with a total area of 40 ha
Market Value:	**2,657,554,000 RUB**

19. Betonka, Generala Yerina Street, Kazan

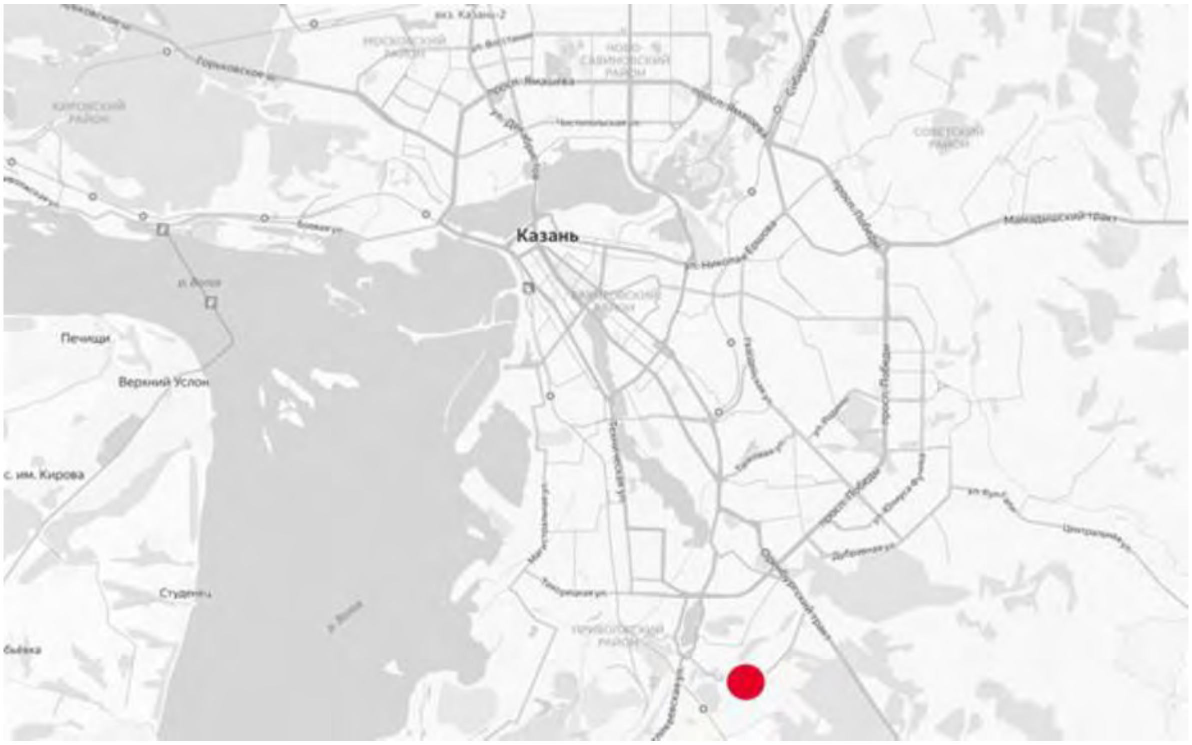
Map

Source: yandex.ru/maps

Location:	Address: Privolzhskiy district, Kazan. There is a public transport stop in 4 minutes' walk from the Property. In about 1 km – railway station "Yubileynaya", from where one can get to the airport as well.
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 311,606 sqm, including: • 299,190 sqm – residential area; • 12,416 sqm - built-in commercial premises; • 1,937 parking lots.
Land rights:	Ownership
Construction Completion Date:	2029
Unsold Area:	311,606 sqm
Current Stage:	Under design
Discount Rate:	14.53% - 15.93%
Average Price per sqm:	75,871 RUB
Remaining Construction Costs (excluding financial costs):	17,499,105,000 RUB
Land Area:	Land plot with a total area of 4.0 ha
Market Value:	**3,054,131,000 RUB**

20. Sibirskiy Trakt I Kholod, Kazan

Map



Source: yandex.ru/maps

Location:	Address: Sovetskiy district, Kazan. The Property is located in Soverskiy district – the largest one by population in Kazan, housing one of the three largest dormitory districts of the city – Azino (south-east part). Besides there are other large dormitory areas and industrial zones. The district is expected for further residential development. Some of the industrial areas, along Gvardeyskaya street, are expected for residential renovation. There is a public transport stop "Ulitsa Zhurnalistov" in immediate proximity from the Property – at Khalitova street. Also. There are two more public stops along Siberian highway.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 102,040 sqm, including: • 99,276 sqm – residential area; • 2,764 sqm - built-in commercial premises; • 360 parking lots.
Land rights:	Ownership
Construction Completion Date:	2026
Unsold Area:	102,040 sqm
Current Stage:	Under construction (23% completed)
Discount Rate:	13.9%
Average Price per sqm:	94,308 RUB
Remaining Construction Costs (excluding financial costs):	5,432,401,000 RUB

Land Area:	Land plot with a total area of 9.13 ha
Market Value:	**2,672,518,000 RUB**

21. Kurortniy anenue, Sochi

Map

Source: yandex.ru/maps

Location:	Address: 110, Kurortny avenue, Sochi. The Property is located in Khostinskiy district – part of the Greater Sochi, between downtown and the Adler. The Property is featured with a good transport accessibility both by private and public transport. The Property is accessed from Kurortny avenue, that is one of the main thoroughfares of Khostinskiy district, connecting all other districts. It takes 10-15 minutes to get the city centre, Adler, the airport, and Olympic facilities. To get to Krasnaya Polyana ski-resort will take 40 minutes. There are several public stops scattered along the perimeter of the Property's territory. In immediate proximity to the Property there is a railway station "Matsesta".
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 49,399 sqm, including: • 47,399 sqm – residential area; • 2,000 sqm - built-in commercial premises; • 600 parking lots.
Land rights:	Leasehold, ownership

Construction Completion Date:	2025
Unsold Area:	49,399 sqm
Current Stage:	Under design
Discount Rate:	11.78% - 12.60%
Average Price per sqm:	248,964 RUB
Remaining Construction Costs (excluding financial costs):	7,826,499,000 RUB
Land Area:	Land plot with a total area of 12.63 ha
Market Value:	**3,380,556,000 RUB**

22. Novoselie, Leningrad Region

Map

Source: yandex.ru/maps

Location:	Address: Novoselye settlement, Leningrad region. The Property is located in Leningrad region on the territory of Lomonosovskiy district. It is accessed via Nevskaya street. Large thoroughfares in proximity – KAD and Krasnoselskoye highway.
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 182,540 sqm, including: • 169,227 sqm – residential area; • 13,313 sqm - built-in commercial premises.
Land rights:	Leasehold
Construction Completion Date:	2030
Unsold Area:	182,540 sqm

Current Stage:	Under design
Discount Rate:	15.4%
Average Price per sqm:	96,151 RUB
Remaining Construction Costs (excluding financial costs):	15,352,388,000 RUB
Land Area:	Land plot with a total area of 8.3 ha
Market Value:	**1,686,918,000 RUB**

23. Patrushikhinskiye Prudy, Ekaterinburg

Map

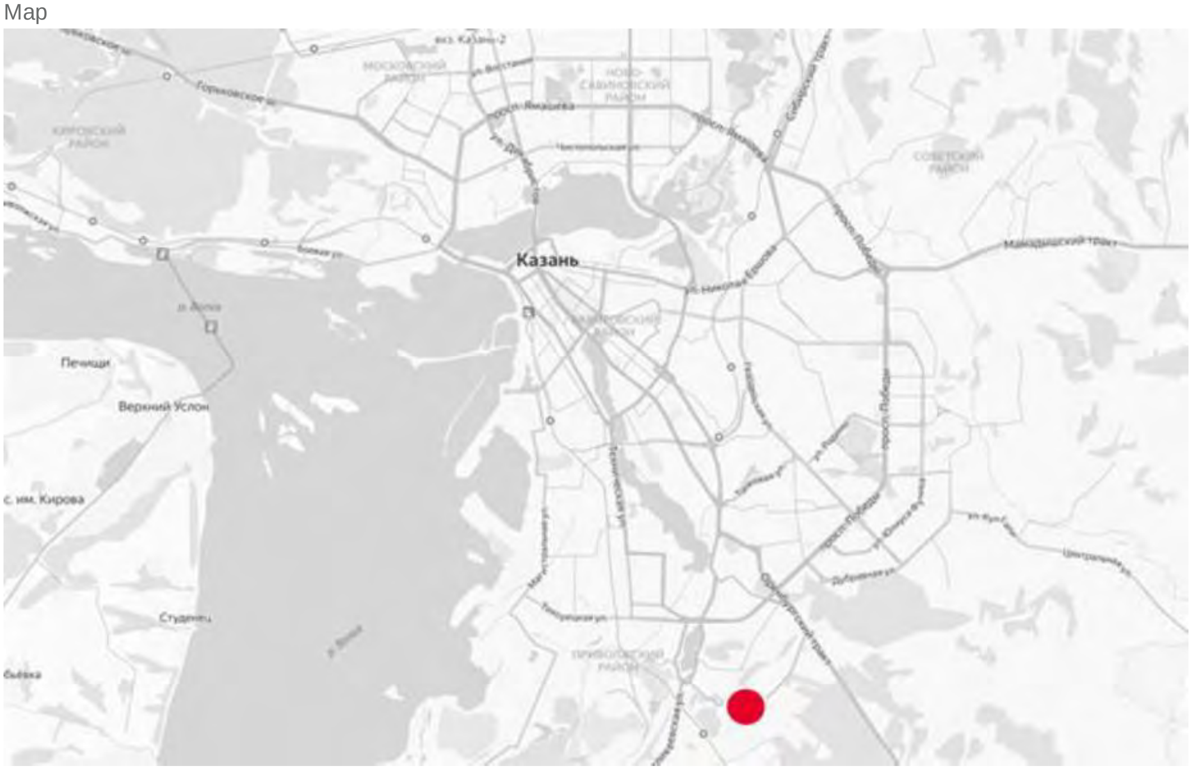
Source: yandex.ru/maps

Location:	Address: 2-ya Novosibirskaya, Str., Predelnaya Str., Ekaterinburg. The Property is located in Ekaterinburg on the territory of Leninskiy district. The Property is accessed via 2-ya Novosibirskaya street as well as via Gorodskaya street.
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 610,910 sqm, including: • 588,004 sqm – residential area; • 22,906 sqm - built-in commercial premises; • 3,000 parking lots.
Land rights:	Ownership
Construction Completion Date:	2033
Unsold Area:	610,910 sqm

Current Stage:	Under design
Discount Rate:	15.8%
Average Price per sqm:	70,836 RUB
Remaining Construction Costs (excluding financial costs):	31,718,036,000 RUB
Land Area:	Land plot with a total area of 37.4 ha
Market Value:	**4,955,428,000 RUB**

24. Berezovaya Roshcha, Kazan

Map



Source: yandex.ru/maps

Location:	Address: Privolzhskiy district, Kazan. There is a public transport stop “Zhiloy complex Lesnoy gorodok” in immediate proximity from the Property. In about 1,5 km – railway station “Beryozovaya Roscha”, from where one can get to the airport as well.
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 210,450 sqm, including: • 202,450 sqm – residential area; • 8,000 sqm - built-in commercial premises; • 950 parking lots.
Land rights:	Ownership
Construction Completion Date:	2027
Unsold Area:	210,450 sqm

Current Stage:	Under design
Discount Rate:	14.53% - 15.93%
Average Price per sqm:	82,628 RUB
Remaining Construction Costs (excluding financial costs):	11,674,059,000 RUB
Land Area:	Land plot with a total area of 28.89 ha
Market Value:	**3,202,300,000 RUB**

25. Yanino, Leningrad Region

Map

Source: yandex.ru/maps

Location:	Address: Yanino, Leningrad region. The Property is located in Leningrad region on the territory of Yanino-Aerodrom, Kovalyovo. It is accessed via Gollandskaya and Lugovaya streets. Distance to KAD makes 2,5 km. Nearest metro station "Ladozhskaya" is in 9 km along Kosygina avenue. Nevskiy avenue is in 12 km. there are several public transport stops along Gollandskaya street.
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 357,110 sqm, including: • 348,494 sqm – residential area; • 8,616 sqm - built-in commercial premises;

	• 1,450 parking lots.
Land rights:	Ownership
Construction Completion Date:	2033
Unsold Area:	357,110 sqm
Current Stage:	Under design
Discount Rate:	15.7%
Average Price per sqm:	94,125 RUB
Remaining Construction Costs (excluding financial costs):	25,593,218,000 RUB
Land Area:	Land plot with a total area of 43.7 ha
Market Value:	**3,440,782,000 RUB**

26. Mukomolniy, Nizhniy Novgorod

Map

Source: yandex.ru/maps

Location:	Address: 96, Internatsionalnaya Str., Nizhniy Novgorod. The Property is located in Nizhniy Novgorod. The Property is accessed via Delovaya street.
Project Description:	As at the valuation date, the Property is under construction. The Project represents a residential complex with a total sellable area of 80,004 sqm, including: • 76,119 sqm – residential area; • 3,885 sqm - built-in commercial premises; • 960 parking lots.
Land rights:	Ownership
Construction Completion Date:	2025

Unsold Area:	80,004 sqm
Current Stage:	Under construction (21% completed)
Discount Rate:	19.3%
Average Price per sqm:	88,583 RUB
Remaining Construction Costs (excluding financial costs):	6,065,551,000 RUB
Land Area:	Land plot with a total area of 8.08 ha
Market Value:	**1,261,961,000 RUB**

27. Basargina, 2, Vladivostok

Map

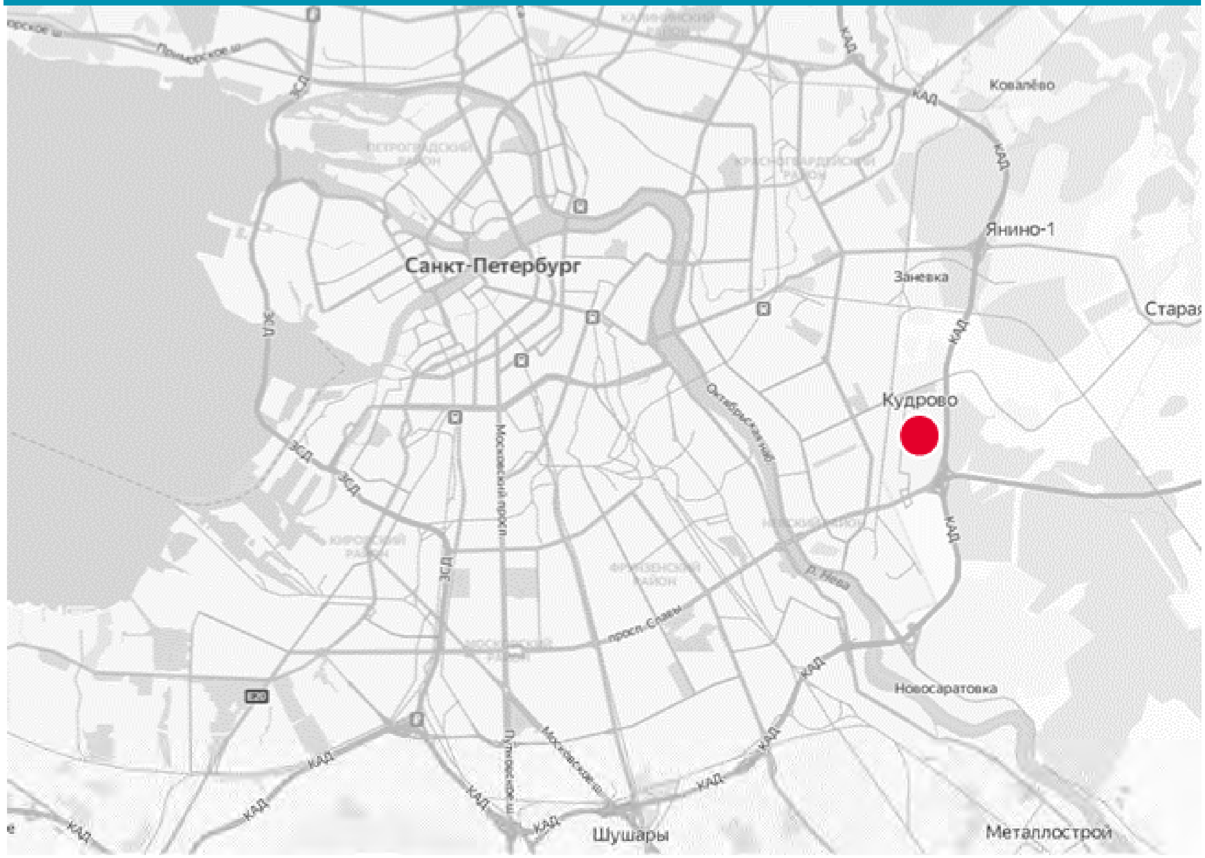
Source: yandex.ru/maps

Location:	Address: 2, Basargina Street, Vladivostok. The Property is located on the territory of Pervomayskiy district of Vladivostok.

	The Property is accessed directly via Basargina street. In 340 metres from the Property there is a public transport stop. Nearest thoroughfares – Basargina and Barkhatnaya streets.
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 119,330 sqm, including: • 110,780 sqm – residential area; • 8,550 sqm - built-in commercial premises; • 500 parking lots.
Land rights:	Ownership
Construction Completion Date:	2029
Unsold Area:	119,330 sqm
Current Stage:	Under design
Discount Rate:	14.9%
Average Price per sqm:	101,357 RUB
Remaining Construction Costs (excluding financial costs):	9,022,212,000 RUB
Land Area:1	Land plot with a total area of 10.6 ha
Market Value:	**1,598,555,000 RUB**

28. Kudrovo, Leningrad Region

Map



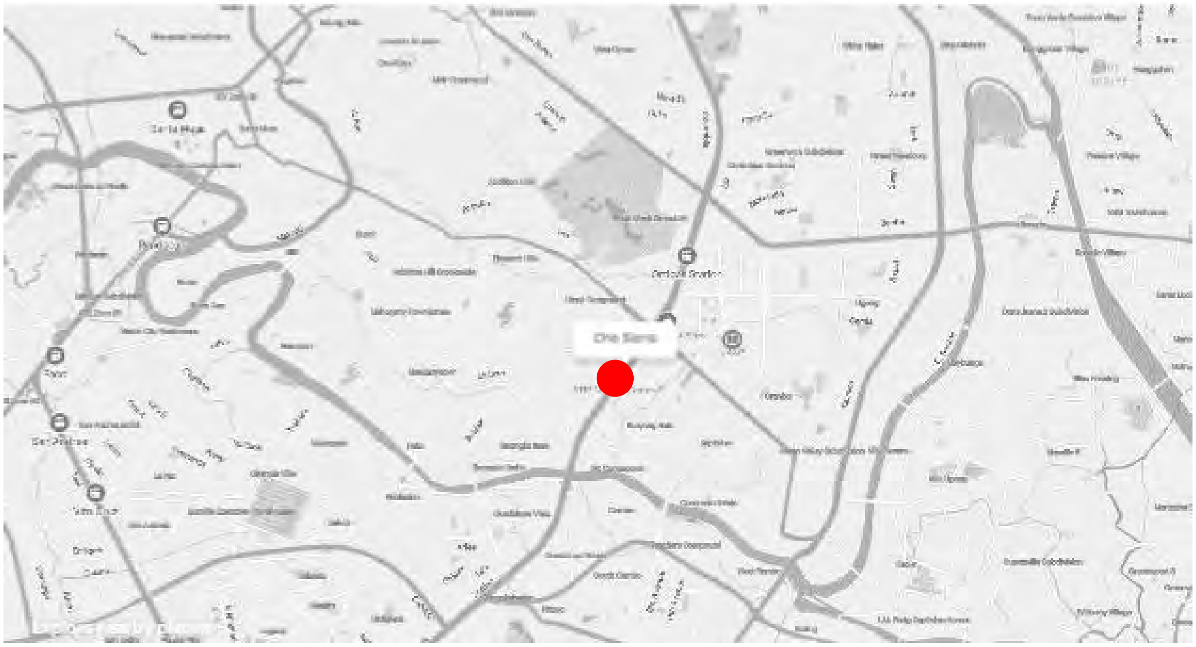
Source: yandex.ru/maps

Location:	Address: Kudrovo, Leningrad region. The Property is located in Kudrovo town of Leningrad region. It is accessed via Italyanskiy lane, Tsentralnaya street, Prazhskaya street. Via Tsentralnaya one can get to KAD (3,5 km). There is a public transport stop nearby, from where one can get to metro station "Ulitsa Dybenko". In the coming years A new metro station "Kudrovo" is expected to be built in a walking distance from the Property.
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 45,721 sqm, including: • 44,178 sqm – residential area; • 1,543 sqm - built-in commercial premises.
Land rights:	Leasehold, ownership
Construction Completion Date:	2023
Unsold Area:	45,721 sqm
Current Stage:	Under design
Discount Rate:	14.5%
Average Price per sqm:	108,636 RUB
Remaining Construction Costs (excluding financial costs):	2,558,190,000 RUB
Land Area:	Land plot with a total area of 2.3 ha
Market Value:	**1,719,711,000 RUB**

1.1.4. Countries

1. One Sierra, MANILA, Philippines

Map



Source: yandex.ru/maps

Site Plan

Source: https://one-sierra.com

Location:	Named for its location in Mandaluyong City, One Sierra is strategically located along EDSA and is highly accessible to Metro Manila's Central Business Districts and main commercial areas.
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 90,682 sqm, including: • 11,924 sqm – residential area; • 177 sqm - built-in commercial premises • 116 - parking

Construction Completion Date:	2023
Current Stage:	Under design
Discount Rate:	29.1%
Average Price per sqm:	431,553 RUB
Remaining Construction Costs (excluding financial costs):	2,512,386,000 RUB
Market Value:	**1,134,317,000 RUB**

2. Project 1

Location:	Confidential
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex, including: • 17 392 sqm – residential area and built-in commercial premises; • 197 - parking
Construction Completion Date:	2025
Current Stage:	Under design
Discount Rate:	29.1%
Average Price per sqm:	393,044 RUB
Remaining Construction Costs (excluding financial costs):	3,352,065,000 RUB
Market Value:	**644,810,000 RUB**

3. Project 2

Location:	Confidential
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex, including: • 79 481 sqm – residential area and built-in commercial premises; • 960 - parking
Construction Completion Date:	2028
Current Stage:	Under design
Discount Rate:	29.1%
Average Price per sqm:	451,714 RUB
Remaining Construction Costs (excluding financial costs):	17,556,417,000 RUB
Market Value:	**2,602,773,000 RUB**

4. Project 3

Location:	Confidential

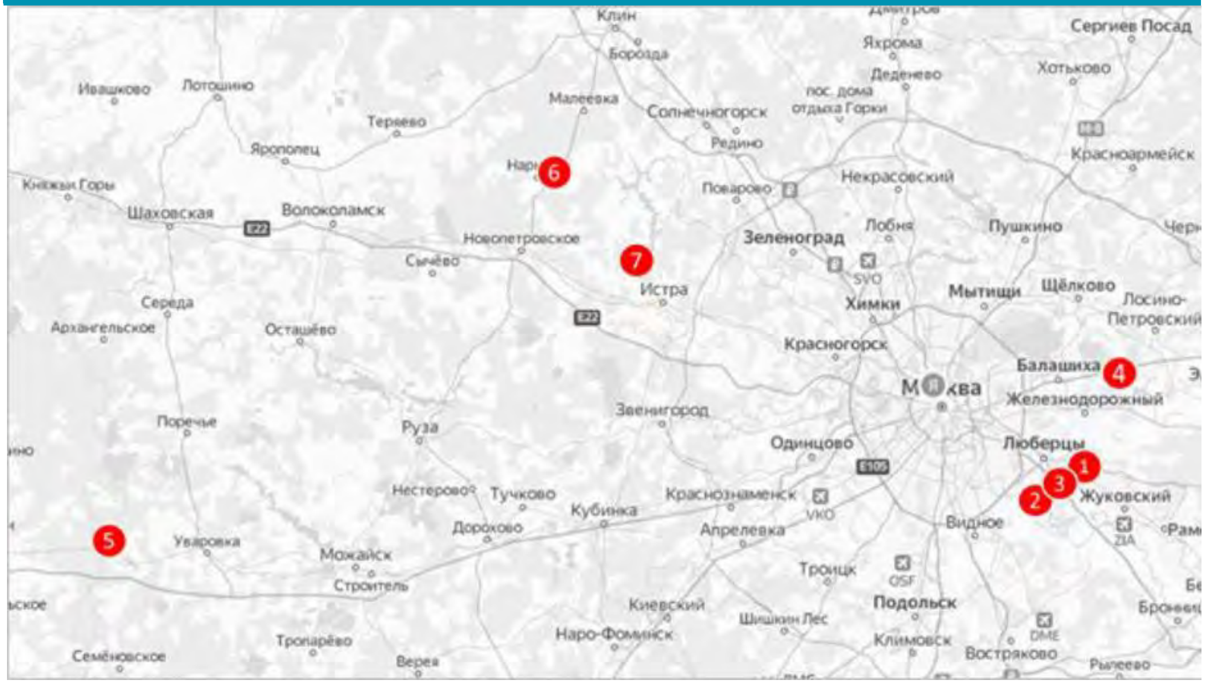
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex, including: • 82 157 sqm – residential area and built-in commercial premises
Construction Completion Date:	2025
Current Stage:	Under design
Discount Rate:	27.99%
Average Price per sqm:	174,306 RUB
Remaining Construction Costs (excluding financial costs):	5,484,871,000 RUB
Market Value:	**1,805,505,000 RUB**

1.1.5. Land plots for future development

Address:

№	Project	Cadastral no	Address
1	Korenevo		
		50:22:0060611:20	Kraskovo suburban settlement, Lyuberetsky District, Moscow Region
		50:22:0000000:104325	Kraskovo suburban settlement, Lyuberetsky District, Moscow Region
		50:22:0060611:50	Kraskovo suburban settlement, Lyuberetsky District, Moscow Region
2	Lytkarino		
		50:53:0000000:7541	6th subdistrict, Lytkarino, Moscow Region
		50:53:0020101:919	6th subdistrict, Lytkarino, Moscow Region
		50:53:0020101:921	6th subdistrict, Lytkarino, Moscow Region
		50:64:0000000:19981	Dzerzhinsky, Moscow Region
		50:53:0000000:7392	6th subdistrict, Lytkarino, Moscow Region
		50:64:0000000:19983	Dzerzhinsky, Moscow Region
3	Tokarevo		
		50:22:0040514:38	section 10, OJSC Plemzavoda "Petrovskoye" lands, Lyuberetsky District, Moscow Region
		50:22:0040514:35	Tomilino work settlement, Tokarevo village, OJSC Plemzavoda "Petrovskoye" lands, Lyuberetsky District, Moscow Region
		50:22:0040514:29	section 11, Tomilino work settlement, OJSC Plemzavoda "Petrovskoye" lands, Lyuberetsky District, Moscow Region
		50:22:0040514:37	section 10, OJSC Plemzavoda "Petrovskoye" lands, Lyuberetsky District, Moscow Region
		50:22:0000000:107959	Tomilino work settlement, Lyuberetsky District, Moscow Region
		50:22:0040604:562	Tomilino work settlement, Lyuberetsky District, Moscow Region
		50:22:0040511:18	section 9, Tomilino work settlement, Tokarevo village, OJSC Plemzavoda "Petrovskoye" lands, Lyuberetsky District, Moscow
		50:53:010208:188	6th subdistrict, OJSC Plemzavoda "Petrovskoye" lands, Lytkarino, Moscow Region
		50:53:010208:189	6th subdistrict, OJSC Plemzavoda "Petrovskoye" lands, Lytkarino, Moscow Region
		50:53:00000:7388	6th subdistrict, OJSC Plemzavoda "Petrovskoye" lands, Lytkarino, Moscow Region
4	Balashikha (Sakramento-2)		
		50:15:0050601:9	Novskoye highway, Balashikhinskiy district, Moscow Region
		50:15:0050501:2	Novskoye highway, Balashikhinskiy district, Moscow Region
		50:15:0000000:148	Novskoye highway, Balashikhinskiy district, Moscow Region
		50:15:0000000:147	Novskoye highway, Balashikhinskiy district, Moscow Region
		50:15:0050601:12	Novskoye highway, Balashikhinskiy district, Moscow Region
5	Durykino village, Mozhayskiy district		
		50:18:0000000:133	Durykino, Drovinskaya community administration, Mozhayskiy district, Moscow Region,
6	Semenkovo village, Klinskiy district		
		50:03:0050380:662	3, Semenkovo village, Klinskiy district, Moscow Region
		50:03:0050380:661	4, Semenkovo village, Klinskiy district, Moscow Region
7	Mikhailovka village		
		50:08:0070278:22	Mikhailovka village, Buzharovskoye settlement, Istrinskiy district, Moscow Region
		50:08:0070278:23	Mikhailovka village, Buzharovskoye settlement, Istrinskiy district, Moscow Region

Map



Source: yandex.ru/maps

Properties Description:

№	Project	Cadastral no	Size, sqm	Market Value, RUR/sqm	Market Value, RUR	Comments	Category	Permitted use	Land rights
1	**Korenevo**		**1,355,125**		**1,008,979,484 ₽**				
		50:22:0060611:20	6,291	745 ₽	4,684,062 ₽		Settlement land	Agricultural land	Ownership
		50:22:0000000:104325	1,332,588	745 ₽	992,199,209 ₽		Settlement land	Agricultural land	Ownership
		50:22:0060611:50	16,246	745 ₽	12,096,213 ₽		Settlement land	Agricultural land	Ownership
2	**Lytkarino**		**3,382,543**		**3,249,761,650 ₽**				
		50:53:0000000:7541	1,541,254	1,189 ₽	1,832,893,028 ₽	**Вычитаем прибре**	Settlement land	Residential development	Ownership
		50:53:0020101:919	1,200	1,189 ₽	1,427,066 ₽		Settlement land	Residential development	Ownership
		50:53:0020101:921	287	1,189 ₽	341,307 ₽		Settlement land	Residential development	Ownership
		50:64:0000000:19981	687,411	709 ₽	487,260,331 ₽		Settlement land	Agricultural land	Ownership
		50:53:0000000:7392	231,034	1,189 ₽	274,750,695 ₽		Settlement land	Residential development	Ownership
		50:64:0000000:19983	921,357	709 ₽	653,089,224 ₽		Settlement land	Agricultural land	Ownership
3	**Tokarevo**		**1,915,677**		**1,624,951,795 ₽**				
		50:22:0040514:38	726,200	633 ₽	459,598,019 ₽		Agricultural land	Agricultural land	Ownership
		50:22:0040514:35	150	633 ₽	94,932 ₽		Agricultural land	Agricultural land	Ownership
		50:22:0040514:29	8,951	633 ₽	5,664,916 ₽		Agricultural land	Agricultural land	Ownership
		50:22:0040514:37	20,000	633 ₽	12,657,616 ₽		Agricultural land	Agricultural land	Ownership
		50:22:0000000:107959	731,259	633 ₽	462,799,763 ₽		Agricultural land	Agricultural land	Ownership
		50:22:0040604:562	4,388	2,157 ₽	9,464,736 ₽		Agricultural land	Industrial	Ownership
		50:22:0040511:18	404,871	1,617 ₽	654,485,940 ₽		Settlement land	Industrial	Ownership
		50:53:010208:188	8,920	1,017 ₽	9,067,277 ₽		Settlement land	Residential development	Ownership
		50:53:010208:189	10,833	1,017 ₽	11,011,862 ₽		Settlement land	Residential development	Ownership
		50:53:00000:7388	105	1,017 ₽	106,734 ₽		Settlement land	Residential development	Ownership
4	**Balashikha (Sakramento-2)**		**932,000**		**907,429,440 ₽**				
		50:15:0050601:9	46,000	575 ₽	26,454,715 ₽		Agricultural land	Agricultural land	Ownership
		50:15:0050501:2	462,000	1,195 ₽	552,178,935 ₽		Settlement land	Residential development	Ownership
		50:15:0000000:148	119,767	1,195 ₽	143,144,620 ₽		Settlement land	Residential development	Ownership
		50:15:0000000:147	17,233	1,195 ₽	20,596,752 ₽		Settlement land	Residential development	Ownership
		50:15:0050601:12	287,000	575 ₽	165,054,418 ₽		Agricultural land	Agricultural land	Ownership
5	**Durykino village, Mozhayskiy district**		**13,375,762**		**351,691,417 ₽**				
		50:18:0000000:133	13,375,762	26 ₽	351,691,417 ₽		Agricultural land	Agricultural land	Ownership
6	**Semenkovo village, Klinskiy district**		**12,036**		**909,901 ₽**				
		50:03:0050380:662	4,678	76 ₽	353,626 ₽		Agricultural land	Agricultural land	Common ownership
		50:03:0050380:661	7,358	76 ₽	556,276 ₽		Agricultural land	Agricultural land	Common ownership
7	**Mikhailovka village**		**240,000**		**102,603,959 ₽**				
		50:08:0070278:22	20,000	428 ₽	8,550,330 ₽		Agricultural land	For farming	Ownership
		50:08:0070278:23	220,000	428 ₽	94,053,629 ₽		Agricultural land	For farming	Ownership
	Total		**21,213,143**		**7,246,328,000**				

Market Value:

№	Project	Cadastral no	Market Value, RUR/sqm	Market Value, RUR
1	**Korenevo**			**1,008,979,484 ₽**
		50:22:0060611:20	745 ₽	4,684,062 ₽
		50:22:0000000:104325	745 ₽	992,199,209 ₽
		50:22:0060611:50	745 ₽	12,096,213 ₽
2	**Lytkarino**			**3,249,761,650 ₽**
		50:53:0000000:7541	1,189 ₽	1,832,893,028 ₽
		50:53:0020101:919	1,189 ₽	1,427,066 ₽
		50:53:0020101:921	1,189 ₽	341,307 ₽
		50:64:0000000:19981	709 ₽	487,260,331 ₽
		50:53:0000000:7392	1,189 ₽	274,750,695 ₽
		50:64:0000000:19983	709 ₽	653,089,224 ₽
3	**Tokarevo**			**1,624,951,795 ₽**
		50:22:0040514:38	633 ₽	459,598,019 ₽
		50:22:0040514:35	633 ₽	94,932 ₽
		50:22:0040514:29	633 ₽	5,664,916 ₽
		50:22:0040514:37	633 ₽	12,657,616 ₽
		50:22:0000000:107959	633 ₽	462,799,763 ₽
		50:22:0040604:562	2,157 ₽	9,464,736 ₽
		50:22:0040511:18	1,617 ₽	654,485,940 ₽
		50:53:010208:188	1,017 ₽	9,067,277 ₽
		50:53:010208:189	1,017 ₽	11,011,862 ₽
		50:53:00000:7388	1,017 ₽	106,734 ₽
4	**Balashikha (Sakramento-2)**			**907,429,440 ₽**
		50:15:0050601:9	575 ₽	26,454,715 ₽
		50:15:0050501:2	1,195 ₽	552,178,935 ₽
		50:15:0000000:148	1,195 ₽	143,144,620 ₽
		50:15:0000000:147	1,195 ₽	20,596,752 ₽
		50:15:0050601:12	575 ₽	165,054,418 ₽
5	**Durykino village, Mozhayskiy district**			**351,691,417 ₽**
		50:18:0000000:133	26 ₽	351,691,417 ₽
6	**Semenkovo village, Klinskiy district**			**909,901 ₽**
		50:03:0050380:662	76 ₽	353,626 ₽
		50:03:0050380:661	76 ₽	556,276 ₽
7	**Mikhailovka village**			**102,603,959 ₽**
		50:08:0070278:22	428 ₽	8,550,330 ₽
		50:08:0070278:23	428 ₽	94,053,629 ₽
	Total			**7,246,328,000**

1.2. Business

Below is a description of the companies.

1.2.1. GP-MFS LLC

LLC GP-MFS (until 2019, LLC MFS-PIC) is a leading construction general contracting company that has successfully executed and is currently executing government contracts. Between 2010 and 2018, the company built more than 150 houses with a total area of more than 80 million square metres. Currently, the company is one of the largest contractors for design and construction work within the renovation programme implemented by the Moscow Renovation Fund.

1.2.2. GlobalStroyTech LLC.

The company was established in 2011. Today the company implements 2 directions within the framework of fee development:

1) Construction services (as a general contractor);

2) Management - project management.

1.2.3. GP-MO LLC, GP-MSK LLC, JSC TZ-Region, PIK-Management LLC

The main activity of the companies is the activity of the technical customer in the projects of PIK Group of Companies.

Joint Stock Company GRADLIFT (GRADLift JSC) was registered in 2011. The main activity of GRADLIFT JSC is:

- Supply of lifting and transport equipment;

- Installation and commissioning of hoisting and lifting equipment.

1.2.4. ZhKH Vodokanal + LLC, ZhKH Vodokanal LLC, JSC MSC Energo, JSC MSC Engineering, PIK Resources LLC

Companies are balance keepers of networks and generators in heat supply, water supply, power supply segments at projects of PIK Group of Companies.

1.2.5. BRAMORYN HOLDINGS LIMITED

The Company is a holding company whose main asset is the investment in the share capital of Lovitel Ltd.

Lovitel Ltd. is engaged in the following activities which require licences and other special permits

- Communication activity on the basis of wire technologies (wireline radio broadcasting services, local telephone services, cable broadcasting services, communication channel provision services, data transmission services except for data transmission services for voice information transmission, telematic communication services).

- Construction, reconstruction and capital repair of capital construction objects under a construction contract, except for construction contracts concluded using competitive methods of contract conclusion

- Design documentation under a subcontract for preparation of design documentation with respect to capital construction objects (except for highly hazardous, technically complicated and unique objects, nuclear facilities, except for subcontracts concluded using competitive methods of contract conclusion).

1.2.6. MAYAK LLC

The main activity of LLC MAYAK is management of real estate: maintenance and repair of the common property in apartment buildings and provision of public services to owners (tenants) of premises in apartment buildings.

1.2.7. External sales

Organisation of real estate sales. It is carried out by the PIK Group as part of fee-development.

1.2.8. VENELIOR HOLDING LIMITED

The organisation is a holding company and its principal assets are investments in the share capital of PIK Lease Ltd.

PIK Lease LLC manages a pool of flats that are rented out on a long-term basis. The project was launched in August 2018, with more than 500 flats in the portfolio today. PIK Group and PIK-Comfort LLC are generators of leads (flat owners) for the service through websites and targeted mailings.

1.2.9. PIK-Broker LLC

PIK-Broker Ltd. provides flat buy-back and resale services. This includes valuation and legal due diligence.

1.2.10. VMASSIVE GROUP LLC

VMassive Group Ltd. is a holding company, the main asset of which is the investment in the share capital of PIK Repairs Ltd. The subsidiary company is the operator of residential and commercial property renovation. All workers are pre-trained and certified.

1.2.11. RUBETEK LIMITED

The organization is a holding company and its main assets are investments in the share capital of Rubetek RUS LLC, Rubetek Trade LLC and Rubetek Product LLC. Rubetek RUS LLC produces solutions for building a smart home and automation of housing and communal services. The product line is represented by more than 30 devices: leakage sensor, opening sensor, smoke sensor, wi-fi lights, smart outlets, and box solutions for specific scenarios - flat security, leakage protection, scripted light control, etc.

The company's products are sold through retail chains (b2c) and large corporate clients (b2b). PIK Group and PIK-Comfort are the company's customers and implement solutions for fire dispatching, intercom system (including door station and flat tablet).

1.2.12. MEL

Established in 1953, MEL is an electrical engineering company in Moscow specialising in the production of switchboard equipment (low- and high-voltage), lift equipment and lifts. Products and lift equipment of the plant are used both in new and reconstruction process facilities (industrial, residential, administrative), as well as in individual construction in Russia. After the acquisition of PJSC Group PIK, the company expanded its range of lifts with the production of lifts without a machine room.

1.2.13. ZAO ZDZHB VOLGA FORMS

Volga Forms Reinforced Concrete Plant was founded in 1962 in an industrial area in Sormovsky district of Nizhny Novgorod. In December 2007 ZDZHB VOLGA FORM ZAO was merged with PJSC PIK Group of Companies. At present time, the production shop of ZDZHB VOLGA FORM CJSC is equipped to produce hollow core slabs. The technological equipment includes 4 "Weiler" production lines for the production of hollow core floor slabs with a length of 116 metres.

1.2.14. PARK-PRO LLC

The company was established in 2017. The activity of the company "PARK-PRO" is the production of small architectural forms. The production is located in the town of Maloyaroslavets. The company has a wide product line. These are bicycle car parks, shade canopies, tables, litter bins and benches of different design. A range of 29 standard products has been developed, which are assembled from metal and wood. The equipment fleet includes metal and wood processing equipment.

In addition to standard products PARK-PRO Ltd manufactures and assembles products according to individual orders.

1.2.15. JSC PIK-Industria

PIK-Industria Open Joint-Stock Company was registered on November 1, 2013. The Company was formed through a merger of Open Joint Stock Company House-Building Plant No.2 (OGRN 1027700180309 dated 6 September 2002, registered office: 1 Proezd Stroykombinata, Moscow 119530) and Open Joint Stock Company House-Building Plant No.3 (OGRN 1027739013664 dated 24 July 2002, registered office: 2 Borovskoye highway, building 1, Moscow 119618).

PIK-Industria JSC is the largest production site in the PIK Group of Companies' circuit in the field of panel construction.

1.2.16. PIK-Project LLC

PIK-Project LLC was registered in 2005. Public Joint Stock Company PIK Group of Companies has been the sole owner since November 15th, 2007.

The main activity of PIK-Project LLC is activities in the field of architecture and engineering design.

PIK-Project LLC is a subsidiary organisation which provides PJSC "PIK Group of Companies" development and construction companies with design and estimate documentation for standard and customised projects in Moscow, Moscow Region and regions.

1.2.17. PIK-Profile LLC

PIK-profile LLC has been working on the market of translucent structures since 1997. Nowadays it is one of the biggest producers of translucent structures on the Russian market. PIK-profile has the most up-to-date equipment for the production of windows and doors of PVC and aluminium. The company's main customers are PIK-Industria and MFS-PIK. The company's staff has been trained at the "Professional Education Centre for Builders "NII Mosstroy". The firm and its employees are included in the "Register of organisations and employees who have confirmed their competence in the installation of window units".

1.2.18. PIK-Element LLC

PIK-Element LLC is a modern highly automated plant which produces sanitary modules (prefabricated bathrooms with finishing) for PJSC "PIK Group of Companies" facilities. The modules are manufactured at the factory using a unique state-of-the-art technology with the use of robots and automated lines and meet the highest expectations of consumers, buyers of flats.

1.2.19. PIK.PRO LLC

PIK.PRO Ltd. works in the field of IT technologies and creates a product for digital management of construction and finishing works. The company started as a finishing start-up in 2018. As of the end of 2019, PIK.PRO has 90 employees, 31 legal entities and 40 facilities as licence partners.

1.2.20. PIK Technologies LLC

PIK Technologies Ltd. works in the field of IT technologies and creates IT solutions in the field of development.

IT projects relate to all PIK activities: materials production, house design, construction, finance and economics, procurement and sales.

The company develops systems, websites, mobile applications, bots and data warehouses.

E. Appendices

Appendix I Valuer Documents

EST·MODUS·IN·REBUS

THIS IS TO CERTIFY THAT

Cushman Wakefield

IS REGISTERED AS A FIRM REGULATED BY RICS

Valid from: 21 July 2021

Until: 30 May 2022

Firm Registration no. 047410

THE COMMON SEAL OF THE ROYAL INSTITUTION OF CHARTERED SURVEYORS · FOUNDED 1868 ·

Richard Collins

EXECUTIVE DIRECTOR FOR THE PROFESSION

RICS

This certificate is held from year to year subject to the provisions of the bye-laws of the Institution and is not a certificate to practice. 21/07/2021

REG01

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 and Wakefield OOO" ("C&W", "we" or "us") to the client ("you") to whom a real estate valuation agreement (the "Agreement") is sent. They shall apply separately to each valuation 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 in case any alterations are made to them.

2. USE OF THIRD-PARTY 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. Unless otherwise stated in the Agreement, we shall not require your written approval for use of a third-party – this way there will be no additional fees charged for that and we shall remain liable for all actions or non-actions of any third party invited by us to the project.

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). 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, not stated in the Agreement or Valuation Assignment, additional scope of work, time frames and our fees will be set in writing upon mutual agreement.

3.7. Where there is a change to the stated purpose for which our valuation is being commissioned or the addressee of the report, we reserve the right to charge an additional fee. The change of the purpose of valuation, use of the report and the addressee should be agreed in writing.

3.8. 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. Unless otherwise stated in the agreement, if we have sent you draft valuation figures, you are obliged to pay 50% of the fee and if we have sent you a draft valuation report, you are obliged to pay 75% of the fee originally agreed between us.

3.9. 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. LIABILITY FOR PAYMENT DELAY

4.1. In case you delay payment upon completion of our work, based on our written request you shall pay a penalty in the amount of 0.1 percent of the due payment for each day but no more than 10 percent of the total fee stated in the agreement.

5. DISBURSEMENTS

5.1. Unless otherwise stated in the Agreement or valuation assignment, you are obliged to reimburse us all costs related to the provision of services, including travel and transport expenses, as well as accommodation. Reimbursement of expenses shall be carried out on the basis of our invoice, to which all supportive documents, proving these costs to have been incurred, shall be attached.

6. INFORMATION RECEIVED FROM THE CLIENT

6.1. 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. We also reserve the right to claim additional fees in case new information has been provided after the start of services and it lead to significant changes in our calculations.

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.

8. MANAGEMENT OF THE PROPERTY

8.1. 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. LIABILITY

10.1. If you fail to submit the information necessary for valuation within the time frames stated in the Agreement and (or) valuations Assignment, we keep the right to halt the provision of services until such information and supportive documentation is received in full. You take the liability to us in regards to non-provided information or non-reliable information, as well as to the delay in information provision, that led to the incorrect provision of services from our side. We do not take any liability for incorrect or non-reliable information and for the objective character of the valuation results based on such information.

10.2. According to the current Agreement we are liable to you in terms of any caused direct losses or other material/property damage caused to the third parties by reliance on the values in our report. Such losses and property damage are to be fully reimbursed from the means of the valuer or valuers, who caused such damage or losses by their own actions/inactions in the process of valuation or from the means of the legal entity, with whom the valuer has signed the labour contract.

10.3. We shall not be liable to you in regards to any loss of profit or any indirect costs.

10.4. Save in respect of third parties directly instructed by us to act on our 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.

10.5. 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 100 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;(iii) for fraud or fraudulent misrepresentation or (iv) gross negligence or willful misconduct.

10.6. 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.

10.7. To cover any liability that might be incurred by us, we confirm that we will maintain compulsory professional indemnity insurance.

10.8. Where we consent in writing to reliance on our report by another party and according to your request, 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) You or such other party pays additional agreed with us.

10.9. 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, 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 as well as for any possible comments that might arise in regards to the valuation results.

10.10. In case 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.

11. DATA PROTECTION

11.1. 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.

11.2. 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.

12. ELECTRONIC COMMUNICATIONS

12.1. We may communicate with each other by electronic mail, sometimes attaching electronic data. By consenting to this method of communication, you and we 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.

13. CONFIDENTIALITY

13.1. 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.

13.2. 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.

13.3. We shall provide the Services to you only for your sole use and for the stated purpose. Unless otherwise provided in the Agreement, 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.

13.4. Unless otherwise provided in the Agreement, 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.

13.5. Notwithstanding anything hereto to the contrary, our prior written approval shall not be required for the reproduction and inclusion of this Report, in its entirety in the Offering Memorandum or for the reproduction and dissemination of this Report partially or in its entirety or information contained in it in connection with the PIK Offering.

14. ASSIGNMENT

14.1. 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.

15. GENERAL

15.1. 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.

15.2. 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.

15.3. Except as expressly provided otherwise 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.

15.4. 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.

15.5. 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.

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 Tverskoy Boulevard, 26 Moscow, Russia, 125009 (“C&W”, the “Consultant”) to the client (the “Client”) on the basis of a real estate valuation agreement (the “Agreement”) signed between the Client and the Consultant. They shall apply separately to each service subsequently provided to the Client.

1.2. The Valuation Principles are to be read in conjunction with the relevant Agreement. In the event of any ambiguity or conflict between the relevant Agreement 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. The Consultant regularly reviews and upgrades the Valuation Principles and new versions will be sent and agreed with the Client in case of necessity.

2. VALUATION BASES

2.1. Unless the relevant Agreement states otherwise, the valuation will be prepared in accordance with the Valuation Professional Standards of the Royal Institution of Chartered Surveyors (the “RICS”) relevant at the date of the signing of the Agreement (the “Red Book”) by valuers conforming to its requirements.

2.2. 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 the current valuation standards adopted in the Russian Federation.

2.3. In case of absence of contradiction in regards to the mandatory valuation standards adopted in the Russian Federation, the definitions, stated in the Agreement and the Report, are as follows:

(i) Market Value

Market 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 an interest in real estate property should 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 and where the parties had each acted knowledgeably, prudently and without compulsion.

(iii) Equitable Value

Equitable Value is the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.

(iv) Investment Value/Worth

Investment Value is the value of an asset to a particular owner or prospective owner for individual investment or operational objectives.

(v) Synergistic Value

Synergistic Value is the result of a combination of two or more assets or interests where the combined value is more than the sum of the separate values. If the synergies are only available to one specific buyer then Synergistic Value will differ from Market Value, as the Synergistic Value will reflect particular attributes of an asset that are only of value to a specific purchaser. The added value above the aggregate of the respective interests is often referred to as “marriage value.”

(vi) Liquidation Value

Liquidation Value is the amount that would be realised when an asset or group of assets are sold on a piecemeal basis. Liquidation Value should take into account the costs of getting the assets into saleable condition as well as those of the disposal activity. Liquidation Value can be determined under two different premises of value: (a) an orderly transaction with a typical marketing period, or (b) a forced transaction with a shortened marketing period.

(vii) Fair Value (International Financial Reporting Standards)

IFRS 13 defines Fair Value 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.

3. GENERAL VALUATION ASSUMPTIONS

3.1. Unless otherwise agreed with the Client, the Consultant shall 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 the Consultant 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, the Consultant shall value on the basis and assumption of a fully equipped operational entity, having regard to trading potential.

4.2. Where the Consultant is instructed to value a property having regard to its trading potential, the Consultant shall take account of any trading information that either the operator has supplied to him or that he has obtained from his own enquiries. The Consultant shall rely on this information being correct and complete and on there being no undisclosed matters that could affect our valuation. The valuation shall be based on the Consultant's opinion as to the 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 it is stated 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;

(i) the Consultant 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;

(ii) the Consultant will assume that all assets and equipment are fully owned by the operator and are not subject to separate finance leases or charges;

(iii) the Consultant will exclude any consumable items, stock in trade and working capital; and

(iv) the Consultant 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. The Consultant shall 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 the Consultant does not give any warranty as to the condition of the structure, foundations, soil and services. The Consultant's 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 the Consultant gives the age of a building in the report, this will be an estimate and for guidance only.

6. MEASUREMENTS

6.1. The Consultant does not take any measurements of the buildings and other premises in course of the valuation process. The Client agrees that the areas of the properties contained in the valuation report 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. The areas of the properties contained in the report should be used for valuation purposes and cannot be used for any other.

7. PLANNING REGULATIONS

7.1. The Consultant has the right to rely on the information provided informally by the local planning authorities or the information that he could find in the open sources. However, the Consultant recommends that the Client should confirm the planning position relating to the property and review the comments of the Consultant on planning in the light of their findings.

7.2. Unless otherwise notified by the Client in writing, the Consultant 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 EXCEPTIONS

8.1. The Consultant will not inspect title deeds and therefore he will rely on the information supplied as being correct and complete. In the absence of information to the contrary, the Consultant 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, the Consultant will consider it but will not take responsibility for the legal interpretation of it.

8.2. The Consultant shall take into account any information that the Client may provide concerning any tenants' improvements. Otherwise, if the extent of tenants' alterations or improvements cannot be confirmed, the Consultant will assume that the property was let with all alterations and improvements evident during the inspection (or, in the case of valuation without inspection, as described within the information that the Client provides).

8.3. The valuation will take into account potential purchasers' likely opinion of the financial strength of tenants. However, the Consultant will not undertake any detailed investigations on the covenant strength of the tenants. Unless informed to the contrary by the Client, the Consultant 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 the Consultant provides to the Client indicating the site of a property are for identification only. The Consultant shall rely on the inspection and information that the Client provides in outlining the extent of each property, but the Client should not rely upon the Consultant's plans to define boundaries.

8.5. Where comparable evidence information is included in the report, this information is often based upon 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 the Consultant had the reason to believe its general accuracy or where it was in accordance with expectation. In addition, the Consultant does not inspected comparable properties.

8.6. For a recently completed development property, the Consultant will not take account of any retentions or outstanding development costs. For a property in the course of development, the Consultant will reflect the Client's 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. The Consultant 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 18% unless otherwise is specified in the valuation report.

8.9. The Consultant 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 unless otherwise specified in the valuation report.

8.10. Unless otherwise stated in the Agreement, each property will be valued individually; in the case of a portfolio, the Consultant 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 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. The Client should not rely on any component of the valuation calculation for any other purpose.

8.12. The currency of the valuation results is stated in the Agreement. If the Consultant has to report in another currency, unless it has been agreed otherwise, the Consultant will adopt an exchange rate equivalent to the closing rate ("spot rate") on the date of valuation.

8.13. The 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 case where the Consultant is 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. The Client 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), RICS standards require to state the policy of the Consultant 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, the Consultant 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 the rotation of a surveyor responsible for re-valuations for the same client although the Consultant will not do so without prior discussion with the client.

9.3. For all Regulated Purpose Valuations the Consultant may state all of the following in the report:

(i) the length of time the valuer continuously has been the signatory to valuations provided to the Client for the same purpose as the report, together with the length of time the Consultant have continuously been carrying out that valuation instruction for the Client;

(ii) the extent and duration of the relationship between the Client and the Consultant;

(iii) in relation to the preceding financial year the proportion of the total fees, if any, payable by the Client to the Consultant's 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, the Consultant 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 of the RICS body or any other self-regulatory organization, in which the valuers have the membership according to the requirements of the Russian legislation.

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

ANNEX B: C&W NEW DEVELOPMENT PROJECTS VALUATION REPORT

Valuation of:

PIK Group Real Estate and Business Portfolio

Prepared for:

PIK Group Public Joint Stock Company

Valuation date:

18.08.2021

Contents

A. Valuation Record ... 2
1.1. Appointment ... 2
1.2. Compliance with RICS Valuation – Global Standards ... 2
1.3. Status of Valuer and Conflicts of Interest ... 2
1.4. Purpose of Valuation ... 3
1.5. Bases of Valuation ... 3
1.6. Disclosures required under the provisions of PS 2.5 ... 3
1.7. Inspection ... 4
1.8. Town planning ... 4
1.9. Structure ... 4
1.10. Site and Contamination ... 4
1.11. Assumptions, Special Assumptions, Departures and Reservations ... 5
1.12. Accommodation ... 6
1.13. Sources of Information ... 7
1.14. General Comment ... 7
1.15. Taxation and costs ... 7
1.16. Valuation ... 7
1.17. Confidentiality ... 8
1.18. Conditions on Use and Reliance ... 8
1.19. Publication ... 8
B. Market Overview ... 10
C. Valuation Methodology ... 14
1.1. Valuation of land bank ... 14
1.2. Conclusions ... 15
D. Property Descriptions ... 16
1.1. Land bank ... 16
E. Appendices ... 35
Appendix I Valuer Documents ... 36
Appendix II Principal Terms and Conditions of Appointment as Valuers ... 39
Appendix III General Valuation Principles ... 43
Appendix IV Sources of Information ... 48

A. Valuation Record

To:	PIK Group Public Joint Stock Company
Properties:	The property valued are detailed in Part D of this report
Report Date:	27.09.2021
Valuation Date:	18.08.2021
Our references:	00082962/2

Instructions

1.1. Appointment

In accordance with your request, as confirmed by the Consultancy Services Agreement № 00082962 dated 24.09.2021 ("Agreement"), concluded between LLC "Cushman & Wakefield OOO" ("C&W") and Public Joint Stock Company "PIK-specialized homebuilder" ("the Client" or "Company"), we have considered each Property as set out in Part D of this report and made all necessary enquiries to provide you with our opinion of Market 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 Market Value of the Property interests based on the Company's share of the Property interests in the Joint Ventures or Associates.

This report contains the value of the projects acquired by the Company in the period from January 1, 2021. Valuation of PIK Group Real Estate and Business Portfolio as at December 31, 2020 is contained in Report 00082962/1.

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 has 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 offering memorandum (the “Offering Memorandum”) concerning the proposed placing and offer (“PIK 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.

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 Market Value.

1.5.2. Definition

Where we have been instructed to value the property on the basis of Market Value, we have done so in accordance with VPS 4.4 of the Global Standards issued by The Royal Institution of Chartered Surveyors, which is defined as follows:

‘The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion’.

The interpretative commentary on Market Value, as published in International Valuation Standards, has been applied.

The market value is estimated specially assuming that the Client has executed all the payments related to the purchase of rights for the properties and has executed all the payments related to the change of land use.

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

The members of the Royal Institution of Chartered Surveyors who sign this Report are also signatories of the valuation results for IFRS purposes as at 31.12.2012, 31.12.2013, 31.12.2014, 31.12.2015, 31.12.2016, 31.12.2017, 31.12.2018, 31.12.2019 and 31.12.2020.

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 is less than 5%.

1.7. Inspection

We have inspected each property externally on September, 2021.

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

This Report does not meet the requirement to the appraisal report of the Federal Law #135-FZ dated July 29, 1998 “On Valuation Activities in the Russian Federation."

The Company is not liable for decisions made on the basis of provided information in this Report. The transaction price of sale may differ from the values mentioned in thisReport.

The valuation is based on the assumption that the Properties are neither encumbered, nor are under obligation or distrainment. Moreover, the Valuer assumed that third parties have no ownership rights to the Properties and there are no other encumbrances.

Information about the Properties was provided by the Client in electronic form. The valuation is based on the assumption that this information is true and correct.

Market values were estimated for each Real Estate Property separately without considering a possible discount for portfolio scale. The market value of the production unit was estimated assuming a single business unit.

Some projects are developed on the basis of escrow accounts, in accordance with the current legislation of the Russian Federation. This scheme envisages borrowed financing in the amount of construction costs. The calculations are based on the information provided by the Client about the agreed loan terms.

The market value is estimated specially assuming that the Client has executed all the payments related to the purchase of rights for the properties and has executed all the payments related to the change of land use.

Our valuation is based on the absence of any hidden factors affecting the value of the Property. We are not obligated to detect such facts or to be liable if they are discovered.

We are not responsible for future social, economic, legal and environmental and other changes after the date of valuation that may affect the value of the Property or the motivation of investors.

We do not guarantee the exact achievement of the results predicted by the Client, as events and circumstances are often not implemented as expected at first. The difference between the planned and actual results can be significant. Achieving the predicted results depends on the actions, plans and assumptions of the management, as well as external conditions.

We have not carried out a measured survey and have relied upon the areas supplied to us by the Client or their representatives. We have assumed that these areas are correct and have been measured in accordance with local market conditions.

Unless otherwise stated within the Report, we have not carried out soil, geological or other tests or surveys in order to ascertain the site conditions or other environmental conditions of the property. Unless stated to the contrary within the Report, our valuation assumes that there are no unusual ground conditions, contamination, pollutants or any other substances that may be environmentally harmful.

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 did not include a legal or financial due diligence of the information provided by the Client.

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 PIK 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

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 Market value of real estate and business portfolio as at the date of valuation is fairly reflected in the sum of:

79,581,648,000 RUB

Including:

Project	Area, sq.m	Value, 000RUB
Plekhanova, 11	310,457.58	7,655,109.597
Tokarevo	660,020.00	10,053,883.32
2nd Irtyshskiy drive, 6, 8	317,109.00	10,649,960.51
Kartmazovo Village	14,890.00	231,802.5923

Project	Area, sq.m	Value, 000RUB
Meshchersky Les-2	50,521.70	7,996,204.107
Kuvekino	182.535	2,767,838.225
Konstantinovka, Kazan	71,468.00	,1007,065.672
Borisenko Street,48, Vladivostok	48,930.00	625,856.1234
Moscow, ul Zelenodolskaya, 42	32,720.00	259,420
Rzhavka, Nizhniy Novgorod	334,820.00	1,294,376.8
Shkiperskiy protok 19, lit. A	127,816.00	6,925,579.793
Korablestroiteley Street, 14	59,332.00	2,559,719.005
Lermontovskiy pr., 54	61,782.00	4,792,169.906
Ligovskiy pr., 240	234,248.00	15,720,415.42
Magnitogorskaya Street, 30-32	143,208.00	-626,048.9355
Maliy pr. P.S., 1a, lit. A and 4	14,610.00	1,662,980.703
Orekhovaya Sopka, Khabarovsk	160,724.00	194,907.4877
Yuzhno-Sakhalinsk, YUIN	309,900	5,930,865.642

In arriving at our opinion of Market 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

Unless otherwise provided in the Agreement, the contents of this Valuation Report are intended to be confidential to the addressees and for the specific purpose stated.

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 or to whom we provided reliance pursuant to the Agreement (including Alfa Capital Markets Ltd, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc, VTB Capital plc, JSC "Sberbank CIB", Sberbank CIB (UK) Limited, LLC "ATON", Credit Suisse International, Sova Capital Limited and the other persons acting as underwriters in the PIK Offering)), 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 Public Joint Stock Company «PIK-specialized homebuilder».

Unless otherwise provided in the Agreement, 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 Offering Memorandum 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 Public Joint Stock Company «PIK-specialized homebuilder».

Signed for and on behalf of Cushman & Wakefield

Sergey Riabokobylko FRICS
Executive Partner, General Director, Russia

Tel: +7 495 797 9600
E-mail: Sergey.Riabokobylko@eur.cushwake.com

Konstantin Lebedev MRICS, CCIM, ROO
Partner, Head of Department
Valuation & Advisory
Tel: +7 495 797 9600
E-mail: Konstantin.Lebedev@cushwake.com

Ksenia Komarova MRICS
Director
Valuation & Advisory
Tel: +7 495 797 9600
E-mail: Ksenia.Komarova@cushwake.com

B. Market Overview

	2019	2020	2021	2022	2023
GDP growth, %	1.19	-2.57	**2.04**	2.52	1.55
RUB/USD	64.7	72.1	**74.34**	70.9	66.29
CPI, %	4.4	3.39	**5.68**	4.23	3.72
GDP deflator,%	2.04	-3.78	**19.27**	4.33	5.07
Interest rate, %	7.32	5.05	**4.79**	5.0	5.0
Government Debt, % of GDP	13.95	20.14	**24.75**	25.62	22.49
Private consumption, %	2.79	-8.53	**2.78**	1.37	1.01
Retail sales, %	1.95	-3.12	**8.09**	1.13	-0.4
Unemployment rate, %	4.6	5.91	**6.61**	6.16	5.73
BRENT crude oil price	64.18	43.21	**64.75**	62.97	63.36

Source: Moody's forecast as of June 2021

On the background of growing inflation, the Central Bank continues to increase the key rate. Bankers expect the indictor to grow up to 6%. Construction is still a key driver of the economy. Preferential interest rate for mortgage loans is playing an importantregulatory role. As a result, the government must continue withthesubsidy program in order to keep consistency in theeconomic strategy. The Central Bank regularly expresses concerns about dramatically growing mortgage portfolios.

In2020producer's inflation diverged with CPI. Producers had to cut costs and prices in order to maintain b2b sales. In 2021 accumulated inflationary pressure in the production sectorwas translated in almost 20% growth of PPI. Together with Ruble strengthening this factor will stimulate import of raw materials and equipment. The government may be forced to protect domestic market by stronger regulation.

Since the second half of 2020, three key factors have influenced the development of the housing construction industry and the situation in the housing market.

The first factor is the increased demand for housing. The general reduction of market interest rates amid the softening of the Bank of Russia's monetary policy, several preferential mortgage programs, especially the 6.5% program, and the interest of banks in increasing their portfolios of highly reliable loan products led to a large-scale increase in mortgage lending. For example, in July-December 2020, an average of more than 180,000 mortgage loans totaling more than 470 billion rubles were originated each month, while in the same months of 2019 there were about 115,000 mortgage loans totaling up to 265 billion rubles each month. The increased availability of credit as a source of funding for real estate expenses has largely supported demand for housing. Moreover, amid the increased volatility of the ruble exchange rate and declining deposit rates in 2020, the attractiveness of housing as a means of savings increased, which became an additional factor in the growth of demand for housing.

The second factor is the limited supply of housing. According to Rosstat, the commissioning of housing in Russia in 2020 was 82.2 million square meters, which is close to the level of 2019. At the same time, despite the support from the demand side, the downward trend in the volume of current construction of multifamily housing, observed since mid-2019, persisted. This is due to the gradual completion of home construction that began on the eve of the industry's transition to project financing, an increase in developers' costs, and continued adaptation of companies in the industry to the new business environment.

The third factor is the growth of construction costs associated with an increase in the price of construction materials and labor shortages due to restrictions on the entry of workers from abroad, introduced to curb the COVID-19 pandemic. In Q4 2020, prices for rolled metal products for construction increased significantly, primarily due to higher demand for metals in foreign commodity markets. Another factor contributing to cost growth was ruble devaluation and higher volatility on the global commodities markets. volatility on global commodity markets.

As a result, housing price growth continued to accelerate in the second half of 2020. The acceleration was noted both on the primary and secondary markets and was typical of the majority of Russian regions. The acceleration of the housing price growth continued in the primary and secondary markets. At the same time, the growth rate of housing prices in the second half of 2020 remained markedly higher than the growth rates of consumer prices. A significant rise in the cost of housing could largely offset the positive effect from lower mortgage rates.

In the near term, the situation in housing construction will largely depend on the speed of recovery processes in the economy, decisions of the government of the Russian Federation with regard to Decisions of the Government of the Russian Federation with regard to support measures for the construction sector and its ability to ensure the required volumes and rates of commissioning of housing.

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.

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 June 2021 the volume of housing under construction in Moscow was 18.359 million square metres.

The average area of a residential unit under construction in Moscow is 56.4 m². For the Russian Federation, this indicator is 50.1 m².

As of June 2021, weighted average price offers on the market of housing under construction in Moscow amounted to 227,034 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 5 months of 2021, the number of mortgage loans issued to residents of Moscow, amounted to 56,730, which is 64.8% more than in 2020 (34,414), and 75.1% more than the level achieved in 2019 (32,400).

According to the Bank of Russia data for 5 months of 2021, the number of mortgage loans issued to residents of Moscow, amounted to 346,832 million rubles, which is 96.5% more than in 2020 (176,517 million rubles), and 132.4% more than the level achieved in 2019 (149,217 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 May 2021 in Moscow, weighted average rate amounted to 7.32%. Compared to the same indicator in May 2020, the rate decreased by 0.08 p.p. (from 7.4 to 7.32%).

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 2021 the volume of housing under construction in the Moscow Region was 10.5 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 June 2021 in the Moscow region, the weighted average rate was 7.4%. Compared to the same in June 2020, there was a decrease in the rate by 1.15 p.p. (from 8.55 to7.4%).

According to the Bank of Russia, for 4 months of 2021 the number mortgage loans issued to residents Moscow region, amounted to 36,052, which is 46.5% more than the level 2020 (24,614).

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 Market 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 Market 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 Market 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 Market 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.

1.2. Conclusions

Subject to the contents of this report and based on current values, we are of the opinion that the Market value of real estate and business portfolio as at the date of valuation is fairly reflected in the sum of:

79,581,648,000 RUB

Including:

Project	Area, sq.m	Value, 000RUB
Plekhanova, 11	310,457.58	7,655,109.597
Tokarevo	660,020.00	10,053,883.32
2nd Irtyshskiy drive, 6, 8	317,109.00	10,649,960.51
Kartmazovo Village	14,890.00	231,802.5923
Meshchersky Les-2	50,521.70	7,996,204.107
Kuvekino	182.535	2,767,838.225
Konstantinovka, Kazan	71,468.00	,1007,065.672
Borisenko Street,48, Vladivostok	48,930.00	625,856.1234
Moscow, ul Zelenodolskaya, 42	32,720.00	259,420
Rzhavka, Nizhniy Novgorod	334,820.00	1,294,376.8
Shkiperskiy protok 19, lit. A	127,816.00	6,925,579.793
Korablestroiteley Street, 14	59,332.00	2,559,719.005
Lermontovskiy pr., 54	61,782.00	4,792,169.906
Ligovskiy pr., 240	234,248.00	15,720,415.42
Magnitogorskaya Street, 30-32	143,208.00	-626,048.9355
Maliy pr. P.S., 1a, lit. A and 4	14,610.00	1,662,980.703
Orekhovaya Sopka, Khabarovsk	160,724.00	194,907.4877
Yuzhno-Sakhalinsk, YUIN	309,900	5,930,865.642

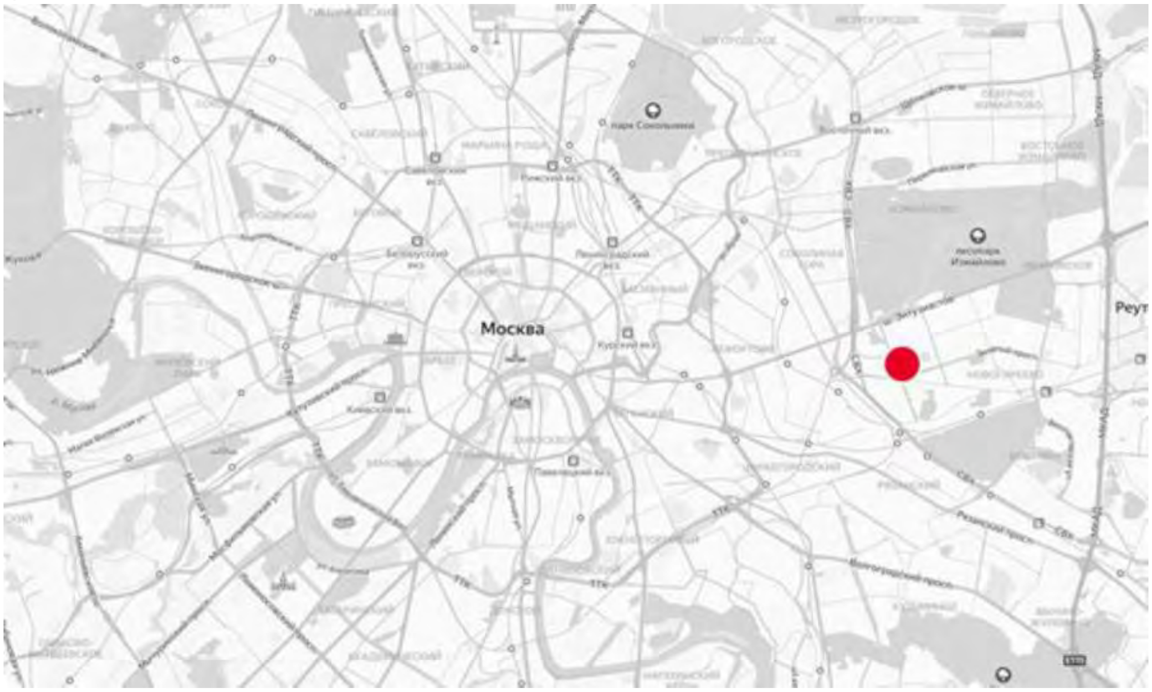
D. Property Descriptions

1.1. Land bank

1.1.1. Moscow, New Moscow and Moscow region

1. Plekhanova, 11

Map



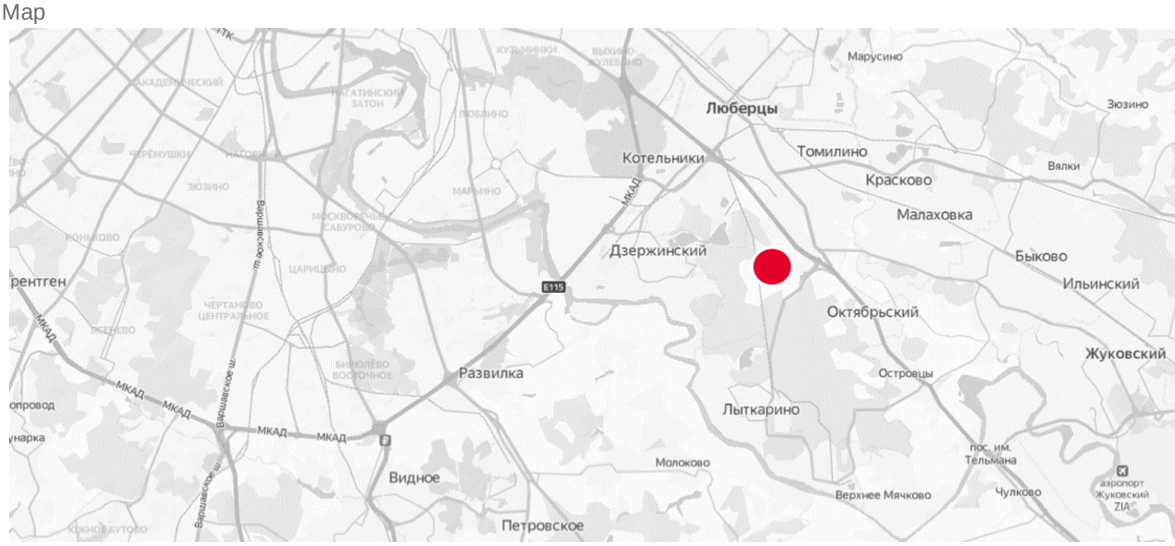
Source: yandex.ru/maps

Location:	Address: • 11, Plekhanova street • 13, Plekhanova street • 9, 2nd Perova Polya drive • 3/10, 1st Perova Polya drive The Property is located in Perovo district. The nearest metro and MCC stations are Shosse Entuziastov, Perovo. Near the Property there are public transport stops connecting the Property with other districts of Moscow.
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 310,458 sqm, including: • 225,798 sqm – residential area; • 84,660 sqm – built-in commercial premises; • 1,300 parking lots.
Land rights:	Leasehold
Construction Completion Date:	2027
Unsold Area:	310,458 sqm
Current Stage:	Under design

Discount Rate:	15.4%
Average Price per sqm:	229,457 RUB
Remaining Construction Costs (excluding financial costs):	52,657,848,000 RUB
Land Area:	Land plot with a total area of 20.02 ha
Market value:	**7,655,110,000 RUB**

2. Tokarevo, Lyuberetskiy District, Moscow region.

Map



Source: yandex.ru/maps

Location:	Address: Tomilono settlement, Lyuberetskiy district, Moscow region. The Property is located in 13 km away from MKAD along Novoryazanskoye highway. The Property is accessed from Pervomayskaya street. Bus stop "Tokarevo" is in immediate proximity from the Property.
Project Description:	As at the valuation date, the Property is under design. The Project comprises a residential complex with a total sellable area of 660,020 sqm, including: • 620,130 sqm – residential area; • 39,890 sqm – built-in commercial premises. • 2,308 parking lots. Infrastructure: kindergarten, school, polyclinic.
Land rights:	Ownership
Construction Completion Date:	2032
Unsold Area:	660,020 sqm
Current Stage:	Under design
Discount Rate:	16.2%
Average Price per sqm:	123,187 RUB
Remaining Construction Costs (excluding financial costs):	73,069,314,000 RUB
Land Area:	Land plot with a total area of 74.04 ha

Market value:	**10,053,883,000 RUB**

3. 2nd Irtyshskiy drive, 6, 8

Map

Source: yandex.ru/maps

Location:	Address: • 6, 2nd Irtyshskiy drive, Moscow • 8, 2nd Irtyshskiy drive, Moscow The Property is located in Golyanovo district. Access to the Property is possible from 2nd Irtyshskiy drive, Montazhnaya street, Tagilskaya street. The nearest metro stations are Cherkizovskaya, Bulvar Rokossovskogo and MCC Lokomotiv are located in 2,5 km from the Property. Near the Property there are public transport stops connecting the Property with other districts of Moscow.
Project Description:	As at the valuation date, the Property is under construction. The Project comprises a residential complex with a total area of 317,109 sqm, including: • 304,208 sqm – residential area; • 12,901 sqm – built-in commercial premises. • 1,710 parking lots. Infrastructure: kindergarten.
Land rights:	Leasehold, ownership
Construction Completion Date:	2029
Unsold Area:	317,109 sqm
Current Stage:	Under construction (23% completed)
Discount Rate:	15.5%
Average Price per sqm:	204,848 RUB

Remaining Construction Costs (excluding financial costs):	41,186,717,000 RUB
Land Area:	Land plot with a total area of 13.7 ha
Market value:	**10,649,961,000 RUB**

4. Next to Salaryevo Park, Kartmazovo Village, Moscow

Map

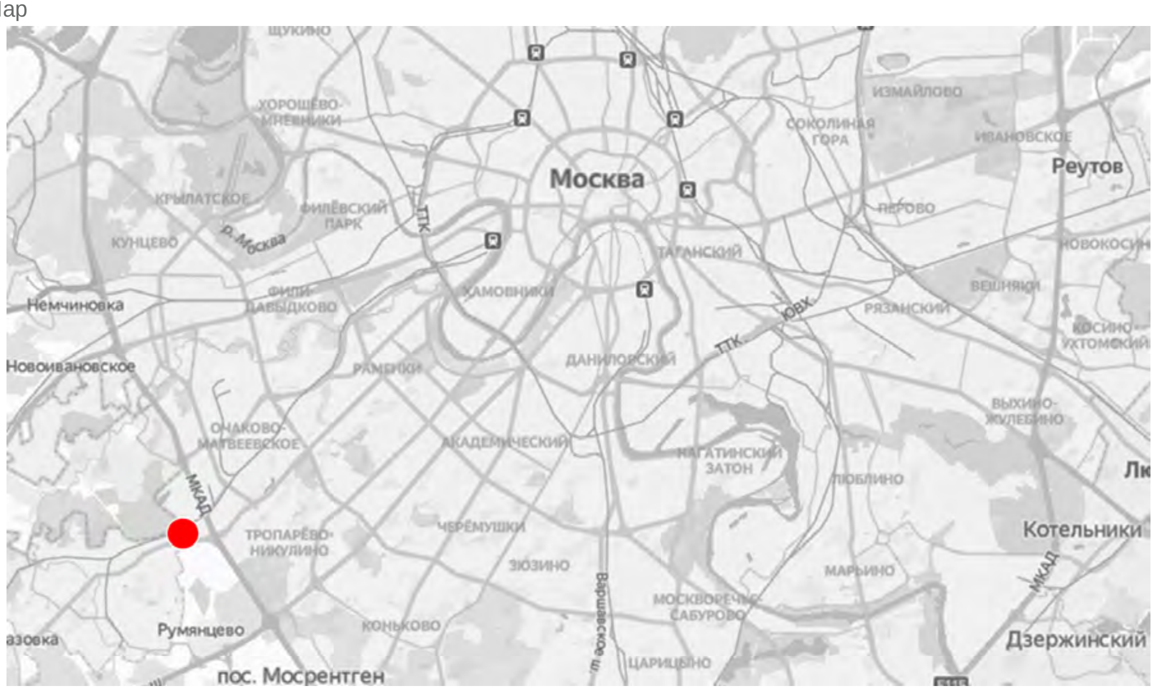
Source: yandex.ru/maps

Location:	Address: Next to Salaryevo Park, Kartmazovo Village, Moscow The Property is situated in Kartmazovo Village, in the close vicinity to Kievskoe Hw., between the highway, Proektiruemiy proezd #7029 and Salaryevskaya Street. It is situated in a well-developed area, surrounded by existing residential houses, commercial properties, newly constructed multi-storey residential buildings, land plots for future development, retail objects and various social and other objects of infrastructure. Transport accessibility: is good due to the proximity of Kievskoe Highway, the Property is situated on the first line of the highway. Distance from the MKAD is just 5 km. Metro station Salaryevo and bus station Salaryevo are located in 2.5 km from the site. Metro station Filatov Lug is situated in 3.4 km from the land plot.
Project Description:	As at the valuation date, the Property is represented by the land plot planned for construction. The Project will represent a residential complex with a total sellable area of 14,890 sqm, including: • 14,110 sqm – residential area; • 780 sqm – built-in commercial premises. • 106 parking lots.
Land rights:	Leasehold
Construction Completion Date:	2026
Unsold Area:	14,890 sqm

Current Stage:	Under design
Discount Rate:	15.4%
Average Price per sqm:	229,427 RUB
Remaining Construction Costs (excluding financial costs):	2,294,714,000 RUB
Land Area:	Land plot with a total area of 1.7 ha
Market value:	**231,802,600 RUB**

5. Moscow, Borovskoe highway, Meshchersky Les-2

Map



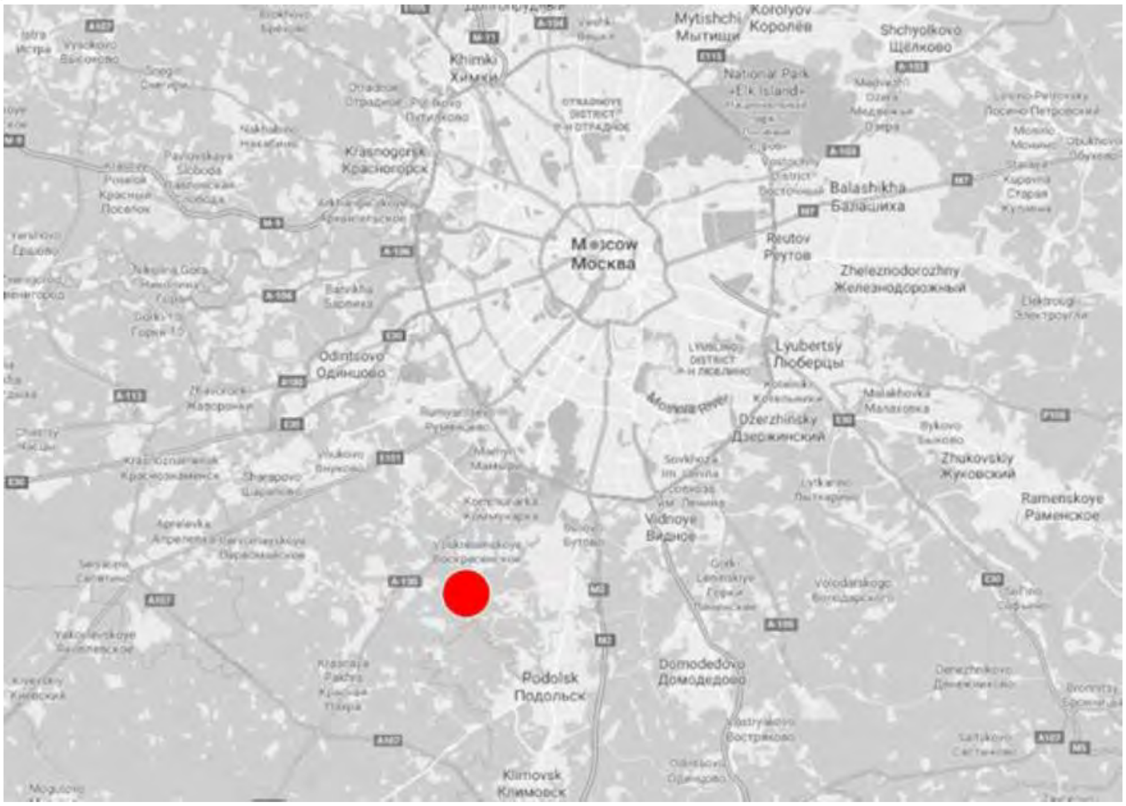
Source: yandex.ru/maps

Location:	Moscow, Borovskoe highway, Residential complex: "Meshchersky Les-2" Transport accessibility: is provided by Borovskoe highway. The Moscow Automobile Ring Road (MKAD) is in a 5-minutes’ drive. The underground (Govorovo) is located on the south side of the Borovsky highway, in a 5-minutes’ walk, as well as the nearest public bus stations.
Project Description:	As at the valuation date, the Property is planned for construction. The Project represents a residential complex with a total sellable area of 50,521 sqm, including: • 10,339 sqm – flats (residential premises); • 36,635 sqm – apartments; • 2,554 sqm – built-in commercial premises; • 993 sqm – storages; • 1,260 parking lots.
Land rights:	Leasehold
Construction Completion Date:	2025

Unsold Area:	49,529 sqm
Current Stage:	Design stage (1% of development budget completed)
Discount Rate:	15,4%
Average Price per sqm:	220,825 RUB
Remaining Construction Costs (excluding financial costs):	10,390,000 RUB
Market value:	**7,996,204,000 RUB**

6. Kuvekino

Map



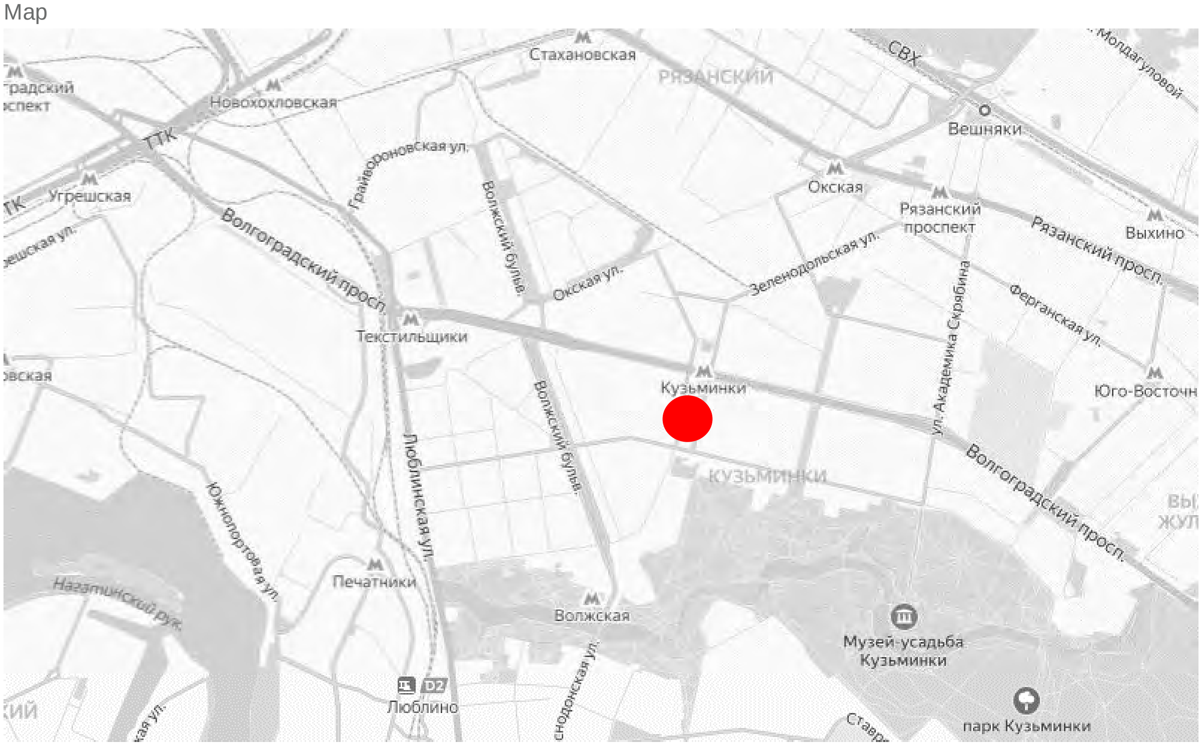
Source: yandex.ru/maps

Location:	Address: Desenovskoye settlement, near Kuvekino village, New Moscow The Property is located in 26 km away from MKAD along Kaluzhskoye highway. The Property is accessed from Yevseevskaya street, Proektiruemiy proezd #7164. Several bus stops are in immediate proximity from the Property.
Project Description:	As at the valuation date, the Property is under design. The Project represents a residential complex with a total sellable area of 182,535 sqm, including: • 175,812 sqm – residential area (single-family homes, townhouses, flats); • 6,723 sqm – built-in commercial premises. • 500 parking lots.
Land rights:	Ownership
Construction Completion Date:	2027

Unsold Area:	182,535 sqm
Current Stage:	Under design
Discount Rate:	20.2%
Average Price per sqm:	161,566 RUB
Remaining Construction Costs (excluding financial costs):	25,026,115,000 RUB
Land Area:	Land plots with a total area of 82.39 ha
Market value:	**2,767,838,000 RUB**

7. Moscow, ul Zelenodolskaya, 42

Map	



Source: yandex.ru/maps

Location:	Address: Moscow, ul Zelenodolskaya,42
Project Description:	As at the valuation date, the Property is under design. The Project represents a retail complex with a total rentable area of 32,720 sqm
Land rights:	leasehold
Construction Completion Date:	2026
Current Stage:	Under design
Discount Rate:	32.1%
Average Rent per sqm/year:	35,274 RUB
Remaining Construction Costs (excluding financial costs):	5,319,095,136 RUB

Land Area:	Land plots with a total area of 3 ha
Market value:	**259,420,000 RUB**

1.1.2. Regions

1. Konstantinovka, Kazan

Map

Source: yandex.ru/maps

Location:	Address: Kazan city, Sovetsky district, near Konstantinovka settlelent, in close proximity to Mamadyshskiy trakt and Pobedy avenue. Transport accessibility: from the city center the Property can be reached via Pobedy avenue with a turn to Zirekle Street ; from the region - via Mamadyshskiy Trakt
Project Description:	As at the valuation date, the Property is under documentation preparation and design stage. The Project is supposed to represent a residential complex with a total sellable area of 71,468 sqm, including: • 68,908 sqm – residential area; • 2,560 sqm – built-in commercial premises.
Land rights:	Freehold
Construction Completion Date:	2025
Unsold Area:	71,468 sqm
Current Stage:	Documentation preparation and design
Discount Rate:	14.3%
Average Price per sqm:	94,135 RUB

Remaining Construction Costs (excluding financial costs):	4,922,984,000 RUB
Land Area:	8.4 ha
Market value:	**1,007,066,000 RUB**

2. 48 Borisenko Street, Vladivostok

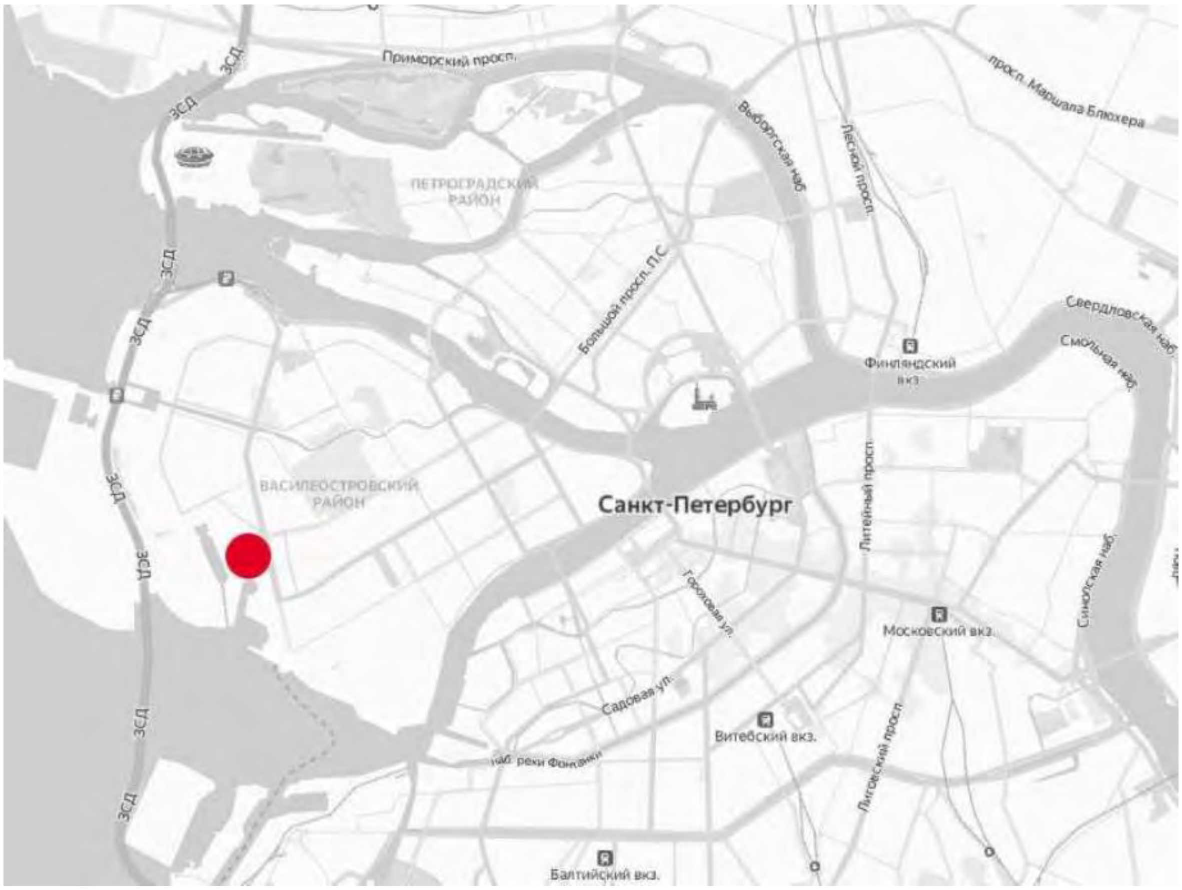
Map

Source: yandex.ru/maps

Location:	Address: 48 Borisenko street, Vladivostok Transport accessibility: the Property can be reached directly along Borisenko street.
Project Description:	As at the valuation date, the Property is under documentation preparation and design stage. The Project is supposed to represent a residential complex with a total sellable area of 48,930 sqm, including: • 47,100 sqm – residential area; • 1,830 sqm – built-in commercial premises. • 175 parking lots.
Land rights:	Freehold
Construction Completion Date:	2027
Unsold Area:	48,930 sqm
Current Stage:	Documentation preparation and design
Discount Rate:	17.6%
Average Price per sqm:	117,670 RUB
Remaining Construction Costs (excluding financial costs):	4,265,216,000 RUB

Land Area:	3.38 ha
Market value:	**625,856,000 RUB**

3. Shkiperskiy protok 19, lit. A



Source: yandex.ru/maps

Location:	The land plot is located in Saint-Petersburg, Shkiperskiy protok 19, lit. A and faces three streets: Shkiperskiy protok, Galerniy proezd and Parusnaya street. Transport accessibility: the nearest metro station Primorskaya is located approximately 2 km from the subject property.
Project Description:	As at the valuation date the Property is held for future development. The Project represents a residential complex with a total sellable area of 127,816 sqm, including: • 120,000 sqm – residential area; • 7,816 sqm – built-in commercial premises; • 660 parking lots.
Construction Completion Date:	2028
Unsold Area:	127,816 sqm
Current Stage:	Under development (27% completed)
Discount Rate:	18%

Average Price per sqm:	241,279 RUR
Remaining Construction Costs (excluding financial costs):	15,731,269,000 RUR
Land Area:	Land plot with a total area of 12 ha
Market value:	**6,925,580,000 RUR**

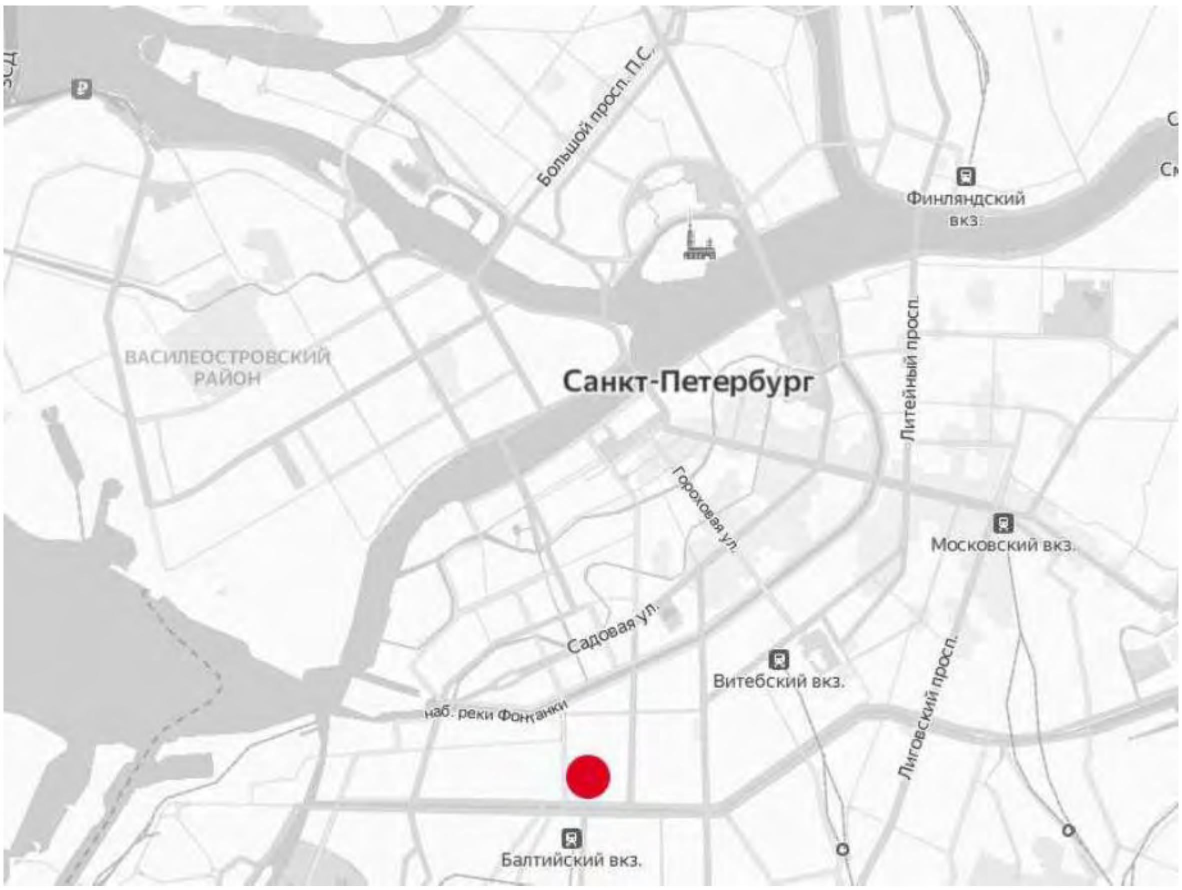
4. Korablestroiteley Street, 14

Source: yandex.ru/maps

Location:	The land plot is located in Saint-Petersburg, Korablestroiteley Street, 14. Transport accessibility: the nearest metro station Primorskaya is located approximately 2 km from the subject property.
Project Description:	As at the valuation date the Property is held for future development. The Project represents a residential complex with a total sellable area of 60,582 sqm, including: • 55,178 sqm – residential area; • 5,404 sqm – built-in commercial premises; • 305 parking lots.
Construction Completion Date:	2025
Unsold Area:	59,332 sqm
Current Stage:	Under development (13% completed)

Discount Rate:	14.8%
Average Price per sqm:	206,808 RUR
Remaining Construction Costs (excluding financial costs):	7,375,275 RUR
Market value:	**2,559,719,000 RUR**

5. Lermontovskiy pr., 54

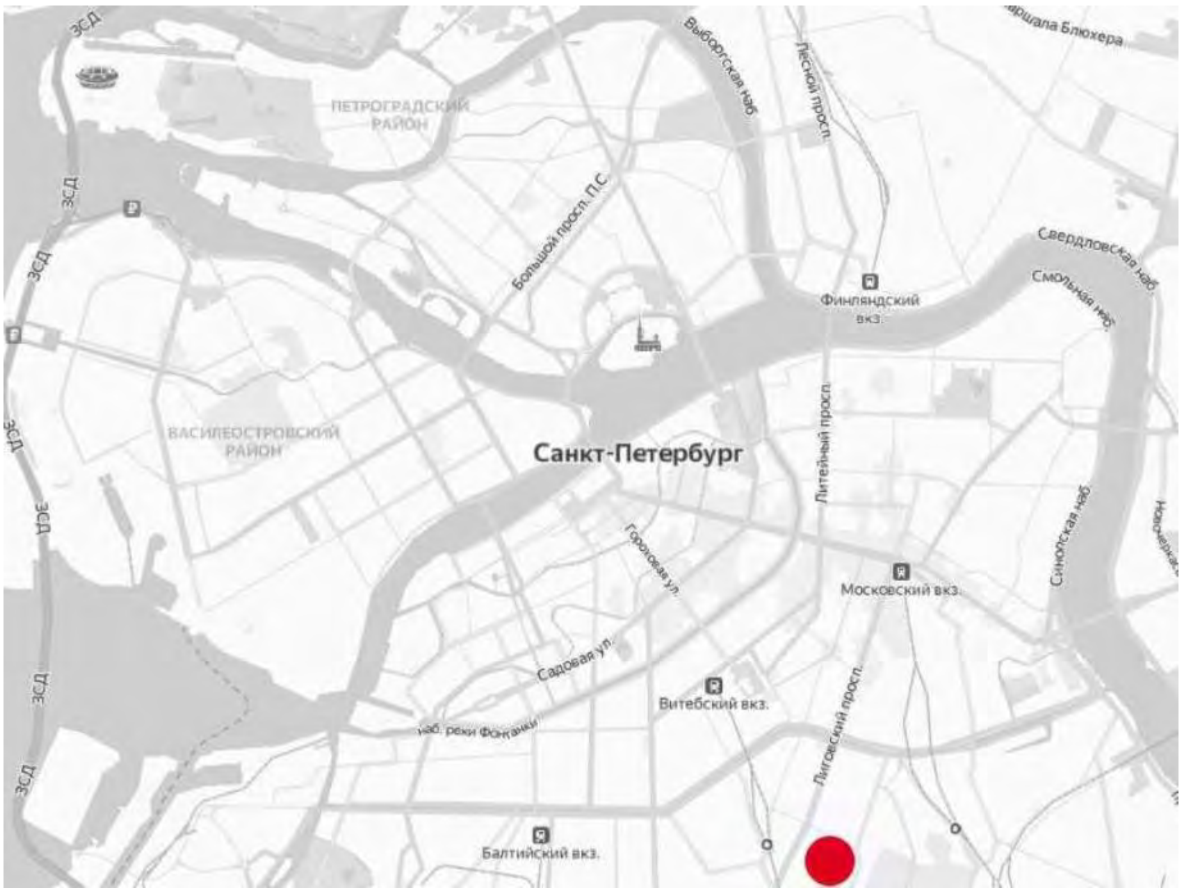


Source: yandex.ru/maps

Location:	The land plot is located in Saint-Petersburg, Lermontovskiy pr., 54. Transport accessibility: the nearest metro station Baltiyskaya is located approximately 7 minutes walking from the subject property.
Project Description:	As at the valuation date the Property is held for future development. The Project represents a residential complex with a total sellable area of 61,782 sqm, including: • 59,367 sqm – residential area; • 2,415 sqm – built-in commercial premises; • 14,200 sqm – wholesale sales; • 720 parking lots.
Construction Completion Date:	2026
Unsold Area:	61,782 sqm

Current Stage:	Under development (33% completed)
Discount Rate:	14.8%
Average Price per sqm:	262,083 RUR
Remaining Construction Costs (excluding financial costs):	7,664,565,000 RUR
Land Area:	Land plot with a total area of 6.6 ha
Market value:	**4,792,170,000 RUR**

6. Ligovskiy pr., 240

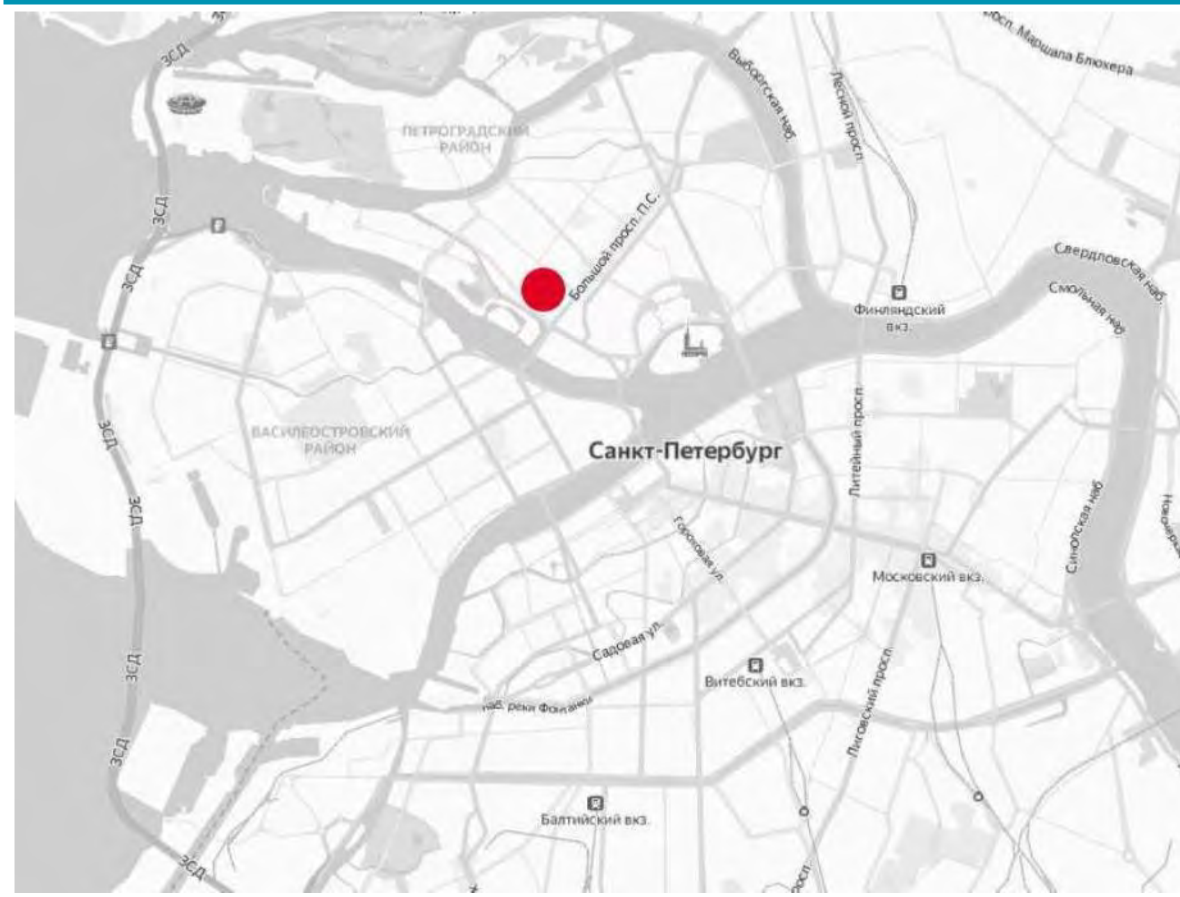


Source: yandex.ru/maps

Location:	The land plot is located in Saint-Petersburg, Ligovskiy pr., 240. Transport accessibility: the nearest metro station Obvodnoy Kanal is located approximately 1.5 km from the subject property.
Project Description:	As at the valuation date the Property is held for future development. The Project represents a residential complex with a total sellable area of 234,248 sqm, including: • 220,000 sqm – residential area; • 14,248 sqm – built-in commercial premises; • 1,876 parking lots.
Construction Completion Date:	2026

Unsold Area:	234,248 sqm
Current Stage:	Under development (33% completed)
Discount Rate:	14.8%
Average Price per sqm:	226,488 RUR
Remaining Construction Costs (excluding financial costs):	23,075,375,000 RUR
Land Area:	Land plot with a total area of 20.5 ha
Market value:	**15,720,415,000 RUR**

7. Maliy pr. P.S., 1a, lit. A and 4

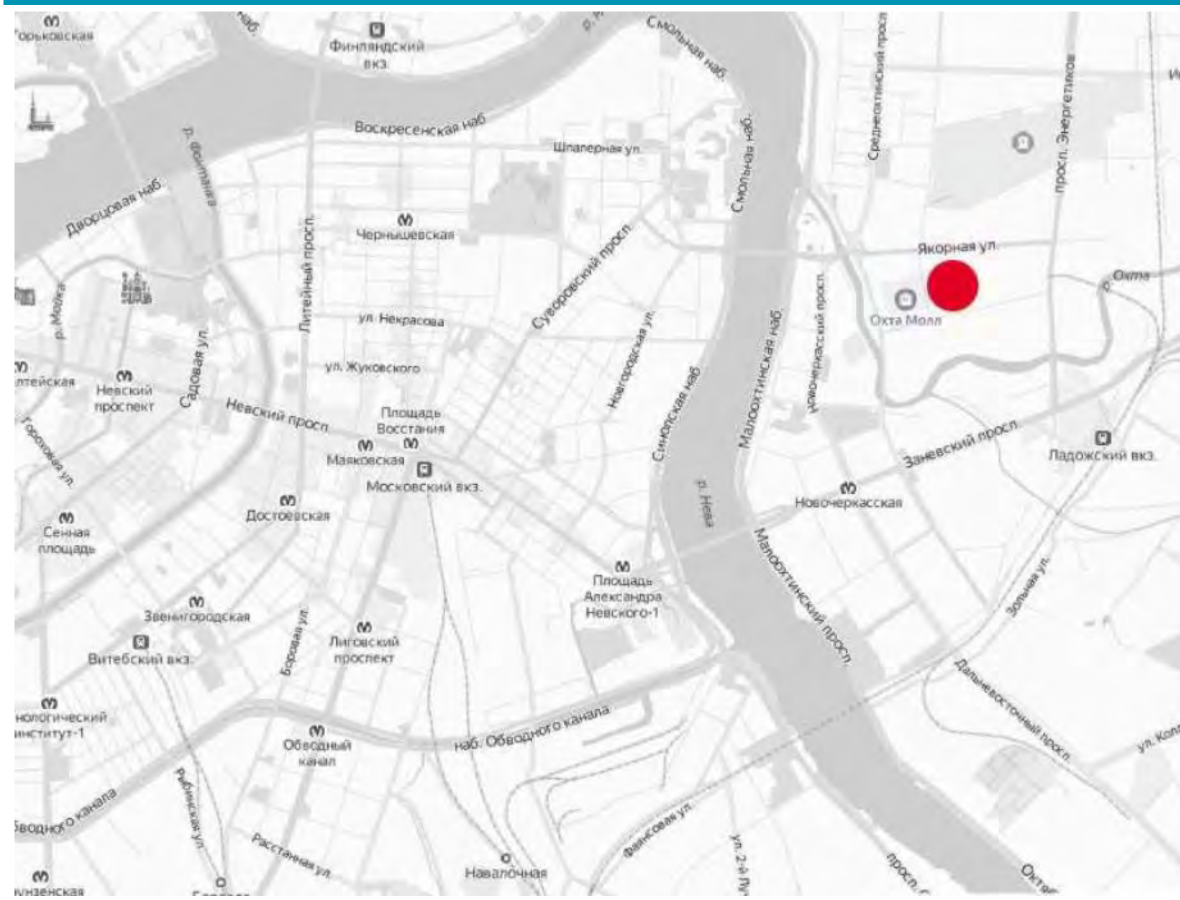


Source: yandex.ru/maps

Location:	The land plot is located in Saint-Petersburg, Maliy pr. P.S., 1a, lit. A and 4. Transport accessibility: the nearest metro station Sportivnaya is located approximately 5 minutes walking distance from the subject property.
Project Description:	As at the valuation date, the Property is held for future development. The Project represents a residential complex with a total sellable area of 14,610 sqm, including: • 13,330 sqm – residential area; • 1,280 sqm – built-in commercial premises; • 105 parking lots.

Land rights:	Freehold in accordance with purchase and sale agreement #52/01/2021-УИК dated 28.01.2021.
Construction Completion Date:	2024
Unsold Area:	14,610 sqm
Current Stage:	Under development (30% completed)
Discount Rate:	14.8%
Average Price per sqm:	330,195 RUR
Remaining Construction Costs (excluding financial costs):	2,293,818,000 RUR
Land Area:	Land plot with a total area of 0.98 ha
Market value:	**1,662,981,000 RUR**

8. Magnitogorskaya Street, 30-32



Source: yandex.ru/maps

Location:	The land plot is located in Saint-Petersburg, Ligovskiy prospect, 240. Transport accessibility: the nearest metro station Obvodnoy Kanal is located approximately 1.5 km from the subject property.

Project Description:	As at the valuation date, the Property is held for future development. The Project represents a residential complex with a total sellable area of 143,208 sqm, including: • 136,027 sqm – residential area; • 7,181 sqm – built-in commercial premises; • 1,600 parking lots.
Construction Completion Date:	2031
Unsold Area:	143,208 sqm
Current Stage:	Held for future development
Discount Rate:	18.2%
Average Price per sqm:	229,418 RUR
Remaining Construction Costs (excluding financial costs):	21,604,797,000 RUR
Land Area:	Land plot with a total area of 14.75 ha
Market value:	**-626,049,000 RUR**

9. Rzhavka, Nizhniy Novgorod

Map

Source: yandex.ru/maps

Location:	Address: the Property is located near Utechino and Rzhavka settlements with no direct address at the moment. Transport accessibility: the Property can be reached along Kazanskoye highway via Utechino settlement.

Project Description:	As at the valuation date, the Property is under documentation preparation and design stage. The Project will represent a residential complex with a total sellable area of 334,820 sqm, including: • 316,370 sqm – residential area; • 18,450 sqm – built-in commercial premises. • 900 parking lots.
Land rights:	Freehold
Construction Completion Date:	2029
Unsold Area:	334,820 sqm
Current Stage:	Documentation preparation and design
Discount Rate:	18.0%
Average Price per sqm:	77,715 RUB
Remaining Construction Costs (excluding financial costs):	19,570,221,000 RUB
Land Area:	68.94 ha
Market value:	**1,294,377,000 RUB**

10. Orekhovaya Sopka, Khabarovsk

Map

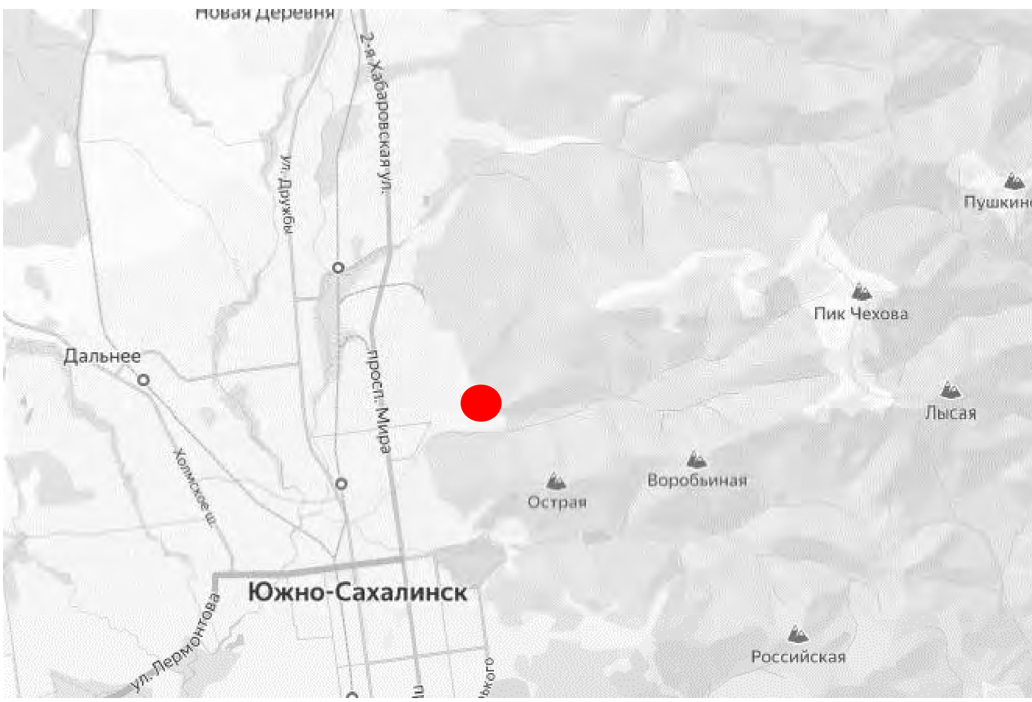
Source: yandex.ru/maps

Location:	Address: Orekhovaya Sopka, Khabarovsk Transport accessibility:

Project Description:	As at the valuation date, the Property is under documentation preparation and design stage. The Project will represent a residential complex with a total sellable area of 160,724 sqm, including: • 151,364 sqm – residential area; • 9,360 sqm – built-in commercial premises.
Land rights:	Freehold
Construction Completion Date:	2032
Unsold Area:	160,724 sqm
Current Stage:	Documentation preparation and design
Discount Rate:	20.9%
Average Price per sqm:	89,884 RUB
Remaining Construction Costs (excluding financial costs):	10,664,698,000 RUB
Land Area:	13.4 ha
Market value:	**194,907,000 RUB**

11. Yuzhno-Sakhalinsk, YUIN

Map



Source: yandex.ru/maps

Location:	Address: Yuzhno-Sakhalinsk, KYACH, area #7 Transport accessibility:
Project Description:	As at the valuation date, the Property is under documentation preparation and design stage. The Project will represent a residential complex with a total sellable area of 309,900 sqm, including:

	• 300,000 sqm – residential area; • 9,900 sqm – built-in commercial premises. • 1,500 parking lots.
Land rights:	Leasehold
Construction Completion Date:	2037
Unsold Area:	309,900 sqm
Current Stage:	Documentation preparation and design
Discount Rate:	14.7%
Average Price per sqm:	139,116 RUB
Remaining Construction Costs (excluding financial costs):	41,076,593,000 RUB
Land Area:	123 ha
Market value:	**5,930,866,000 RUB**

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

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 and Wakefield OOO” (“C&W”, “we” or “us”) to the client (“you”) to whom a real estate valuation agreement (the “Agreement”) is sent. They shall apply separately to each valuation 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 in case any alterations are made to them.

2. USE OF THIRD-PARTY 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. Unless otherwise stated in the Agreement, we shall not require your written approval for use of a third-party – this way there will be no additional fees charged for that and we shall remain liable for all actions or non-actions of any third party invited by us to the project.

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). 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, not stated in the Agreement or Valuation Assignment, additional scope of work, time frames and our fees will be set in writing upon mutual agreement.

3.7. Where there is a change to the stated purpose for which our valuation is being commissioned or the addressee of the report, we reserve the right to charge an additional fee. The change of the purpose of valuation, use of the report and the addressee should be agreed in writing.

3.8. 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. Unless otherwise stated in the agreement, if we have sent you draft valuation figures, you are obliged to pay 50% of the fee and if we have sent you a draft valuation report, you are obliged to pay 75% of the fee originally agreed between us.

3.9. 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. LIABILITY FOR PAYMENT DELAY

4.1. In case you delay payment upon completion of our work, based on our written request you shall pay a penalty in the amount of 0.1 percent of the due payment for each day but no more than 10 percent of the total fee stated in the agreement.

5. DISBURSEMENTS

5.1. Unless otherwise stated in the Agreement or valuation assignment, you are obliged to reimburse us all costs related to the provision of services, including travel and transport expenses, as well as accommodation. Reimbursement of expenses shall be carried out on the basis of our invoice, to which all supportive documents, proving these costs to have been incurred, shall be attached.

6. INFORMATION RECEIVED FROM THE CLIENT

6.1. 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. We also reserve the right to claim additional fees in case new information has been provided after the start of services and it lead to significant changes in our calculations.

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.

8. MANAGEMENT OF THE PROPERTY

8.1. 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. LIABILITY

10.1. If you fail to submit the information necessary for valuation within the time frames stated in the Agreement and (or) valuations Assignment, we keep the right to halt the provision of services until such information and supportive documentation is received in full. You take the liability to us in regards to non-provided information or non-reliable information, as well as to the delay in information provision, that led to the incorrect provision of services from our side. We do not take any liability for incorrect or non-reliable information and for the objective character of the valuation results based on such information.

10.2. According to the current Agreement we are liable to you in terms of any caused direct losses or other material/property damage caused to the third parties by reliance on the values in our report. Such losses and property damage are to be fully reimbursed from the means of the valuer or valuers, who caused such damage or losses by their own actions/inactions in the process of valuation or from the means of the legal entity, with whom the valuer has signed the labour contract.

10.3. We shall not be liable to you in regards to any loss of profit or any indirect costs.

10.4. Save in respect of third parties directly instructed by us to act on our 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.

10.5. 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 100 million.

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; (iii) for fraud or fraudulent misrepresentation or (iv) gross negligence or willful misconduct

10.6. 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.

10.7. To cover any liability that might be incurred by us, we confirm that we will maintain compulsory professional indemnity insurance.

10.8. Where we consent in writing to reliance on our report by another party and according to your request, 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) You or such other party pays additional agreed with us.

10.9. 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, 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 as well as for any possible comments that might arise in regards to the valuation results.

10.10. In case 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.

11. DATA PROTECTION

11.1. 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.

11.2. 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.

12. ELECTRONIC COMMUNICATIONS

12.1. We may communicate with each other by electronic mail, sometimes attaching electronic data. By consenting to this method of communication, you and we 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.

13. CONFIDENTIALITY

13.1. 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.

13.2. 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.

13.3. We shall provide the Services to you only for your sole use and for the stated purpose. Unless otherwise provided in the Agreement, 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.

13.4. Unless otherwise provided in the Agreement, 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.

13.5. Notwithstanding anything hereto to the contrary, our prior written approval shall not be required for the reproduction and inclusion of this Report, in its entirety in the Offering Memorandum or for the reproduction and dissemination of this Report partially or in its entirety or information contained in it in connection with the PIK Offering.

14. ASSIGNMENT

14.1. 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.

15. GENERAL

15.1. 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.

15.2. 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.

15.3. Except as expressly provided otherwise 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.

15.4. 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.

15.5. 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.

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 Tverskoy Boulevard, 26 Moscow, Russia, 125009 (“C&W”, the “Consultant”) to the client (the “Client”) on the basis of a real estate valuation agreement (the “Agreement”) signed between the Client and the Consultant. They shall apply separately to each service subsequently provided to the Client.

1.2. The Valuation Principles are to be read in conjunction with the relevant Agreement. In the event of any ambiguity or conflict between the relevant Agreement 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. The Consultant regularly reviews and upgrades the Valuation Principles and new versions will be sent and agreed with the Client in case of necessity.

2. VALUATION BASES

2.1. Unless the relevant Agreement states otherwise, the valuation will be prepared in accordance with the Valuation Professional Standards of the Royal Institution of Chartered Surveyors (the “RICS”) relevant at the date of the signing of the Agreement (the “Red Book”) by valuers conforming to its requirements.

2.2. 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 the current valuation standards adopted in the Russian Federation.

2.3. In case of absence of contradiction in regards to the mandatory valuation standards adopted in the Russian Federation, the definitions, stated in the Agreement and the Report, are as follows:

(i) Market Value

Market 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 an interest in real estate property should 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 and where the parties had each acted knowledgeably, prudently and without compulsion.

(iii) Equitable Value

Equitable Value is the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.

(iv) Investment Value/Worth

Investment Value is the value of an asset to a particular owner or prospective owner for individual investment or operational objectives.

(v) Synergistic Value

Synergistic Value is the result of a combination of two or more assets or interests where the combined value is more than the sum of the separate values. If the synergies are only available to one specific buyer then Synergistic Value will differ from Market Value, as the Synergistic Value will reflect particular attributes of an asset that are only of value to a specific purchaser. The added value above the aggregate of the respective interests is often referred to as “marriage value.”

(vi) Liquidation Value

Liquidation Value is the amount that would be realised when an asset or group of assets are sold on a piecemeal basis. Liquidation Value should take into account the costs of getting the assets into saleable condition as well as those of the disposal activity. Liquidation Value can be determined under two different premises of value: (a) an orderly transaction with a typical marketing period, or (b) a forced transaction with a shortened marketing period.

(vii) Fair Value (International Financial Reporting Standards)

IFRS 13 defines Fair Value 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.

3. GENERAL VALUATION ASSUMPTIONS

3.1. Unless otherwise agreed with the Client, the Consultant shall 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 the Consultant 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, the Consultant shall value on the basis and assumption of a fully equipped operational entity, having regard to trading potential.

4.2. Where the Consultant is instructed to value a property having regard to its trading potential, the Consultant shall take account of any trading information that either the operator has supplied to him or that he has obtained from his own enquiries. The Consultant shall rely on this information being correct and complete and on there being no undisclosed matters that could affect our valuation. The valuation shall be based on the Consultant's opinion as to the 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 it is stated 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;

(i) the Consultant 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;

(ii) the Consultant will assume that all assets and equipment are fully owned by the operator and are not subject to separate finance leases or charges;

(iii) the Consultant will exclude any consumable items, stock in trade and working capital; and

(iv) the Consultant 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. The Consultant shall 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 the Consultant does not give any warranty as to the condition of the structure, foundations, soil and services. The Consultant's 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 the Consultant gives the age of a building in the report, this will be an estimate and for guidance only.

6. MEASUREMENTS

6.1. The Consultant does not take any measurements of the buildings and other premises in course of the valuation process. The Client agrees that the areas of the properties contained in the valuation report 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. The areas of the properties contained in the report should be used for valuation purposes and cannot be used for any other.

7. PLANNING REGULATIONS

7.1. The Consultant has the right to rely on the information provided informally by the local planning authorities or the information that he could find in the open sources. However, the Consultant recommends that the Client should confirm the planning position relating to the property and review the comments of the Consultant on planning in the light of their findings.

7.2. Unless otherwise notified by the Client in writing, the Consultant 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 EXCEPTIONS

8.1. The Consultant will not inspect title deeds and therefore he will rely on the information supplied as being correct and complete. In the absence of information to the contrary, the Consultant 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, the Consultant will consider it but will not take responsibility for the legal interpretation of it.

8.2. The Consultant shall take into account any information that the Client may provide concerning any tenants' improvements. Otherwise, if the extent of tenants' alterations or improvements cannot be confirmed, the Consultant will assume that the property was let with all alterations and improvements evident during the inspection (or, in the case of valuation without inspection, as described within the information that the Client provides).

8.3. The valuation will take into account potential purchasers' likely opinion of the financial strength of tenants. However, the Consultant will not undertake any detailed investigations on the covenant strength of the tenants. Unless informed to the contrary by the Client, the Consultant 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 the Consultant provides to the Client indicating the site of a property are for identification only. The Consultant shall rely on the inspection and information that the Client provides in outlining the extent of each property, but the Client should not rely upon the Consultant's plans to define boundaries.

8.5. Where comparable evidence information is included in the report, this information is often based upon 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 the Consultant had the reason to believe its general accuracy or where it was in accordance with expectation. In addition, the Consultant does not inspected comparable properties.

8.6. For a recently completed development property, the Consultant will not take account of any retentions or outstanding development costs. For a property in the course of development, the Consultant will reflect the Client's 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. The Consultant 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 18% unless otherwise is specified in the valuation report.

8.9. The Consultant 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 unless otherwise specified in the valuation report.

8.10. Unless otherwise stated in the Agreement, each property will be valued individually; in the case of a portfolio, the Consultant 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 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. The Client should not rely on any component of the valuation calculation for any other purpose.

8.12. The currency of the valuation results is stated in the Agreement. If the Consultant has to report in another currency, unless it has been agreed otherwise, the Consultant will adopt an exchange rate equivalent to the closing rate ("spot rate") on the date of valuation.

8.13. The 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 case where the Consultant is 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. The Client 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), RICS standards require to state the policy of the Consultant 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, the Consultant 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 the rotation of a surveyor responsible for re-valuations for the same client although the Consultant will not do so without prior discussion with the client.

9.3. For all Regulated Purpose Valuations the Consultant may state all of the following in the report:

(i) the length of time the valuer continuously has been the signatory to valuations provided to the Client for the same purpose as the report, together with the length of time the Consultant have continuously been carrying out that valuation instruction for the Client;

(ii) the extent and duration of the relationship between the Client and the Consultant;

(iii) in relation to the preceding financial year the proportion of the total fees, if any, payable by the Client to the Consultant’s 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, the Consultant 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 of the RICS body or any other self-regulatory organization, in which the valuers have the membership according to the requirements of the Russian legislation.

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

ANNEX C: COLLIERS VALUATION REPORT

Expert Opinion

MARKET VALUE OF THE 100% SHARE IN SIGMA HOLDING OOO (A PORTFOLIO OF RESIDENTIAL DEVELOPMENTS IN MOSCOW)

Date of the Expert Opinion: 27 September 2021
Date of Valuation: 10 August 2021
Number of the Expert Opinion: 20.09.2021

PREPARED BY
Colliers International Ltd.

PREPARED FOR
PIK-INVESTPROEKT OOO

TABLE OF CONTENTS

1. INSTRUCTIONS 3

2. BASES OF VALUATION 5

2.1 Status of valuer 5

2.2 Disclosure and conflicts of interest 5

2.3 Compliance with Valuation Standards 6

2.4 Assumptions and sources of information 6

2.5 Certification 7

2.6 Currency 7

2.7 Valuation uncertainty 7

2.8 Material valuation uncertainty 8

2.9 Information correctness and adequacy 8

2.10 Valuation 8

APPENDIX 1. GENERAL ASSUMPTIONS AND LIMITING CONDITIONS 10

APPENDIX 2. VALUATION METHODOLOGY 15

APPENDIX 3. DESCRIPTION OF THE REAL ESTATE DEVELOPMENTS 25

APPENDIX 4. INVESTMENT VALUE OF THE 100% OF SHARE IN SIGMA HOLDING OOO 66

APPENDIX 5. MARKET OVERVIEW 76

27 September 2021

For the attention of

Alexey Belov

General Director

PIK-INVESTPROEKT OOO

Regarding the market value of the 100% share in Sigma Holding OOO (holding a portfolio of residential developments in Moscow)

1. INSTRUCTIONS

In accordance with agreement No. No. 293-07/V-21 dated 09 August 2021 and Additional Agreement 1 dated 27 September 2021 (hereinafter referred to as “Agreement”) between PIK-INVESTPROEKT OOO (hereinafter referred to as “Client”) and Colliers International Ltd. (hereinafter referred to as “Company”), whereas all services, entrusted to the Company by the Client with the Agreement and appearing to be the subject of the Agreement, are rendered by employees of the Company (hereinafter referred to as “Appraiser”, “Appraisers”, “Valuer”, “Valuers”), the Appraiser estimated the market value of the 100% share in Sigma Holding OOO (hereinafter referred to as – «Subject Property», «Property») (holding a portfolio of residential developments in Moscow hereinafter referred to as – «Residential Development», « Residential Developments», «Projects»).

The valuation date is 10 August 2021.

We understand that this expert opinion is required for publication on the website of the Client, presenting to the partners, investor relations, for the purposes of regular informing investors and it cannot be used for any other purpose.

With no prejudice to the paragraph above the Report attached hereto may be disclosed in it’s entirety as a part of the offering memorandum concerning the proposed offer (“PIK Offering”) of ordinary shares in Public Joint Stock Company «PIK-specialized homebuilder» (the "Offering Memorandum").

The copy of the Report attached hereto is provided for information only and except as otherwise expressly agreed by Colliers International Ltd. you may not rely on it. It is for you to form your own view or take your own property and other professional advice independently of and without any reliance on it.

This report has been prepared for and only for PIK-INVESTPROEKT OOO for the purposes of assisting PIK-INVESTPROEKT OOO to value the 100% share in Sigma Holding OOO at 10 August 2021 for the purposes of regular informing investors, the proposed offer of ordinary shares in Public Joint Stock Company «PIK-specialized homebuilder» and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility or liability in respect of the whole or any part of the report or valuation for any other purpose or to any other person or entity to whom the report or valuation is shown or disclosed or into whose hands it may come, whether published with our consent or otherwise, except where expressly agreed by our prior consent in writing, or unless otherwise provided in the Agreement.

The Company also agrees that the Client, Alfa Capital Markets Ltd, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc, VTB Capital plc, JSC “Sberbank CIB”, Sberbank CIB (UK) Limited, LLC “ATON”, Credit Suisse International, Sova Capital Limited and other banks acting as underwriters in connection with the PIK Offering (the “Underwriters”) may rely on the Report. The Underwriters and their affiliates, directors, officers, employees, agents, the Client and its consultants may disclose and / or refer to the Report and the information contained therein, if this will be required in accordance with applicable law, at the request of any regulator or as part of judicial, administrative or operational-search processes, or the rules of any stock exchange."

2. BASES OF VALUATION

The Expert Opinion was prepared in conformity with the requirements of:

- RICS Valuation – Global Standards (2020).
- International Valuation Standards (2020).

In conformity with the Royal Institution of Chartered Surveyors Standards (RICS), incorporating the IVSC International Valuation Standards the market value is defined as follows:

"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".

2.1 STATUS OF VALUER

The Property has been valued by suitably qualified surveyors who fall within the requirements as to competence as set out in PS 2.2 of the RICS Valuation – Global Standards (the 'Red Book') issued by the Royal Institution of Chartered Surveyors (the 'RICS'). We confirm that we have undertaken the valuations acting as External Valuers, qualified for the purpose of this valuation.

The total value in the Expert Opinion is valid only as of the relevant valuation date.

Financial statements and other necessary information provided by the Client or its representatives in the valuation course are accepted without any verification, as they fully and correctly reflect the results of the holding or of the individual enterprises during the relevant periods.

Generally available sectoral and statistical information is obtained from sources that the Valuer considers reliable.

The Valuer does not guarantee the exact achievement of the results predicted by the Client, since events and circumstances are often not implemented as expected at the beginning. The difference between planned and actual results can be significant. Achieving predictable results depends on the actions, plans and assumptions of management, as well as on external conditions.

2.2 DISCLOSURE AND CONFLICTS OF INTEREST

We confirm that Colliers International has no conflict of interest in acting on the Company's behalf in this matter.

We can confirm as follows:

Unless otherwise advised in this Expert Opinion, Colliers International has no other current or recent fee earning relationship with the Client.

2.3 COMPLIANCE WITH VALUATION STANDARDS

We confirm that the valuations have been made in accordance with the appropriate sections of the Valuation technical and performance standards ('VPS') contained within the 'Red Book' prepared by the 'RICS'. This is an internationally accepted basis of assessing the value of real estate.

The International Valuation Standards Council (IVSC) publishes and periodically reviews International Valuation Standards (IVS), which set out internationally accepted, high level valuation principles and definitions. These have been adopted and supplemented by the RICS, and are reflected in Red Book editions. Thus, the RICS considers that a valuation that is undertaken in accordance with the Red Book will also be compliant with IVS.

Colliers International operates a Complaints Handling Procedure, a copy of which is available upon request. As part of the RICS monitoring regime, any valuation may be subject to monitoring under the RICS's conduct and disciplinary regulations.

2.4 ASSUMPTIONS AND SOURCES OF INFORMATION

Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuations, we have made a number of Assumptions and have relied on certain sources of information.

Our scope of work did not include a legal or financial due diligence of the information provided by the Client.

The Company is not liable for decisions made on the basis of provided information in this Expert Opinion. The transaction price of sale may differ from the values mentioned in this Expert Opinion.

This Expert Opinion does not meet the requirement to the appraisal report of the Federal Law #135-FZ dated July 29, 1998 "On Valuation Activities in the Russian Federation."

The valuation is based on the assumption that the Projects are neither encumbered, nor are under obligation or distrainment. Moreover, the Valuer assumed that third parties have no ownership rights to the Projects and there are no other encumbrances.

Information about the Property was provided by the Client in electronic form. The valuation is based on the assumption that this information is true and correct.

Market values were estimated for each Project separately without considering a possible discount for portfolio scale.

Where appropriate, the Company has confirmed that our Assumptions are correct so far as they are aware. In the event that any of these Assumptions or information provided by the Client prove to be inaccurate or incorrect then our valuation should be reviewed. The Company reserves the right to revise the calculation of the results, in the case of providing additional information on the Property and the Projects.

THE RESIDENTIAL PROJECTS UNDER DEVELOPMENT

The valuation is based on information provided by the Client on the sold areas, the total sellable areas, parking lots, the construction budget, the estimated outstanding construction costs, the construction terms, the outstanding payments for the areas sold and the sellable method.

Most projects are developed on the basis of escrow accounts, in accordance with the current legislation of the Russian Federation. This scheme envisages borrowed financing in the amount of construction costs. The calculations are based on the information provided by the Client about the agreed loan terms.

2.5 CERTIFICATION

We certify that, to the best of our knowledge and belief:

1. The statements of facts contained in this Expert Opinion are true and correct.
2. The reported analysis, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and presents our personal, unbiased professional analyses, opinions, and conclusions.
3. The Valuer does not have any present or prospective interest in the property, which is the subject of this Expert Opinion, and we have no personal interest or bias with respect to the parties involved.
4. The Valuer’s compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this Expert Opinion.
5. The Valuer’s compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the Client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event
6. The market value is estimated including the future payments as at the date of valuation for the acquisition of properties interests. The payments are accepted according to the Client's data.
7. The market value is estimated including the costs for changing in the type of permitted use of land plots as at the date of valuation. The payments were accepted according to the Client's data and the current legislation of Moscow.

2.6 CURRENCY

We have indicated the Values of the Property and the Projects in the valuation in Rubles.

2.7 VALUATION UNCERTAINTY

As a result of the reduced levels of liquidity and transaction activity, there is limited market evidence available as regards market rents and pricing.

The opinion of value as at the date of valuation is driven significantly by valuation sentiment, rather than as a result of direct evidence, meaning that there is generally less certainty in arriving at valuations around the date of valuation.

2.8 MATERIAL VALUATION UNCERTAINTY

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. As a result of the reduced levels of liquidity and transaction activity, there is limited market evidence available as regards market rents and pricing

The opinion of value as at the date of valuation is driven significantly by valuation sentiment, rather than as a result of direct evidence, meaning that there is generally less certainty in arriving at valuations around the date of valuation.

Our valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review.

2.9 INFORMATION CORRECTNESS AND ADEQUACY

According to the RICS Valuation – Professional Standards the Valuer must perform an analysis of correctness and adequacy of information used in the valuation process.

Information is considered to be adequate if use of additional information results neither in significant changes in characteristics used in valuation of the property nor in significant changes in the total value of the property.

Information is considered to be correct if it represents the real facts and allows the user of the valuation report to make right conclusions about the characteristics used by the appraiser in the value analysis and determination of the total value of the property and to make reasonable decisions based on these conclusions.

The Client provided all the data required for the estimation of the market value of the Property and the Projects. The information used by the Valuer can be considered as adequate and correct.

2.10 VALUATION

On the bases outlined within this Expert Opinion, we are of the opinion that the Market Value of the 100% share in Sigma Holding OOO as at 10 August 2021 is, rounded:

90,082,000,000 (Ninety Billion Eighty Two Million) Russian Rubles

Colliers

Should you have any questions, please, contact us.

Regards,

Dmitry Romanov MRICS

Regional Director

Vladislav Semenov MRICS

Director

APPENDIX 1. GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

STANDARTS AND BASES OF VALUATION

The valuation has been prepared in accordance with one or more of the following standards:

- The RICS Valuation – Global Standards prepared by the Royal Institution of Chartered Surveyors (RICS), 2020. Whereby the valuation has been prepared by a suitably qualified valuer, who fall within the requirements as to competence as set out in PS 2.2 of the Red Book, unless any variations have been specifically referred to under the heading "Special Remarks".
- The International Valuation Standards issued by the International Valuation Standards Council (IVSC), 2020.

MARKET VALUE

Where we have been instructed to value the Projects on the basis of Market Value, we have done so in accordance with VPS 4.4 of the Global Standards issued by The Royal Institution of Chartered Surveyors, which is defined as follows:

'The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion'.

The interpretative commentary on Market Value, as published in International Valuation Standards, has been applied.

PURCHASE AND SALE COSTS

Where Purchase and/or Sale Costs have been allowed for within our opinion of value we have stated these within our Expert Opinion.

MEASUREMENTS

We have not carried out a measured survey and have relied upon the areas supplied to us by the Client or their representatives. We have assumed that these areas are correct and have been measured in accordance with local market conditions.

CONDITION

Unless otherwise stated within the Expert Opinion, we have not carried out a building survey.

Where we have noticed items of disrepair during the course of our inspections, they have been reflected in our valuations, unless otherwise stated.

We have assumed that none of the materials commonly considered deleterious are included within the Projects. These include, inter alia, the following:

- High alumina cement concrete;
- Asbestos;
- Calcium chloride as a drying agent;
- Wood wool slabs on permanent shuttering;

- Polystyrene and polyurethane used as insulation in cladding.

None of the services, drainage or service installations was tested and we are, therefore, unable to report upon their condition.

ENVIRONMENTAL MATTERS

Unless otherwise stated within the Expert Opinion, we have not carried out soil, geological or other tests or surveys in order to ascertain the site conditions or other environmental conditions of the property. Unless stated to the contrary within the Expert Opinion, our valuation assumes that there are no unusual ground conditions, contamination, pollutants or any other substances that may be environmentally harmful.

FIXTURES AND FITTINGS

In arriving at our opinions of value we have disregarded the value of all process related plant, machinery, fixtures and fittings and those items which are in the nature of tenants' equipment. We have had regard to landlords' fixtures such as lifts, escalators, central heating and air conditioning forming an integral part of the buildings.

Where the property is valued as an operational entity and includes the fixtures and fittings, it is assumed that these are not subject to any hire purchase or lease agreements or any other claim on title. No equipment or fixtures and fittings have been tested in respect of any electrical equipment regulations or gas safety regulations and we assume that where appropriate all such equipment meets the necessary local legislation. Unless otherwise specifically mentioned the valuation excludes any value attributable to plant and machinery.

TENURE, LETTINGS AND REPORTS ON TITLE AND/OR TENANCIES

Unless otherwise stated, we have not inspected the title deeds, leases and related legal documents and, unless otherwise disclosed to us, we have assumed that there are no onerous or restrictive covenants in the titles or leases which would affect the value.

Where we have not been supplied with leases, unless we have been advised to the contrary, we have assumed that all the leases are on a 'full repairing and insuring basis' i.e. (tenant's responsible for costs) and that all rents are reviewed or adjusted, at the intervals notified to us, based on a market acceptable indexation provision, suitable for the property being valued.

We have assumed that no questions of doubt arise as to the interpretation of the provisions within the leases giving effect to the adjustment of rent.

We have disregarded any inter-company lettings and have arrived at our valuations of such accommodation on the basis of vacant possession.

If a lawyers' report on title/tenancies or similar legal report has been provided to us, our valuation will have regard to the matters contained therein. In the event that a report on title/tenancies is to be prepared, we recommend that a copy is provided to us in order that we may consider whether any of the matters therein have an effect upon our opinion of value.

COVENANT STATUS OF THE TENANT/TENANTS

In the case of properties that are let, our opinion of value is based on our assessment of the investment market's perception of the covenant strength of the tenant(s). This has been arrived at in our capacity as valuers on the basis of information that is publically available. We are not accountants or financial experts and we have not undertaken a detailed investigation into the financial status of the tenants. We have, however, reviewed where possible third party commentary, on the principal tenants. Our valuations reflect the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation, and the market's general perception of their creditworthiness.

If the covenant status of the tenant(s) is critical to the valuation we recommend that you make your own detailed enquiries as to the financial viability of the tenant(s) and if your conclusions differ from our own, provide us with a copy of the report in order that we may consider whether our valuation should be revised.

ARREARS

We have assumed that all rents and other payments payable by virtue of the leases have been paid to date. If there is rent or other arrears, we recommend that we should be informed in order that we may consider whether our valuation should be revised.

TAXATION

Whilst we have had regard to the general effects of taxation on value, we have not taken into account any liability for tax which may arise on a disposal, whether actual or notional, and neither have we made any deduction for any tax on capital gains, local consumer tax (VAT) or any other tax.

OPERATIONAL ENTITIES

Where the property is valued as an operational entity and reference has been made to the trading history or trading potential of the property, reliance has been placed on information supplied to us. Should this information subsequently prove to be inaccurate or unreliable, the valuation reported could be adversely affected.

Our valuation does not make any allowance for goodwill.

LOCAL AUTHORITIES, STATUTORY UNDERTAKERS AND LEGAL SEARCHES

We have not made any formal searches or enquiries in respect of the property and are therefore unable to accept any responsibility in this connection. However, we have where possible, made informal enquiries of the local planning authority in whose area the property is situated as to whether or not it is affected by planning proposals. Accordingly, we have had to rely upon information obtained verbally or via the internet.

We have assumed that all consents, licenses and permissions including, inter alia, fire certificates, enabling the property to be put to the uses ascertained at the date of our inspection have been obtained and that there are no outstanding works or conditions required by the lessor or statutory, local or other competent authorities.

DEFECTIVE PREMISES, HEALTH & SAFETY AND DISABILITY AT WORK

Our valuations do not take account of any rights, obligations or liabilities, whether prospective or accrued, under any legislation relating to defective premises, health & safety or disability at work. Unless advised to the contrary, we have assumed that the property complies with and will continue to comply with, all relevant and current defective premises, health & safety and disability at work legislation.

INSURANCE

In arriving at our valuation we have assumed that the property is capable of being insured by reputable insurers at reasonable market rates. If, for any reason, insurance would be difficult to obtain or would be subject to an abnormally high premium, it may have an effect on value.

LIABILITY

Our valuation is confidential to the party to whom it is addressed for the stated purpose and no liability is accepted to any third party for the whole or any parts of its contents unless otherwise provided in the Agreement. Liability will not subsequently be extended to any other party save on the basis of written and agreed instructions which may incur an additional fee. Notwithstanding anything hereto to the contrary, we agree to reproduction and inclusion of this Report, in its entirety or information contained in it, in the Offering Memorandum or for the reproduction and dissemination of this Report partially or in its entirety or information contained in it in connection with the PIK Offering.

APPENDIX 2. VALUATION METHODOLOGY

REAL ESTATE VALUATION

The value of a real estate project should be arrived at using only the approach(es) whose application is reasonable and appropriate for the asset being valued.

The Projects under valuation are:

- Residential developments at different stages of completion (including apartments, commercial premises and parking lots);

The development projects are in differing stages of development, some being at 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 project 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 assessment of the value of the Projects 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 value of the development projects, taking into account that the majority of development projects are reasonably advanced in terms of the overall development process which has to be undertaken by a developer. However, where 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 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 of development sites.

The second approach which can be adopted in valuing Projects 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 Project. This cash flow is discounted at an appropriate rate and this in turn generates a present value of the cash flow, which is the sum available for the purchase of the site/project at the date of valuation.

For land sites held for future development and Projcts in the course of development, we, as recommended by Valuation Information Paper 12 'Valuation of Development Land' published by the RICS, have used the residual method (the DCF technique).

A brief description of the comparable, income and residual approaches is provided below.

THE COMPARABLE APPROACH

The sales comparison approach is based on an appraisal of the Value which is derived from information on recent transactions and offers. This information is analysed and the selected properties are compared with the Subject Properties. It is assumed that a prudent investor or buyer will not pay more for a certain property than it would cost to obtain a similar property of similar utility and characteristics. Therefore, the price for which the comparable property was sold should reflect the Value of the Subject Properties.

The main difficulties connected with using the comparative approach involve the Russian real estate market's lack of transparency. In most cases, the real prices of the completed transactions involving comparable properties are unknown. Consequently, offer prices for the properties offered for sale have been used in this valuation.

When using the sales comparison method, comparable properties that were sold or put up for sale on the corresponding market are examined. Adjustments are then made for the differences between the Subject Properties and the comparable properties. The sale price of each comparable property is determined as if at the time of sale they had the same characteristics as the Subject Properties.

The following adjustments can be applied: adjustment for the negotiations, adjustment for the location, adjustment for the distance from metro station, adjustment for a difference in the property and comparable areas, adjustment for the parking.

The adjusted price allows the Valuer to come to logical conclusions on what the price of the Subject Properties could possibly be.

THE INCOME APPROACH & DCF METODOLOGY

The Income Approach is based on the assumption that the value of any property depends on the income this property is expected to generate to its owner. In other words, an investor purchases the property at a current price expecting to receive future incomes from its operation (e.g. from lease) and its further sale.

Two methods are applied for capitalization of future incomes: direct capitalization method and discounted cash flow method.

Direct capitalization converts an annual income into the value of the real property by the following formula:

$$V = \frac{NOI}{R},$$

where V is the value;

NOI – future annual income generated by the Property;

R – capitalization rate.

Direct capitalization can be used when the income generated by the property is expected to be stable, i.e. it will not change in time given the best use of the Subject Property. In case the income is expected to change over the projection period the discounted cash flow method should be applied.

The DCF methodology

The DCF methodology reflects the market's perception of a relationship between a property's potential income and its Fair Value, a relationship expressed as a capitalisation rate or yield. This approach converts the anticipated benefits in terms of income (cash flow) or amenity to be derived from the ownership of the Property into a value indication through capitalisation. This approach is widely used when appraising either income-producing properties or properties capable of producing an income.

When applying this method, incomes (with regard to their changes) are to be projected for every year of the projection period. The discounted cash flow method can be applied to any cash flows and is universal. The following formula shows the current value of future benefits stemming from a real property:

$$NPV = \sum_{t=1}^{T} \frac{C_t}{(1+k_d)^{t-1}} + \frac{(C_{T+1} \div k_t) - b}{(1+k_d)^T},$$

where C_t is a cash flow for t period;

where C_{T+1} is a cash flow for the post-projection period;

k_d is the discount rate;

k_T is the terminal capitalization rate;

b is a fee for sellable the building.

Therefore, the discounted cash flow method is based on the property's operation during a certain future period, it means that the projection period, incomes and expenses, discount and capitalization rates should be determined.

This method requires the following steps:

- Selection of a projection period;
- Valuation of revenues from leasing the Property, i.e. GPI (Gross Potential Income) calculated on the assumption of full occupancy of the Property. This value less losses makes Effective Gross Income;
- Analysis and calculation of Operating Expenses;
- Operating Expenses are then deducted from effective gross income to obtain Net Operating Income;

- Discount and capitalization rate derivation at the date of valuation.

For the purpose of the valuation the projected income from the Property is estimated based on the following indicators:

Gross Potential Income (GPI): is the total income that a real property can generate provided that 100% of leasable space is occupied (net of losses and expenses). It includes total rent payment, rent payment increase according to the agreement and any other incomes stemming from the property (e.g. parking, restaurants, conference rooms, placement of billboards, etc).

Rent loss: which could be observed due to vacancies, change of tenants and failure to pay rent. Usually such losses are expressed as a percentage of GPI and estimated for each local market. Estimating an occupancy rate the valuer must take into account changes of supply and demand for the projection period.

Effective Gross Income (EGI): is the expected total income from all operations adjusted for rent loss due to vacancy and failure to pay under the agreements (i.e. GPI less Rent loss).

Operating expenses: are periodical costs necessary to maintain the property and sustain the effective Gross Potential Income. Operating expenses can be divided into three categories: fixed expenses, variable expenses and replacement allowance.

Net operating income (NOI): is Effective Gross Income less Operating expenses.

Fixed expenses: are operating expenses that do not vary with occupancy. Real estate tax and insurance payments are usually considered as fixed expenses in appraisal practice in Russia.

Variable expenses: are Operating expenses that generally vary with the level of occupancy or the extent of services provided. There are many types of variable expenses. Categories include management charges, leasing fees, utilities (sewer, water, heat, gas, electricity), cleaning, maintenance and repair, grounds and parking area maintenance, security, marketing and promotion.

THE RESIDUAL APPROACH & DCF METODOLOGY

The residual value for properties (land sites held for development or projects in the course of development) is the NPV of all future income streams less the NPV of all future costs. The costs include all of the development costs outstanding as at the valuation date in respect of the property being valued and future incomes are assessed based on current returns for completed properties of a similar nature in the market adjusted to reflect the expected completion date for the particular development project and anticipated future trends in rents and/or sales prices.

One of the most commonly used methods within the residual approach for determining Value is the DCF method.

The main stages of the method:

- Selection of a projection period;
- Determination of the sales proceeds (income from sales) from the space to be developed on the subject land plots or profit determination;

- Determination of all development costs and/or operating expenses;
- Discounting of cash flows to their present value based on the concept of the time value of money and compounding of all the present values.

General assumptions for the Residual Approach

In addition to the above general valuation methodology, we would point out the following specific assumptions and bases of valuation we have taken into account in arriving at our opinions of Market Value:

Pre Development

We understand that the development concepts and development volumes within the projects under development have been approved by the City Authorities. As a result, we have assumed that the Projects will be developed in accordance with the approved planning and project documentation.

Development period

All development schedules have been verified against the market data and our knowledge of typical construction timetables in similar projects. In all cases we have applied the development schedules provided to us by the Client.

Phasing

All projects unless specifically stated otherwise, have been assumed to be constructed in phaseы according to the time schedule provided by the Client.

Construction costs/ outstanding construction costs

Construction costs have been assessed in accordance with standard rates in the market that a third party developer would expect to incur in the course of development of each proposed scheme. All construction/ outstanding construction budgets have been provided to us by the Client, a seasoned developer, and double-checked by us based on the information provided to us on other similar valuation instructions. We have concluded that the construction/ outstanding construction budgets provided to us by the Client fall into the range of appropriate construction costs which we would expect a third party developer to pay in the present market.

Sales prices

Sales prices for apartments, parking lots and ground floor commercial premises have been determined based on the analysis of comparable evidence data and the latest sales data provided by the Client.

The sales prices applied in our calculations are based on the adopted sales schedule for each Project and reflect price growth resulting from progress in construction.

Sales schedules

We have relied on the sales schedules for residential/ apartment development projects provided by the Client and have checked whether they conform with the market rates. In general, we, in line with the current market practice, have assumed that sales begin simultaneously with construction permission and terminate after completion, and by the time of project commissioning, most space has been sold.

Sales agent's fee

When selling apartments, parking lots and commercial premises, it is a standard market practice to use a broker's services. Taking into account the size of the Projects, the total monetary amount of sales proceeds, we have determined sales agent's fees at 3%.

Income due from previous sales/ pre-sales

In many cases the Client is due payment instalments on residential sales/ pre-sales that took place before the valuation date. Where these sums are receivable after the valuation date, we have modelled them into the cash flow according to the schedule supplied by the Client, on the assumption that a third party purchaser of the Propect will inherit the right at law to receive these sums after acquiring the Propect.

VAT

The VAT rate has been taken at the current rate of 20%. Although in theory VAT in Russia is immediately recoverable from the state, in practice the situation is different. For commercial developments, the VAT paid on construction and other development costs is considered a VAT credit account in favour of the landowner. VAT on future rents can be retained and offset against the VAT account until it is zeroed out.

Discounted cash flow

The rate used to discount future cash flows to their present value is determined by the level of profits (rate of return) expected by investors as a compensation for their investment risks.

Based on current market conditions, the forecast of economic development in general and the real estate market in particular, as well as taking into account the characteristics of the Project, we have been able to estimate an appropriate discount rate that reflects the perceived risk and required rate of return for the Projects.

The value was estimated for each Project separately without considering a possible discount for portfolio scale.

The value is estimated including the costs for changing in the type of permitted use of land plots as at the date of valuation. The payments were accepted according to the Client's data and the current legislation of Moscow.

BUSINESS VALUATION

One of the approaches commonly used in business valuation is **the Cost Approach**. The cost approach is based on the principle of substitution, and postulates that a prudent buyer would pay no more for an asset than the cost to replace the service capacity of that asset. In accordance with generally accepted accounting principles, assets are generally recorded at historical cost less accumulated depreciation. Intangible assets may or may not be included on historical balance sheets. Liabilities are reflected at face value, while contingent liabilities are generally not shown. Due to this accounting treatment, the use of book value of the assets and liabilities to estimate the fair market value of the equity may result in a material misstatement of fair market value. The cost approach is most useful when applied to the business valuation of real estate companies, holding companies, heavy manufacturing, and companies for which liquidation is a likely prospect.

The second approach to value is the **Market Approach**. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Using this method, we rely upon stock prices of public companies similar to the subject company, and transaction prices of similar companies. We typically develop a relationship between the market value of the guideline companies to its revenue and earnings. Then we use these relationships, commonly referred to as valuation multiples, to value the business or organization. We multiply the subject company's revenue or earnings income by the valuation multiples to obtain an indication of the business enterprise value.

An important approach to appraisal of income generating properties is the **Income Approach**. The income approach uses business valuation techniques to convert future benefits to a single, discounted amount. The measurement is based on the value indicated by current market expectations about those future amounts. Valuation techniques include single and multi-period capitalization of cash flow models, option-pricing models such as the Black-Scholes-Merton formula, and binomial (lattice) models.

METHODOLOGY OF THE COST APPROACH

The Cost approach analyzes the value of a business in terms of costs incurred.

The key valuation techniques under the cost approach are:

- the net asset method, and
- the residual value method.

The net asset method implies the following. The book value of a company's assets and liabilities usually differs from market value due to inflation, changes in market situation and accounting treatments applied. Therefore, to estimate the value of a company, each balance sheet item should be adjusted and restated in actual market prices. Then the resulting aggregate market value of assets is netted against aggregate current value of all company liabilities, resulting in the market value of the company's own funds.

The cost approach can normally be applied in the case of early stage or start-up businesses where profits and/or cash flow cannot be reliably determined and adequate market information is available on the entity's assets, when the company has considerable tangible assets and is expected to continue operations.

The residual value method is used when a company has gone bankrupt or is close to bankruptcy. In this case the market value of a company is estimated under the residual value method. The difference between this method and the net asset method is that it takes into account the disposition costs, i.e. the fee paid to appraisal and legal companies, taxes and levies paid when the assets are sold, as well as the PV-factor (with the account of time schedule of asset disposition), etc.

The Consultant used the net asset method for the purposes of valuation, as the major assets are formed by tangible assets (buildings, land).

Adjustments of the balance sheet items

Assets used in the estimates are monetary and non-monetary assets comprising the following balance items:

- non-current assets of the first balance sheet section: intangible assets, property, plant and equipment, construction-in-progress, income yielding investments into tangible assets, long-term financial investments, other non-current assets;
- current assets: inventories, input value added tax, accounts receivable, short-term financial investments, cash, other current assets — less the total value of the actual buy-in costs and the arrears of shareholder's capital contributions.

Liabilities used in the estimates are the liabilities comprising the following balance items:

- Long-term loan liabilities and others liabilities;
- Short-term loan liabilities;
- Accounts payable;
- Other short-term liabilities.

The estimation of the net asset value was based on the financial statements and the breakdown of various balance sheet items dated August 10, 2021 provided by the Client.

Assumptions of the Cost Approach

In addition to the general valuation methodology described above, the following special assumptions were accepted in the market value estimation of the Property:

- When determining the market value of the assets of companies, the Valuer relied on the principle of the materiality of the contribution of an asset to the value. The Valuer proceeds from the assumption that if the share of an asset in the balance sheet total is less than 2%, the materiality of the contribution is insignificant, the book value of such assets was not adjusted.
- When determining the market value of fixed assets, profitable investments in material assets of the subsidiaries of the holding, the Valuer proceeded from the purposes of the current valuation and took into account the prospects of investment and the

implementation of the development projects, in accordance with which real estate properties (buildings, structures, inseparable improvements, etc.) are planned to be demolished / were demolished as at the date of valuation. Thus, the market value of real estate properties (interests in the improvements and land plots) is determined as a part of real estate development projects.

- The assets of SIGMA HOLDING OOO subsidiaries include the real estate development projects. If the project is developed by several companies of the holding, as well as if the companies of the holding lease / sublease sites for development of projects to other companies of the holding, the Valuer did not distribute the value of the project between such companies. In this case, the Valuer relied on the information provided by the Client on the ownership of a project by a company of the holding, and, in accordance with this information, assumed the value of the project in the market value estimation of this company. As such distribution of the project's value between the companies of the holding does not affect the final result (cash flows for the project are formed within the companies of the holding).
- For the purposes of this Expert Opinion, the Valuer accepted in the calculation the market values of real estate development projects including taxes.
- In order to avoid the double counting of assets and liabilities accepted in the estimation of investment and development real estate projects and the costs for development, the Valuer, on the basis of the information provided by the Client, adjusted the corresponding balance sheet items for the amounts considered in the estimation of the projects.
- The value of financial investments of the companies belonging to the holding which represent intercompany loans and accrued interest on them, were not adjusted on the assumption that these financial investments are intragroup financial transactions.
- The value of liabilities of the companies belonging to the holding, which represent intercompany loans and accrued interest on them, were not adjusted on the assumption that these loans are intragroup financial transactions.
- The value of liabilities of the holding companies, representing external loans and credits, was not adjusted, for the exception of the amounts of liabilities considered when estimating the value of investment and development projects - the balance sheet values were reduced by these amounts (to avoid double counting). In other cases, liabilities were fully accepted based on the assumption that the holding companies operate in a competitive market and these loans and credits were provided to the companies on market terms.

APPENDIX 3. DESCRIPTION OF THE REAL ESTATE DEVELOPMENTS

LYUBLINSKIY PARK

Parameter	Data
Market value, Rubles	**14 950 079 000**
Address	Moscow, South-Eastern Administrative District, Lyublino District, Lyublinskaya Str., estate 72
Class of the project	Comfort
Property type	Residential complex with commercial premises, parking
Development strategy	Development and sale
Development stage	Construction
Planned commissioning dates, including:	
Block 1	Completed
Block 2	Completed
Block 4	Completed
Tower 5	Completed
Tower 6	Completed
Block 7	Q2, 2022
Block 9-10	Q2, 2023
Block 12	Q1, 2025
Tower 13-14	Q4, 2023
Block 15	Q4, 2023
Block 16	Q2, 2024
Tower 17	Q1, 2025
Tower 18-20	Q3, 2025
Tower 19	Q1, 2025
Tower 21	Completed
Tower 22	Completed
Tower 23	Completed
Tower 24	Completed
Tower 25	Q3, 2022
Site area, ha	64.6548
Total sellable area of the apartments and commercial premises, sq. m, including	1,224,238
Apartments	804,455
Commercial premises	43,983
Storerooms	17,633
Parking lots	4,200
Unsold area, sq. m	283,782
Estimated sale prices (as at the date of valuation), Rubles/ sq. m or lot	
Residential premises	223,000
Commercial premises	154,000
Storerooms	86,248
Parking	646,000
Total construction costs, Rubles	77,489,658,000
Total construction costs, Rubles / sq. m	63,296
Outstanding construction costs, Rubles	48,301,670,000
Discount rate	17%

Project visualization




Current stage




Description

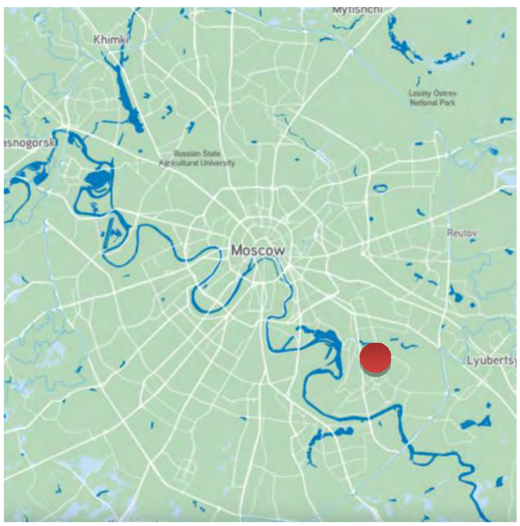
The residential complex “Lyublinskiy Park” is located in the south-east of Moscow, within a walking distance from “Bratislavskaya” metro station. The project comprises 22 residential buildings, 2 schools, 4 kindergartens and a polyclinic. Commercial premises located on the ground floors will be occupied by shops, cafes, mini-markets and other services. Landscaped courtyards free of cars equipped with playgrounds and recreation zones will be provided. “Lyublinskiy Park” is the 3rd project providing a large playground (play hub) located between blocks 1and 2 at a safe distance from the road.

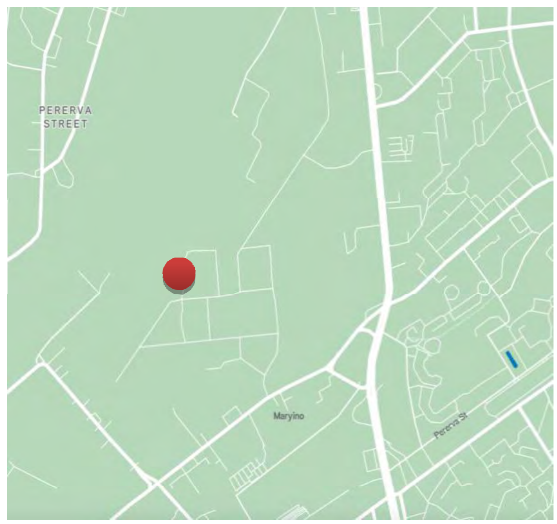
Location

The Project is located in Lyublino District of the South-Eastern Administrative District of Moscow.

The nearest metro station “Bratislavskaya” is located in 1.3 km from the Project. “Depo” and “Pererva” stations of the Kursk-Rizhsky Moscow Central Diameters (MCD-2) are located within a 15 minutes’ walking distance from the Project. There are no major thoroughfares in the immediate vicinity of the Project, the distance to the Moscow Ring Road is 5.8 km, to the Third Transport Ring - 6.8 km (directly). The distance from the Project to Andropov Avenue is 4.5 km (directly), to Volgogradsky Avenue - 5.3 km (directly).

There are residential, non-residential buildings, as well as facilities of social infrastructure and utilities in the surroundings of the Project.





AMURSKIY PARK

Parameter	Data
Investment value, Rubles	**12 861 530 000**
Address	Moscow, the Eastern Administrative District, Golyanovo District, Amurskaya Str., estate 2
Class of the project	Comfort
Property type	Residential complex with parking
Development strategy	Development and sale
Development stage	Construction
Planned commissioning dates, including:	
1 phase	Q2, 2023
2 phase	Q2, 2024
3 phase	Q4, 2024
4 phase	Q3, 2026
Site area, ha	7.1446
Total sellable area, sq. m, including	281,427
Apartments	270,742
Commercial premises	9,131
Storerooms	1,554
Parking lots	985
Unsold area, sq. m	227,469
Estimated sale prices (as at the date of valuation), Rubles/ sq. m or lot	
Residential premises	235,000
Commercial premises	183,000
Storerooms	133,000
Parking	1,550,000
Total construction costs, Rubles	29,371,895,890
Total construction costs, Rubles / sq. m	61,976
Outstanding construction costs, Rubles	26,122,914,216
Discount rate	15%

Project visualization

Current stage

Description

The Project is a comfort class residential complex. The complex comprises 17 buildings of different height, an underground parking and a kindergarten.

Number of storeys: 17-33.

The complex comprises commercial premises, underground parking, a school and a kindergarten. The groud floors of the complex will be occupied by shops, cafes, mini-markets and other services.

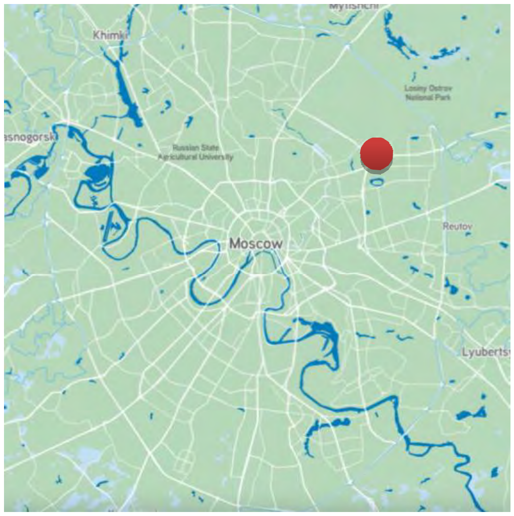
Location

The Project is located in Golyanovo District of the Eastern Administrative District of Moscow.

The nearest metro stations: "Lokomotiv" station of the Moscow Central Ring (0.42 km) and "Cherkizovskaya" metro station (0.5 km) are located in a 10 minutes' walking distance from the complex. "Vostochny" intercity station was opened in the end of May, 2021 with direct access to the metro and the Moscow Central Ring. The way to the Third Transport Ring and the Moscow Ring Road by car takes about 15 minutes, to the Garden Ring – 17 minutes. The North-Eastern Expressway is less than in 1 km from the Project. The nearest to the Project transport routes are the North-Eastern Expressway and Shchelkovskoye Hwy. which provide a good transport and pedestrian accessibility.

There are residential buildings as well as social infrastructure facilities: schools, kindergartens, clinics, shopping centres and a sports complex in the surroundings of the Project.

Colliers


Khimki
asnogorsk
Russian State
Agricultural University
Losiny Ostrov
National Park
Moscow
Reutov
Lyubertsy


1st Irtishskiy Pass
RZD Arena
More Sushi
CHERKIZOVO

SIGNALNY 16

Parameter	Data
Market value, Rubles	**10 692 071 000**
Address	Moscow, North-Eastern Administrative District, Otradnoe District, Signalny Proezd, estate 16
Class of the project	Comfort
Property type	Residential complex, commercial premises, parking
Development strategy	Development and sale
Development stage	Construction
Planned commissioning dates	
1 phase	Q2, 2023
2 phase	Q2, 2024
3 phase	Q3, 2026
4 phase	Q1, 2028
Site area, ha	8.1968
Total sellable area, sq. m, including	271,187
Apartments	257,582
Commercial premises	9.082
Storerooms	4,524
Parking lots	1,449
Unsold area, sq. m, including	243,734
Estimated sale prices (as at the date of valuation), Rubles/ sq. m or lot	
Residential premises	236,000
Commercial premises	170,000
Storerooms	110,000
Parking	1,300,000
Total construction costs, Rubles	28,715,128,966
Total construction costs, Rubles / sq. m	59,344
Outstanding construction costs, Rubles	26,822,742,797
Discount rate	15%

Project visualization

Current stage

Description

The Project is a comfort class residential complex. The project's infrastructure comprises a school and a kindergarten.

Number of storeys: 33. Number of apartments: 1248.

The complex comprises commercial premises, underground parking.

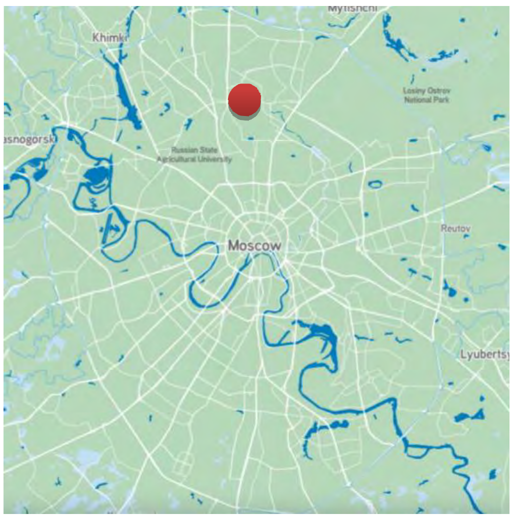
Location

The Project is located in Otradnoye District of the North-Eastern Administrative District of Moscow.

The nearest metro station and station of the Moscow Central Ring “Vladykino” is located at 0.79 km from the complex. “Botanicheskiy Sad” station of the Moscow Central Ring and the metro station “Botanichesky Sad” are located in 2.3 km from the Project.

The nearest major city thoroughfare to the Project is Altufevskoe Hwy. There are several parks not far from the Project: the Botanical Garden of the Russian Academy of Sciences, Otrada, Sviblovo, the territory of VDNKh.

Public and business facilities (institutions, museums, exhibition pavilions, shopping and entertainment centres, shops) and residential buildings are located in the surroundings of the Project.



RUSTAVELI 14

Parameter	Data
Market value, Rubles	**15 676 958 000**
Address	Moscow, North-Eastern Administrative District, Butyrsky District, Rustaveli St., estate 14, bld. 17
Class of the project	Comfort
Property type	Residential complexc with parking
Development strategy	Development and sale
Development stage	Construction
Planned commissioning dates	
1 phase	Q2, 2023
2 phase	Q1, 2023
3 phase	Q1, 2024
4 phase	Q4, 2023
5 phase	Q1, 2024
6 phase	Q1, 2026
7 phase	Q4, 2026
Site area, ha	6.9315
Total sellable area, sq. m, including	263,990
Apartments	251,597
Commercial premises	12,083
Storerooms	309
Parking lots	2,012
Unsold area, sq. m	236,983
Estimated sale prices (as at the date of valuation), Rubles/ sq. m or lot	
Residential premises (apartments)	272,000
Commercial premises	217,000
Storerooms	130,000
Parking	1,450,000
Total construction costs, Rubles	31,096,830,224
Total construction costs, Rubles / sq. m	62,883
Outstanding construction costs, Rubles	29,109,450,975
Discount rate	15%

Project visualization

Current stage

Description

The Project is a comfort-class residential complex comprising 16 buildings.

Number of storeys: 14-33.

The infrastructure of the complex comprises storerooms and underground parking, as well as two kindergartens and a school.

Location

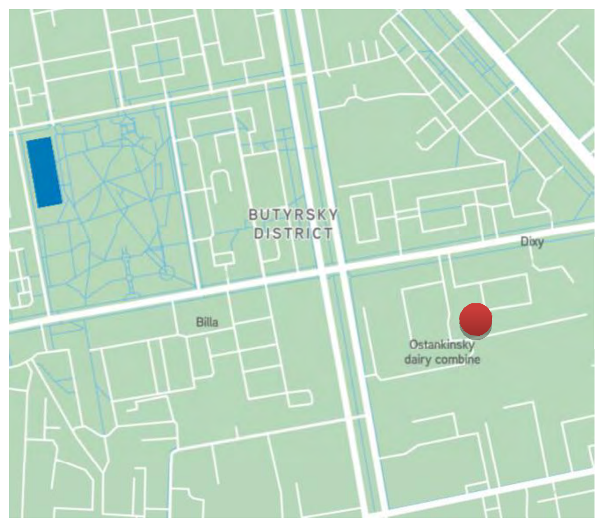
The Project is located in Butyrsky District of the North-Eastern Administrative District.

The nearest metro station “Butyrskaya” is in a 3 minutes’ walking distance from the Project. The Project is located in 1 km from “Dmitrovskaya” metro station and the “Dmitrovskaya” station of the Moscow Central Diameters-2. “Savelovskiy” railway station is in 2.1 km from the Project.

The nearest to the Project city thoroughfare is the Third Transport Ring located in a 5 minutes’ drive from the complex.

The following parks are nearby the Project: the Goncharovsky Park, the Ostankino Park and the Botanical Garden of the Russian Academy of Sciences.

There are residential, public and business facilities (schools, kindergartens, clinics, shops) in the surroundings of the Project.



KRONSTADTSKIY 9

Parameter	Data
Market value, Rubles	**7 436 168 000**
Address	Moscow, Northern Administrative District, Golovinsky District, Kronstadtskiy Blvd., estate 9
Class of the project	Comfort
Property type	Residential complex, parking
Development strategy	Development and sale
Development stage	Construction
Planned date of commissioning, including:	
1 phase	Q1, 2023
2 phase	Q4, 2023
3 phase	Q4, 2023
4 phase	Q1, 2024
5 phase	Q2, 2024
Site area, ha	3.5473
Total sellable area, sq. m, including	122,093
Apartments	114,556
Commercial premises	3,523
Storerooms	4,015
Parking lots	779
Unsold area, sq. m	122,094
Estimated sale prices (as at the date of valuation), Rubles/ sq. m or lot	
Residential premises	272,000
Commercial premises	227,000
Storerooms	100,000
Parking	1,700,000
Total construction costs, Rubles	13,605,471,488
Total construction costs, Rubles / sq. m	61,764
Outstanding construction costs, Rubles	12,353,799,524
Discount rate	15%

Project visualization

Current stage

Description

The Project is a comfort class residential complex under construction. The project comprises 7 buildings, an underground parking and 2 kindergartens.

Number of storeys: 21-33.

The ground floors of the complex will be occupied by shops, cafes and other services.

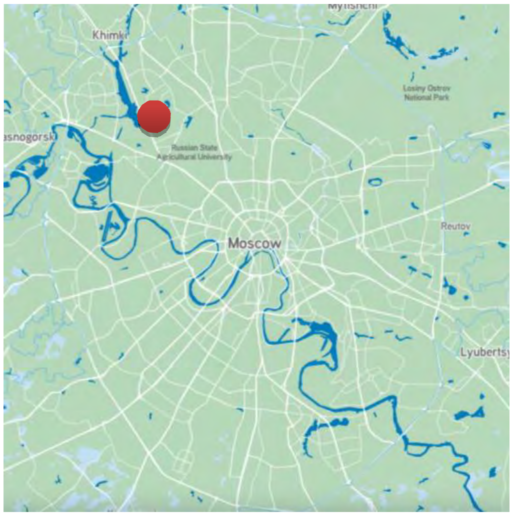
Location

The Project is located in Golovinsky district of the Northern Administrative District.

The nearest metro station "Water Stadium" is located in 280 m from the Project. "Baltiyskaya" and "Koptevo" stations of the Moscow Central Ring are located in 1.97 km and 2.02 km from the Project.

The nearest to the Project major thoroughfare of the city is Leningradskoe Hwy. (in 0.58 km from the Project). The way to the Leningradskoe Hwy. takes 2 minutes by car, to the North-Western Expressway and North-Eastern Expressway - 14 minutes. The Third Transport Ring is in 10 minutes drive, and the Moscow Ring Road can be reached in 16 minutes.

There are residential buildings, public and business buildings (schools, kindergartens, shops and shopping centers) in the surroundings of the Project.

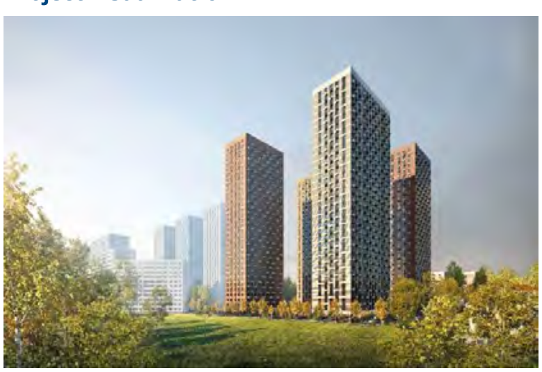

Khimki
Losiny Ostrov
National Park
Russian State
Agricultural University
Moscow
Reutov
Lyubertsy


ATAC
Indoor food market
Kronshtadsky Blvd
Kronshtadsky Blvd
Pronto
Okhotnik
Golovinskoe Ave

KRONSTADTSKIY 14

Parameter	Data
Market value, Rubles	**5 425 289 000**
Address	Moscow, Northern Administrative District, Golovinsky District, Kronshtadtskiy Blvd., estate 14
Class of the project	Standard
Property type	Residential complex, parking
Development strategy	Development and sale
Development stage	Construction
Planned date of commissioning, including:	
1 phase	Q4, 2023
2 phase	Q1, 2024
Site area, ha	2.0033
Total sellable area, sq. m, including	74,015
Residential premises	72,165
Commercial premises	1,850
Parking lots	343
Storerooms	520
Unsold area, sq. m	63,292
Estimated sale prices (as at the date of valuation), Rubles/ sq. m or lot	
Residential premises	270,000
Commercial premises	226,000
Parking	1,450,000
Storerooms	105,000
Total construction costs, Rubles	8,627,511,495
Total construction costs, Rubles / sq. m	63,994
Outstanding construction costs, Rubles	7,761,003,226
Discount rate	15%

Project visualization



Current stage

Description

The Project is a standard class residential complex under construction.

The project comprises 4 buildings, an underground parking, as well as a kindergarten and a primary school.

Number of storeys: 33.

Location

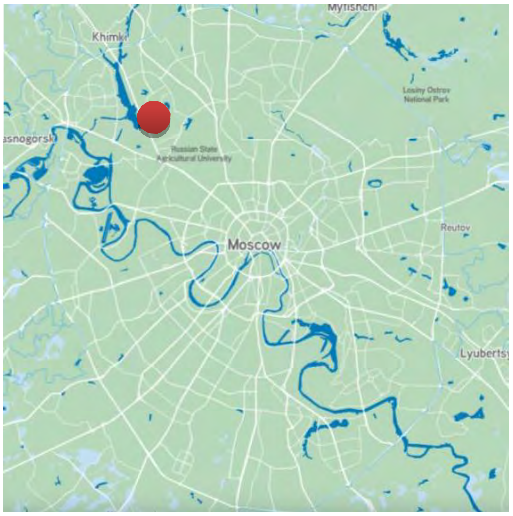
The Project is located in Golovinsky District of the Northern Administrative District.

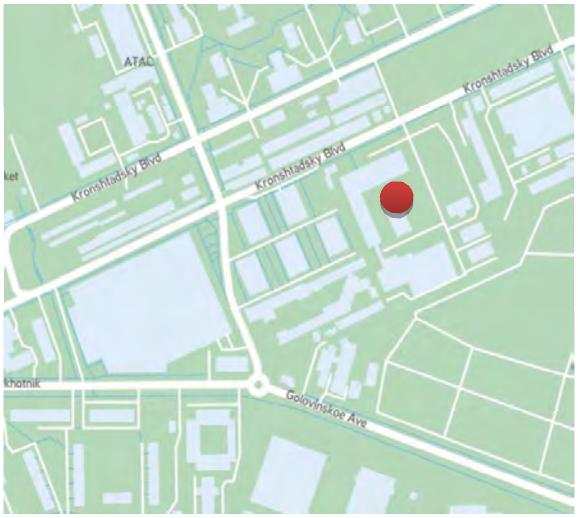
The nearest metro station “Water Stadium” is located in 650 m from the Project. “Baltiyskaya” and “Koptevo” stations of the Moscow Central Ring are located in 1.75 km and 1.5 km from the Project, respectively.

The nearest to the Project major thoroughfare of the city is Leningradskoe Hwy. (1 km). The way to the Leningradskoe Hwy. takes 7 minutes by car, to the North-Western Expressway and North-Eastern Expressway - 15 minutes. The Third Transport Ring is in 15 minutes by car from the Project, and the Moscow Ring Road can be reached in 13 minutes.

There are residential buildings, public and business buildings (schools, kindergartens, shops and shopping centers) in the neighborhood location of the Project.

There are parks near the Project: the park near the Golovinsky ponds, the Druzhba park, the park of the Northern River Station.





SECOND NAGATINSKY

Parameter	Data
Market value, Rubles	**9 233 792 000**
Address	Moscow, Southern Administrative District, Nagatino-Sadovniki district, 2nd Nagatinsky proezd, estate 2
Class of the project	Standard
Property type	Residential complex, commercial premises, parking
Development strategy	Development and sale
Development stage	Construction
Planned date of commissioning, including:	
1 phase	Q3, 2023
2 phase	Q1, 2024
3 phase	Q4, 2025
Site area, ha	3,6400
Total sellable area, sq. m, including	138,711
Residential premises	134,233
Commercial premises	4,478
Parking lots	787
Storerooms	1,951
Unsold area, sq. m	110,074
Estimated sale prices (as at the date of valuation), Rubles/ sq. m or lot	
Residential premises	270,000
Commercial premises	196,000
Storerooms	105,000
Parking	1,350,000
Total construction costs, Rubles	15,933,058,456
Total construction costs, Rubles / sq. m	61,640
Outstanding construction costs, Rubles	14,229,493,378
Discount rate	15%

Project visualization

Current stage

Description

The Project is a standard class residential complex under construction.

The project comprises seven 33-storey towers, a landscaped area with courtyards-parks, an underground parking, a kindergarten and a school.

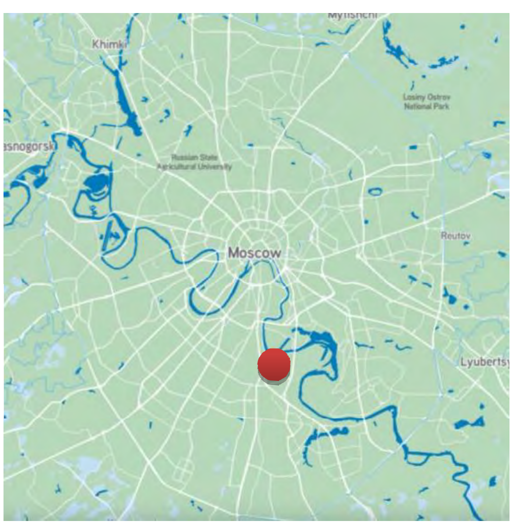
Location

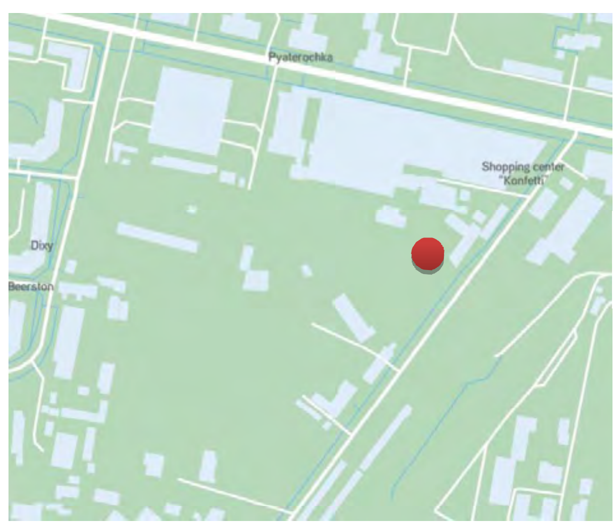
The Project is located in Nagatino-Sadovniki District of the Southern Administrative District, in 620 m from the Moskva River Embankment.

The nearest metro stations "Nagatinskaya" and "Kolomenskaya" are located in 1.31 and 1.33 km from the Project, respectively. The platform of the Moscow Central Ring "Verkhniye Kotly" is located in 2 km from the Project. The railway station "Nagatinskaya" is located in 1.38 km from the Project.

The nearest to the Project major city thoroughfares are Andropova Ave. (1.35 km) and Varshavskoe Hwy. (1.05 km directly).

Residential complexes, commercial facilities (office, retail), educational facilities, as well as parks - the Kolomenskoye museum, the Sadovniki park are in the neighborhood location of the Project. There are several fitness centres nearby, as well as a large-scale sports complex "Kant" with ski slopes and many summer activities.

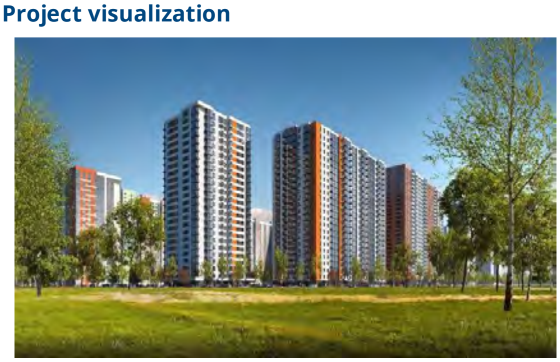




MITINSKY FOREST

Parameter	Data
Market value, Rubles	**13 753 500 000**
Address	Moscow, North-Western Administrative District, district “Mitino”, near the village Rozhdestveno
Class of the project	Standard
Property type	Residential complex, parking
Development strategy	Development and sale
Development stage	Construction
Planned date of commissioning, including:	
4 phase	Q4, 2024
5, 6 phases	Q3, 2025
8 phase	Q4, 2028
9 phase	Q3, 2029
10 phase	Q1, 2030
11 phase	Q1, 2031
Site area, ha	24,6480
Total sellable area, sq. m, including	698,010
Residential premises	631,685
Commercial premises	14,446
Parking lots	2,064
Unsold area, sq. m	646,132
Estimated sale prices (as at the date of valuation), Rubles/ sq. m or lot	
Residential premises	180,000
Commercial premises	170,000
Parking	1,200,000
Total construction costs, Rubles	56,786,412,118
Total construction costs, Rubles / sq. m	50,574
Outstanding construction costs, Rubles	56,571,041,484
Discount rate	17%

Project visualization



Current stage


Description

The Project is a standard class residential complex under construction.

The project comprises a landscaped area, underground parking. The infrastructure of the block comprises schools and kindergartens.

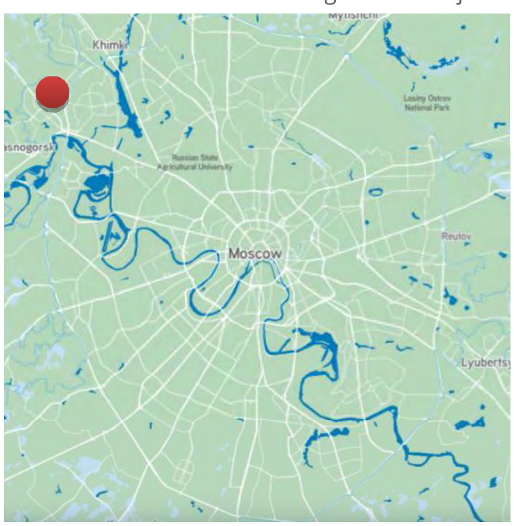
Location

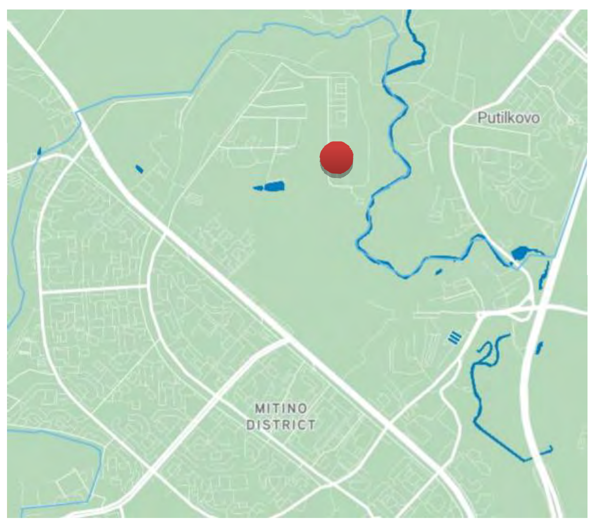
The Project is located in Mitino District of the North-Western Administrative District.

The nearest metro station “Pyatnitskoe Highway” is located in 1.5 km from the Project, “Mitino” metro station – in 1.95 km.

The nearest to the Project major city thoroughfare is Pyatnitskoe Hwy. (in 1.3 km from the Project), about 5 minutes by car. It takes 10 minutes to get to the Moscow Ring Road by car, and 20 minutes - to The Third Transport Ring.

Residential buildings, commercial facilities (shopping centers, shops), schools, as well as the Mitinsky forest park are located in the surroundings of the Project.





DERBENEVSKAYA 20

Parameter	Data
Market value, Rubles	**10 410 525 000**
Address	Moscow, Southern Administrative District, Danilovsky District, Derbenevskaya Str., estate 20
Class of the project	Comfort
Property type	Residential complex, commercial premises, parking
Development strategy	Development and sale
Development stage	Construction
Planned date of commissioning, including:	
1 phase	Q3, 2023
2 phase	Q1, 2024
3 phase	Q4, 2024
Site area, ha	3.4248
Total sellable area, sq. m, including	102,093
Residential premises	98,705
Commercial premises	3,388
Parking lots	694
Storerooms	2,484
Unsold area, sq. m	101,997
Estimated sale prices (as at the date of valuation), Rubles/ sq. m or lot	
Residential premises	340,000
Commercial premises	270,000
Storerooms	140,000
Parking	1,900,000
Total construction costs, Rubles	13,234,095,944
Total construction costs, Rubles / sq. m	67,428
Outstanding construction costs, Rubles	12,756,567,131
Discount rate	15%

Project visualization

Current stage

Description

The Project is a comfort class residential complex under construction. The project comprises 7 buildings.

Number of storeys: 32.

The project comprises an underground parking, kindergartens and a primary school. The ground floors of the complex will be occupied by shops, cafes and other services.

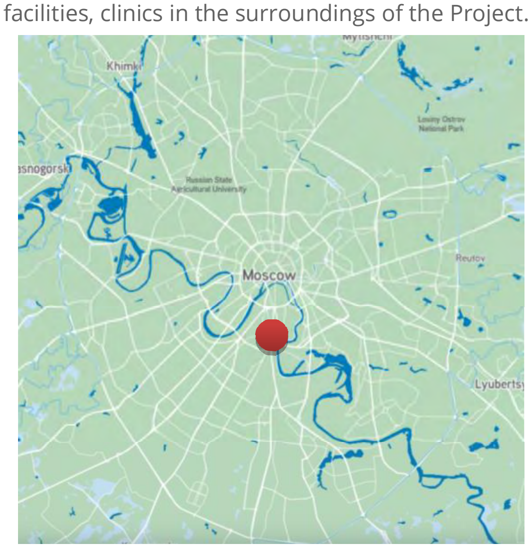
Location

The Project is located in the Danilovsky District of the Southern Administrative District.

The nearest metro stations “Paveletskaya” and “Serpukhovskaya” are located in 1.3 km and 1.4 km from the Project, respectively. The “Paveletsky” railway station is located in 1.3 km from the Project.

The nearest to the Project major city thoroughfares are the Garden Ring (1.3 km) and the Third Transport Ring (2 km). It takes about 5 minutes to get to the Garden Ring by car, and to the Third Transport Ring - no more than 15 minutes.

There are residential buildings, commercial facilities (shopping centres, shops, business centres), educational facilities, clinics in the surroundings of the Project.



KOL'SKAYA 8

Parameter	Data
Market value, Rubles	**10 539 909 000**
Address	Moscow, North-Eastern Administrative District, Babushkinsky district, Kol'skaya Str., estate 8
Class of the project	Comfort
Property type	Residential complex, commercial premises, parking
Development strategy	Development and sale
Development stage	Construction
Planned date of commissioning, including:	
1 phase	Q2, 2023
2 phase	Q4, 2024
3 phase	Q1, 2026
Site area, ha	4.4217
Total sellable area, sq. m, including	148,142
Residential premises	141,770
Commercial premises	6,372
Storerooms	3,111
Parking lots	664
Unsold area, sq. m	138,036
Estimated sale prices (as at the date of valuation), Rubles/ sq. m or lot	
Residential premises	280,000
Commercial premises	188,000
Storerooms	96,000
Parking	1,300,000
Total construction costs, Rubles	16,434,770,288
Total construction costs, Rubles / sq. m	60,746
Outstanding construction costs, Rubles	15,567,307,963
Discount rate	15%

Project visualization

Description

The Project is a comfort class residential complex under construction. The complex comprises 3 residential blocks.

Number of storeys: 15-25.

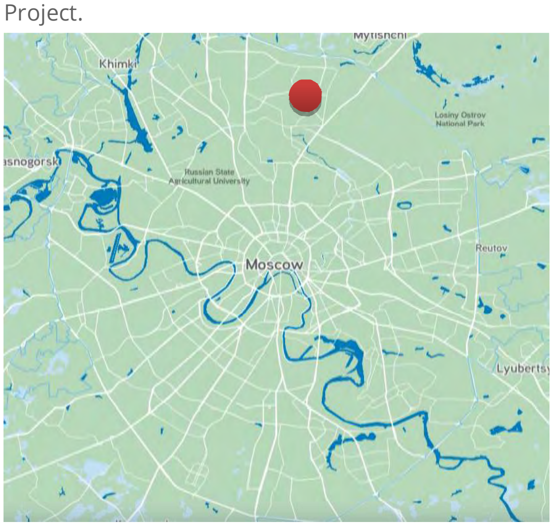
The project comprises underground parking, a school and a kindergarten. The ground floors of the complex will be occupied by shops, cafes and other services.

Location

The Project is located in Babushkinsky District of the North-Eastern Administrative District.

The nearest metro stations “Sviblovo” and “Babushkinskaya” are located in 0.68 km and 1.4 km from the Project, respectively. The way to the “Botanichesky Sad” of the Moscow Central Ring takes 13 minutes by bus.

The nearest to the Project major city thoroughfares are Yaroslavskoe Hwy. (2.1 km) and the Moscow Ring Road (4 km). The way to the Yaroslavskoe Hwy. by car takes 8 minutes, to the Moscow Ring Road - 10 minutes, and to the Third Transport Ring - 16 minutes. There are residential buildings, commercial facilities (shopping centres, shops, business centres), education and healthcare facilities, as well as several large parks: the Yauza Park, the Sviblovo Park, the Botanical Garden of the Russian Academy of Sciences in the surroundings of the Project.



POLYARNAYA 39

Parameter	Data
Market value, Rubles	**4 202 201 000**
Address	Moscow, North-Eastern Administrative District, South Medvedkovo District, Polyarnaya Str., estate 25
Class of the project	Comfort
Property type	Residential complex, commercial premises, parking
Development strategy	Development and sale
Development stage	Design
Planned date of commissioning, including:	
1 phase	Q3, 2024
2 phase	Q2, 2025
3 phase	Q2, 2025
Site area, ha	5.5792
Total sellable area, sq. m, including	129,025
Residential premises	120,000
Commercial premises	9,025
Storerooms	-
Parking lots	480
Unsold area, sq. m	129,025
Estimated sale prices (as at the date of valuation), Rubles/ sq. m or lot	
Residential premises	240,000
Commercial premises	220,000
Parking	1,800,000
Total construction costs, Rubles	16,105,540,500
Total construction costs, Rubles / sq. m	72,613
Outstanding construction costs, Rubles	16,105,540,500
Discount rate	20%

Project visualization

Current stage

Description

The Project is a projected comfort class residential complex. The Project comprises 10 residential buildings.

Number of storeys: 15-35.

The project comprises two kindergartens, a school and two multi-level parking.

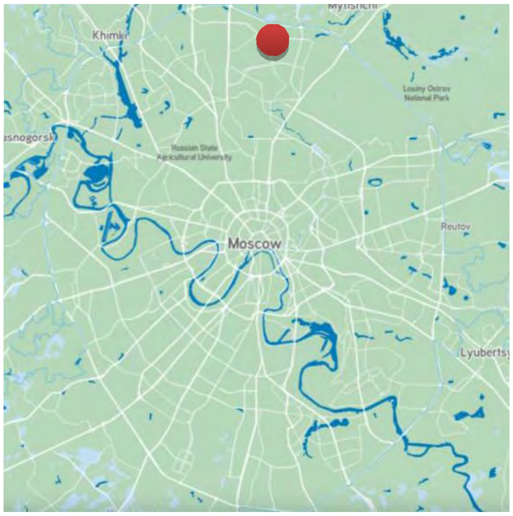
Location

The Project is located in Yuzhnoye Medvedkovo district of the North-Eastern Administrative District.

The nearest metro stations “Medvedkovo” and “Babushkinskaya” are located in 1.7 km and 2.3 km from the Project, respectively.

The nearest to the Project major city thoroughfare is the Moscow Ring Road (in 1.7 km from the Project).

The surroundings of the Project are presented by residential buildings, commercial facilities (shopping centres, shops, business centres), education and healthcare facilities, as well as several large parks: the Yauza Park, the Sviblovo Park, the garden at Olonetsky Proezd.


Khimki
Moscow
Reutov
Lyubertsy
Russian State Agricultural University
Losiny Ostrov National Park


Pyatyorochka
Volvo Medvedkovo

KRONSTADTSKIY 11

Parameter	Data
Market value, Rubles	**1 222 434 000**
Address	Moscow, Northern Administrative District, Golovinsky District, Kronstadtskiy Blvd., 11
Class of the project	Comfort
Property type	Residential complex, commercial premises, parking
Development strategy	Development and sale
Development stage	Design
Planned date of commissioning, including:	
1 phase	Q4, 2024
2 phase	Q4, 2024
Site area, ha	1.2286
Total sellable area, sq. m, including	31,100
Residential premises	29,600
Commercial premises	1,500
Storerooms	-
Parking lots	150
Unsold area, sq. m	31,100
Estimated sale prices (as at the date of valuation), Rubles/ sq. m or lot	
Residential premises	276,000
Commercial premises	250,000
Parking	1,700,000
Total construction costs, Rubles	3,837,852,795
Total construction costs, Rubles / sq. m	67,853
Outstanding construction costs, Rubles	3,837,852,795
Discount rate	20%

Current stage






Description

The residential complex will comprise 2 phases of residential multiapartment buildings of standard class with a total building area over 56,000 sq. m and non-residential premises on the ground floors. The complex will be provided with 150 underground parking lots.

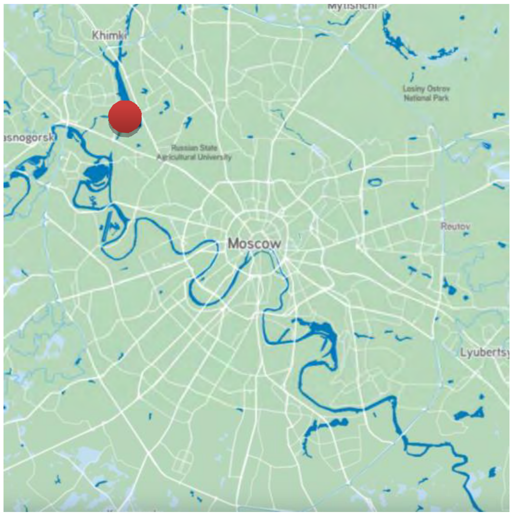
Location

The Project is located in Golovinsky District of the Northern Administrative District.

The nearest metro station "Water Stadium" is located in 370 m from the Project. "Baltiyskaya" and "Koptevo" stations of the Moscow Central Ring are located in 1.86 km and 1.9 km from the Project.

The nearest to the Project major thoroughfare of the city is Leningradskoe Hwy. (in 0.67 km from the Project). The way to Leningradskoe Hwy. takes 2 minutes by car, to the North-Western Expressway and North-Eastern Expressway - 14 minutes. The Third Transport Ring is in 10 minutes by car from the Project, and the Moscow Ring Road can be reached in 16 minutes.

Residential buildings, public and business facilities (schools, kindergartens, shops and shopping centres) are located in the surroundings of the Project.



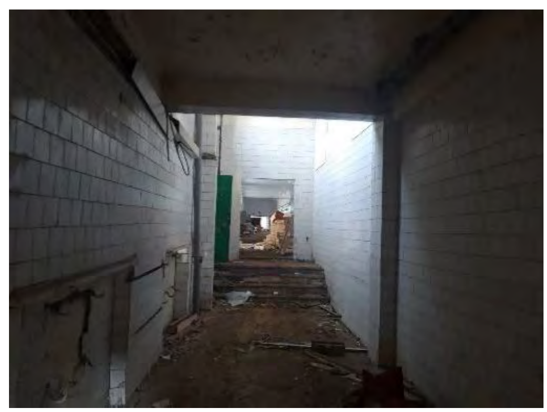
RUSTAVELI 14 (SURROUNDINGS)

Parameter	Data
Market value, Rubles	**4 026 670 000**
Address	Moscow, the North-Eastern Administrative District, Butyrsky District, Rustaveli Str., 14
Class of the project	Comfort
Property type	Residential complex, commercial premises, parking
Development strategy	Development and sale
Development stage	Design
Planned date of commissioning, including:	
1 phase	Q3, 2024
2 phase	Q3, 2024
3 phase	Q3, 2024
4 phase	Q3, 2024
Site area, ha	5.2009
Total sellable area, sq. m, including	89,369
Residential premises	86,112
Commercial premises	3,257
Storerooms	-
Parking lots	170
Unsold area, sq. m	89,369
Estimated sale prices (as at the date of valuation), Rubles/ sq. m or lot	
Residential premises	272,000
Commercial premises	240,000
Parking	1,812,500
Total construction costs, Rubles	8,917,982,774
Total construction costs, Rubles / sq. m	68,471
Outstanding construction costs, Rubles	8,917,982,774
Discount rate	20%

Current stage





Description

The residential complex will comprise 4 phases of comfort-class multiapartment buildings with non-residential premises on the ground floors and underground parking for 170 parking lots.

Location

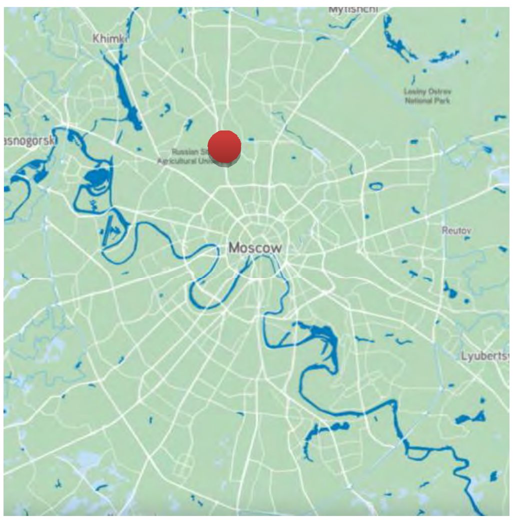
The Project is located in Butyrsky District of the North-Eastern Administrative District.

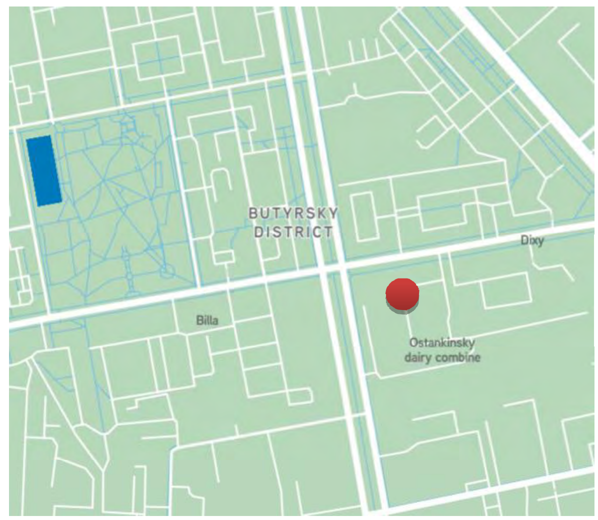
The nearest metro station "Butyrskaya" is located in a 3 minutes' walking distance from the Project. The Project is located in 1.2 km from "Dmitrovskaya" metro station and in 1.35 km from "Dmitrovskaya" station of the Moscow Central Diameters (MCD-2). The railway station "Savelovsky" is located in 2.1 km from the Project.

The nearest to the Project city thoroughfare is the Third Transport Ring (5 minutes by car from the Project).

There are parks nearby: the Goncharovsky Park, the Ostankino Park and the Botanical Garden of the Russian Academy of Sciences.

Residential, public and business facilities (schools, kindergartens, clinics, shops) are located in the surroundings of the Project.





NAGATINSKY (SURROUNDINGS)

Parameter	Data
Market value, Rubles	**5 440 184 000**
Address	Moscow, Southern Administrative District, Nagatino-Sadovniki district, 2nd Nagatinsky Proezd, estate 2
Class of the project	Standard
Property type	Residential complex, commercial premises, parking
Development strategy	Development and sale
Development stage	Design (approved by the Urban Planning Land Commission)
Planned date of commissioning, including:	
1 phase	Q3, 2024
2 phase	Q1, 2025
3, 4 phase	Q4, 2026
Site area, ha	11.0774
Total sellable area, sq. m, including	131,033
Residential premises	125,050
Commercial premises	5,983
Parking lots	700
Estimated sale prices (as at the date of valuation), Rubles/ sq. m or lot	
Residential premises	270,000
Commercial premises	188,000
Parking	1,300,000
Total construction costs, Rubles	14,736,654,063
Total construction costs, Rubles / sq. m	70,409
Outstanding construction costs, Rubles	14,736,654 063
Discount rate	20%

Description

The residential complex comprises 4 phases of residential multiapartment buildings of standard class with a total building area over 209,000 sq. m with non-residential premises on the ground floors. The complex will be provided with 700 underground parking lots.

Location

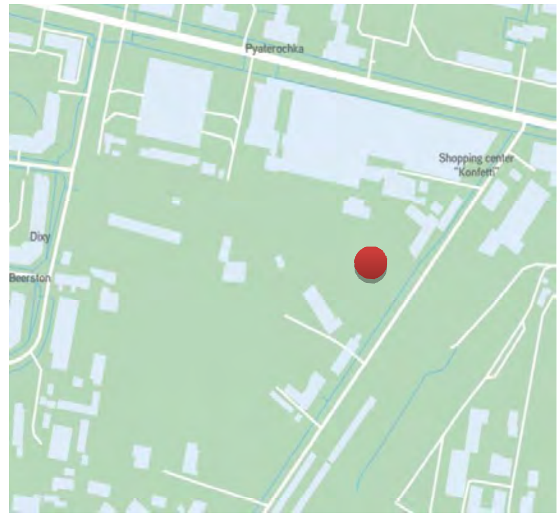
The Project is located in the Nagatino-Sadovniki District of the Southern Administrative District.

The nearest metro stations “Nagatinskaya” and “Kolomenskaya” are located in 1.31 km and 1.33 km from the Project, respectively. The platform “Verkhniye Kotly” of the Moscow Central Ring is located in 1.85 km from the Project. The railway station “Nagatinskaya” is in 1.3 km from the Project.

The nearest to the Project city thoroughfares are Andropov Ave. (about 1.5 km) and Varshavskoe Hwy. (670 m directly).

Residential complexes, commercial facilities (office, retail), educational facilities, as well as parks - the Kolomenskoye museum, the Sadovniki park are located in the surroundings of the Project.

There are several fitness centres nearby, as well as a large-scale sports complex “Kant” with ski slopes and many summer activities.



LYUBLINSKIY PARK (SURROUNDINGS)

Parameter	Data
Market value, Rubles	**9 438 356 000**
Address	Moscow, South-Eastern Administrative District, Lyublino District, Lyublinskaya Str.
Class of the project	Standard
Property type	Residential complex, commercial premises, parking
Development strategy	Development and sale
Development stage	Design (approved by the Urban Planning Land Commission)
Planned date of commissioning, including:	
1, 2 phases	Q4, 2024
3 phase	Q3, 2025
4, 5, 6. 7 phases	Q4, 2026
Site area, ha	21.7253
Total sellable area, sq. m, including	359,238
Residential premises	346,070
Commercial premises	13,168
Aboveground parking lots	950
Underground parking lots	825
Unsold area, sq. m	138,036
Estimated sale prices (as at the date of valuation), Rubles/ sq. m or lot	
Residential premises	220,000
Commercial premises	195,000
Aboveground parking	750,000
Underground parking	1,200,000
Total construction costs, Rubles	38,527,823,924
Total construction costs, Rubles / sq. m	59,119
Outstanding construction costs, Rubles	38,527,823,924
Discount rate	20%

Description

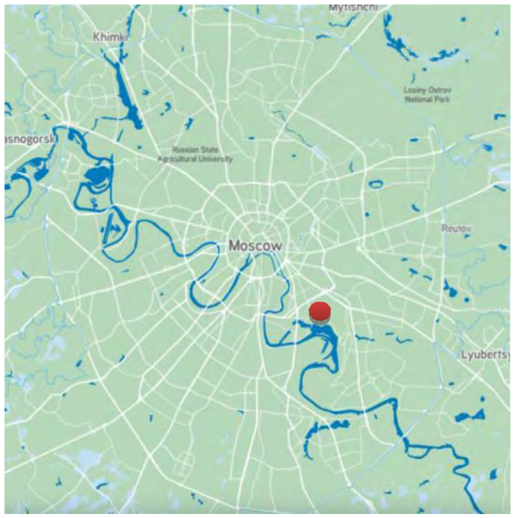
The residential complex will comprise 7 phases of residential multiapartment buildings of the standard class with a total building area over 551,000 sq. m and non-residential premises on the ground floors. The complex will be provided with 825 underground and 950 aboveground parking lots.

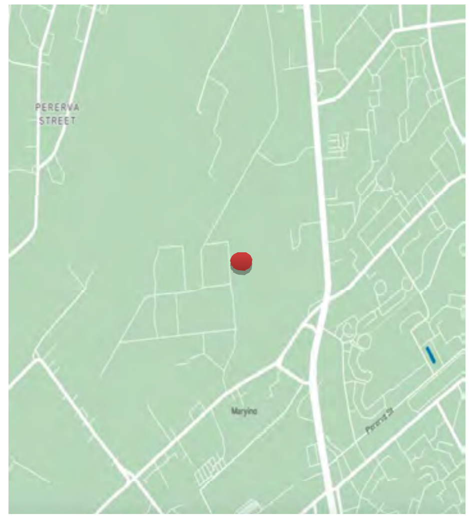
Location

The Project is located in Lyublino District of the South-Eastern Administrative District of Moscow.

The nearest metro station “Bratislavskaya” is located in 1.5 km from the Project. “Depo” and “Pererva” stations of the Kursk-Rizhsky Moscow Central Diameters (MCD-2) are located within a 15 minutes’ walking distance from the Project. There are no major thoroughfares in the immediate vicinity of the Project, the distance to the Moscow Ring Road is 5.8 km, to the Third Transport Ring - 6.8 km (directly). The distance from the Project to Andropov Ave. is 4.2 km (directly), to Volgogradsky Ave. - 5 km (directly).

There are residential, non-residential buildings, as well as facilities of social infrastructure and utilities in the surroundings of the Project





KRONSTADTSKIY 16, 18

Parameter	Data
Market value, Rubles	**1 950 603 000**
Address	Moscow, Northern Administrative District, Golovinsky District, Kronstadskiy Blvd.
Class of the project	Standard
Property type	Residential complex, commercial premises, parking
Development strategy	Development and sale
Development stage	Design
Planned date of commissioning, including:	
Stage 1	Q2, 2025
Stage 2	Q4, 2026
Site area, ha	2.3412
Total sellable area, sq. m, including	53,580
Residential premises	51,790
Commercial premises	1,790
Parking lots	290
Estimated sale prices (as at the date of valuation), Rubles/ sq. m or lot	
Residential premises	270,000
Commercial premises	250,000
Parking	1,300,000
Total construction costs, Rubles	6,859,880,181
Total construction costs, Rubles / sq. m	81,127
Outstanding construction costs, Rubles	6,859,880,181
Discount rate	20%

Description

The residential complex will comprise 2 phases of residential multiapartment buildings of the standard class with a total building area over 84,000 sq. m and non-residential premises on the ground floors. The complex will be provided with 290 underground parking lots.

Location

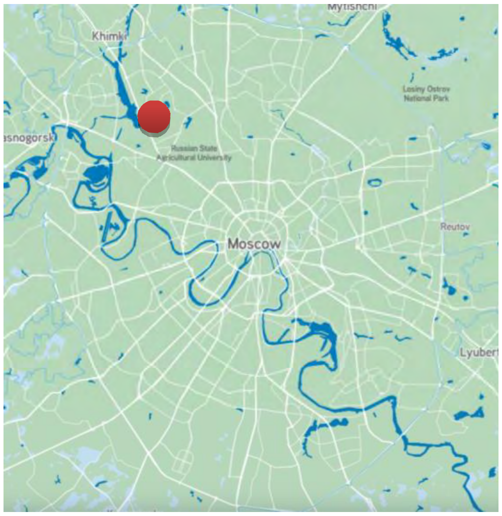
The Project is located in Golovinsky District of the Northern Administrative District.

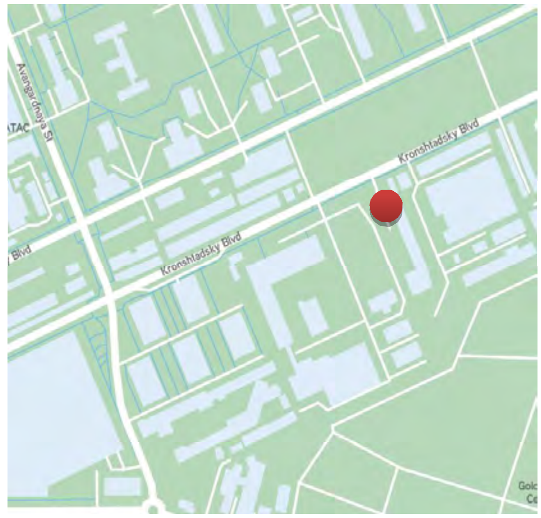
The nearest metro station “Water Stadium” is located in 780 m from the Project. “Baltiyskaya” and “Koptevo” stations of Moscow Central Ring are located in 1.9 km and 1.4 km from the Project.

The nearest to the Project major thoroughfare of the city is Leningradskoe Hwy. (in 1.1 km from the Project). The way to Leningradskoe Hwy. takes 7 minutes by car, to the North-Western Expressway and North-Eastern Expressway - 15 minutes. The Third Transport Ring can be reached in 15 minutes by car, the Moscow Ring Road – in 13 minutes.

Residential buildings, public and business facilities (schools, kindergartens, shops and shopping centres) are located in the surroundings of the Project.

The following parks are nearby the Project: the park at the Golovinsky ponds, the Druzhba park, the park of the Northern River Station.





APPENDIX 4. MARKET VALUE OF THE 100% OF SHARE IN SIGMA HOLDING OOO

DESCRIPTION OF SIGMA HOLDING OOO

In accordance with the Services Agreement No.293-07/V-21 dated August 09, 2021, the Project under valuation is the 100% share in SIGMA HOLDING OOO as at August 10, 2021.

General information about the company is given in the following table:

Parameter	Description
Full company name	Limited liability company SIGMA HOLDING
Abbreviated company name	SIGMA HOLDING OOO
OGRN	1217700252857 dated May 28, 2021
Legal / postal address	123242, Russian Federation, Moscow, Presnensky municipal district, Novinsky Blvd., 31, premise II, room 26
Main activity	Investment activities, management of holdings and provision of related services, management, law, accounting and audit consulting
Authorized capital, Rubles	10,120,000,000 (Ten Billion One Hundred and Twenty Million)

Source: Client's data

The list of SIGMA HOLDING OOO participants as at the date of valuation is given below:

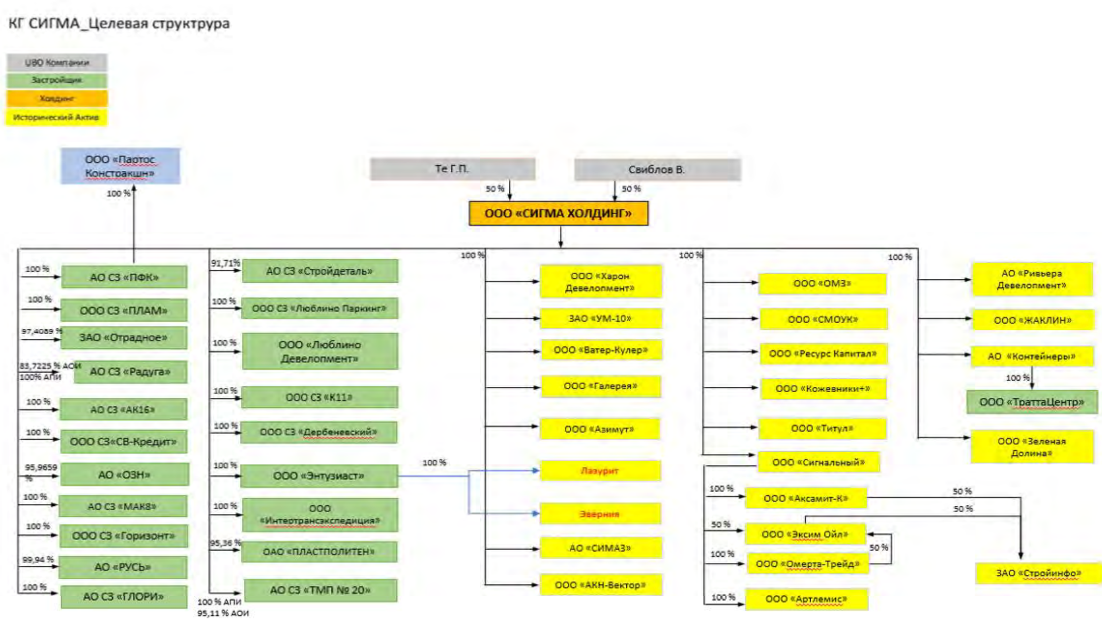
Participant	Nominal value of a share, Rubles	Share in the authorized capital, %
Tyo German Pavlovich (INN 770373147874)	5,060,000,000	50%
Sviblov Vladislav Vladimirovich (INN 761015289955)	5,060,000,000	50%
Total	10,120,000,000	100%

Source: Client's data

SIGMA HOLDING OOO and its subsidiaries (hereinafter the Group, the holding) are registered in the Russian Federation in the form of joint stock companies and limited liability companies. The holding comprises 47 companies as at August 10, 2021.

The Group's structure is given in the figure below (the scheme is provided by the Client).

The organizational structure of the holding (the scheme provided by the Client) :



General information about the companies of the Holding is given in the following table:

Name of the Company	OGRN	Date of OGRN	Legal / postal address	Authorized capital, thousand Rubles	SIGMA HOLDING OOO share, %[1]	Operating activity
"Azimut" OOO	1187746044573	19.01.2018	115114, Moscow, Derbenevskaya Str., 20, bld. 23, room 3.30, floor 3	125,000	100	Lease and management of own or leased real estate
SZ "AK16" AO	1027700394633	04.11.2002	115487, Moscow, 2nd Nagatinsky Proezd, 2	20,160	100	The activities of the customer-developer, general contractor
"AKN-Vektor" OOO	1187746044551	19.01.2018	115114, Moscow, Derbenevskaya Str., 20, bld. 12, room 2.2, floor 1	125,000	100	Lease and management of own or leased real estate
"Aksamit-K" OOO	5147746165738	01.10.2014	119017, Moscow, Kadashevskaya Emb., 6/1/2, building 1	200,000	100	Fee or contract management of real estate
"Artlemis" OOO	1127746604809	06.08.2012	121433, Moscow, Malaya Filyovskaya Str., 12, bld. 1	2,000,000	100	Lease and management of own or leased real estate
"Vater-Kuler" OOO	1047796077526	11.02.2004	119435, Russia, Moscow, Municipal District Khamovniki VN.TER.G., Bolshoy Savvinsky Ln., 16, floor 1	10,000	100	Rental and leasing of other scientific and industrial machinery and equipment
"Galereya" OOO	1057747105877	27.05.2005	119435, Russia, Moscow, Municipal District Khamovniki VN.TER.G., Bolshoy Savvinsky Ln., 16	10,000	100	Beverage production
SZ "GLORY" AO	1027739733328	09.12.2002	107553, Moscow, Amurskaya Str., 2A, bld. 3	12,592,840	100	Non-specialized wholesale trade
SZ "GORIZONT" OOO	1027739733328	09.12.2002	107553, Moscow, Amurskaya Str., 2A, bld. 3	12,592,840	100	Lease and management of own or leased real estate
SZ "DERBENEVSKIY" OOO	1207700131759	20.03.2020	115114, Moscow, Derbenevskaya Str., 20, bld. 8, floor 1, room 3.6	2,835,272,000	100	Construction of residential and non-residential buildings
"JAKLIN" OOO	1097746579655	29.09.2009	115487, Moscow, 2nd Nagatinsky Proezd, 6Б, floor 1, room 1	40,000	100	Non-specialized wholesale trade
"Intertransekspediciya" OOO	1167746610646	28.06.2016	109651, Moscow, Ilovayskaya Str., bld. 2B	23,181,520	100	Lease and management of own or leased real estate
SZ "K11" OOO	1207700077386	20.02.2020	125212, Russia, Moscow, Municipal District Golovinsky VN.TER.G., Kronstadsky Blvd., 11, floor 2, room 26	50,000		Business and management consulting
"KOZHEVNIKI+" OOO	1187746044562	19.01.2018	115114, Moscow, Derbenevskaya Str., 20, bld. 9, room 1, floor 2	125,000	100	Lease and management of own or leased real estate
"Lazurit" OOO	5087746659941	23.12.2008	127254, Moscow, Rustaveli Str., 14, bld. 12	10,000	100	Lease and management of own or leased real estate

[1] Including intragroup ownership

Name of the Company	OGRN	Date of OGRN	Legal / postal address	Authorized capital, thousand Rubles	SIGMA HOLDING OOO share, %[1]	Operating activity
"Lyublino Development" OOO	1177746995183	22.09.2017	123112, Moscow, Presnenskaya Emb., 8, bld. 1, floor 16, premise I, room 6	1,010,000	100	Business and management consulting
SZ "Lyublino Parking" OOO	1197746229427	01.04.2019	107023, Moscow, Malaya Semenovskaya Str., 9, bld. 8	10,000	100	The activities of the customer-developer, general contractor
SZ "MAK8" AO	1037739342486	31.01.2003	125212, Moscow, Kronstadsky Blvd., 9	135,409	100	Lease and management of own or leased real estate
"OZN" AO	1027700335123	21.10.2002	123557, Russia, Moscow, municipal district Presnensky VN.TER.G., Bolshoy Tishinsky Ln., 26, bld. 13-14	10,002,668	95.97	Production of soft drinks; production of mineral water and other bottled drinking water
"Omerta-Treid" OOO	5147746164022	01.10.2014	119017, Moscow, Kadashevskaya Emb., 6/1/2, bld. 1	200,000	100	Lease and management of own or leased real estate
"OMZ" OOO	1057747559418	25.07.2005	125239, Moscow, Starokoptevsky Ln., 7, bld. 7	56,023,000	100	Lease and management of own or leased real estate
"Otradnoye" 3AO	1037715062461	06.08.2003	127273, Moscow, Signalny Proezd, 16, bld. 20	64,003,183	97.41	Lease and management of own or leased real estate
SZ "PLAM" OOO	1197746104082	13.02.2019	107023, Moscow, Malaya Semenovskaya Str., 9, bld. 3	10,000	100	The activities of the customer-developer, general contractor
"PLASTPOLITELEN" AO	1027700008742	08.07.2002	115487, г. Moscow, 2nd Nagatinsky Proezd, 6A	11,996	95.36	The activities of the customer-developer, general contractor
SZ "PTF" AO	1137746417830	16.05.2013	129110, Moscow, Banny Ln., 2, bld. 1	10,000	100	Business and management consulting
SZ "Raduga" AO	1027700092078	02.08.2002	127273, Moscow, Signalny Proezd, 16, bld. 27	46,288,086	100	Business and management consulting
"Resurs Kapital" OOO	1187746044540	19.01.2018	115114, Moscow, Derbenevskaya Str., 20, bld. 12	125,000	100	Lease and management of own or leased real estate
"Riv'era Development" AO	1187746981289	05.12.2018	129329, Moscow, Kol'skaya Str., 8	35,000	100	Business and management consulting
"RUS'" AO	1037739514141	08.02.2003	107241, Moscow, Amurskaya Str., 2	35,668,270	99.94	Lease and management of own or leased real estate
"SV-Kredit" OOO	1027739670573	02.12.2002	127273, Moscow, Signalny Proezd, 16, bld.2	18,400	100	Lease and management of own or leased real estate
"Signalny" OOO	1197746245641	08.04.2019	107023, Moscow, Malaya Semenovskaya Str., 9, bld. 8	10,000	100	Business and management consulting
"SIMAZ" AO	1037739373484	03.02.2003	125212, Moscow, Kronstadsky Blvd., 9, bld. 2	50,000	100	Accounting, financial audit, tax consulting
"SMOUK" OOO	1197746256124	11.04.2019	107023, Moscow, Malaya Semenovskaya Str., 9, bld. 8	1,441,091,000	100	Business and management consulting
SZ "Stroydetal'"	10277391	30.08.2002	129329, Moscow,	60,088,050	91.71	Manufacture of plastic

Name of the Company	OGRN	Date of OGRN	Legal / postal address	Authorized capital, thousand Rubles	SIGMA HOLDING OOO share, %[1]	Operating activity
AO	32662		Kol'skaya Str., 8			products used in construction
"Stroyinfo" ЗАО	10277390 51669	07.08.2002	117624, Moscow, Skobelevskaya Str., 1	11,000,000		Business and management consulting
"Titul" OOO	10577463 75290	04.03.2005	127254, Moscow, Rustaveli Str., 14, bld. 1	10,000	100	Provision of other financial services, except for insurance and pension services
SZ "TMP No.20" AO	10277390 37457	01.08.2002	127282, Moscow, Polyarnaya Str., 39, bld. 1, room 29, floor 4	13,053,240	98.03	Lease and management of own or leased real estate
"UM-10" ЗАО	11077464 03280	17.05.2010	115533, Moscow, 1st Nagatinsky Proezd, 13,bld. 4	346,000	100	Lease and management of own or leased real estate
"Kharon Development" OOO	12077000 53648	10.02.2020	115487, Russia, Moscow, Municipal District Nagatino-Sadovniki VN.TER.G., 1st Nagatinsky Proezd, 13	10,000	100	Lease and management of own or leased real estate
"Everniya" OOO	10777637 71645	13.12.2007	127254, Moscow, Rustaveli Str., 14, bld. 12	10,000	100	Leasing out of the own real estate
"Eksim Oil" OOO	10250018 16025	22.10.2002	127273, Moscow, Signalny Proezd, 16, bld. 2	10,000	50	Wholesale trade in food, beverages and tobacco
"Entuziast" OOO	12077000 76759	20.02.2020	127254, Russia, Moscow, municipal district Butyrsky VN.TER.G., Rustaveli Str., 14, bld. 12, floor 3, room 4	50,000	100	Business and management consulting
"Patros Konstrakshn" OOO	12077003 53190	25.09.2020	123112, Moscow, Presnenskaya Emb., 8, bld. 1	10,000	100	Business and management consulting
"Konteinery" AO	12077004 99269	28.12.2020	111399, Russia, Moscow, Municipal District Perovo VN.TER.G., Federativny Pr., 5, bld. 1	35,000	100	Business and management consulting
"TRATTA-CENTR" OOO	11577460 21730	14.01.2015	125212, Moscow, Kronstadsky Blvd., 18	5,000,000	100	Holding companies
"Zelenaya Dolina" OOO	12077002 81030	10.08.2020	119435, Russia, Moscow, Municipal District Khamovniki VN.TER.G., Bolshoy Savvinsky Ln., 16, floor 1	100,000	100	Lease and management of own or leased real estate
"Viktoriya" AO	10277002 07941	11.09.2002	107553, Moscow, Amurskaya Str., 1, bld. 10, office 15	16,396,000	24.94	Non-specialized wholesale trade

Source: Client's data

The main activity of the holding entities is the development of residential complexes comprising multiapartment buildings and engineering infrastructure facilities in accordance with the Federal Law No. 214-FZ dated December 30, 2004 “On participation in the shared construction of multiapartment buildings and other real estate properties and on amendments to some legislative acts of the Russian Federation”, as well as the sale of real estate properties and sites.

The Group operates in Moscow. The real estate development is carried out using bank finance within the framework of project financing. In general, the residential complexes under construction are located on the municipal sites leased by the holding entities from the Moscow City Property Department; the holding entities also own a part of the sites.

The main clients of the holding entities are individuals, the main suppliers are companies belonging to PIK Group of Companies.

As at August 10, 2021, 10 projects of Sigma Holding are in the active stage of development and 6 more will be launched in the near future. In total, Sigma Holding plans to develop about 3,5 million sq. m of residential projects. The list of ongoing and planned investment and development projects is given in the following table:

No.	Project	Developer
1	Lyublinskiy Park	“Lyublino Development” OOO
2	Amurskiy Park	SZ “Glory” AO
3	Signalny 16	SZ “Raduga” AO
4	Rustaveli 14	SZ “PLAM” OOO
5	Kronstadtskiy 9	SZ ”MAK8” AO
6	Kronstadtskiy 14	SZ “Gorizont” OOO
7	Second Nagatinsky	SZ “AK-16” AO
8	Mitinsky Forest	SZ “PFK” AO
9	Derbenevskaya 20	SZ “Derbenevskiy” OOO
10	Kol’skaya 8	SZ “Stroydetal’” AO
11	Polyarnaya 39	SZ “TMP 20” AO
12	Kronstadtskiy 11	SZ “K11” OOO
13	Rustaveli 14 (surroundings)	“Entuziast” OOO
14	Nagatinsky (surroundings)	“PLASTPOLITELEN” OAO
15	Lyublinskiy Park (surroundings)	“Intertransexpediciya” OOO
16	Kronstadtskiy 16,18	“TRATTA-CENTR” OOO

Source: Client’s data

MARKET VALUE ESTIMATION OF THE 100% SHARE IN SIGMA HOLDING OOO

The market value of the Property was estimated under the net asset method within the Cost Approach.

The balance sheet items estimation involved in the calculating the value of net assets was carried out as at the date of valuation based on the financial statements dated August 10, 2021, taking into account the explanations of various balance sheet items provided by the Client as at the reporting date, as well as comments to them.

The calculation algorithm was the following:

1. Assets adjustments:

- The market value of the intangible assets, deferred tax assets, inventories, value added tax on acquired valuables, accounts receivable, cash and cash equivalents, other current assets was accepted equal to the book value as at the date of valuation.
- The market value of the fixed assets, income investments in tangible assets, other non-current assets of the Group's entities was estimated as the value of the development projects.
- Financial investments (long-term and short-term): the market value of the interests in the authorized capital of the Group's entities was estimated by the net assets method. The calculation took into account the size of the participation share, the value of intra-group loans was not adjusted.

2. Liabilities adjustments:

- Borrowed funds (long-term and short-term), other liabilities (long-term and short-term): adjusted for the amounts taken into account when calculating the cost of investment in the development projects in order to avoid double counting.
- Accounts payable, deferred tax liabilities, estimated liabilities (long-term and short-term): the market value was accepted equal to the book value as at the date of valuation.

3. Calculation of the net assets: the value of the company's own funds = the value of assets - the value of all company liabilities.
4. If the Group's company has preference shares, their value was determined using data of the Russian Reference Book of Market Adjustments (SRK-2021, edited by E. E. Yaskevich) on the ratio of preference shares value to the ordinary shares value in the period closest to the date of valuation = 0.74.

The calculations are given in the following tables.

The summary of the estimation of the market value of the 100% share in SIGMA HOLDING OOO:

Parameter	Line code	Book value as at August 10, 2021, thousand Rubles	Adjustment, thousand Rubles	Market value as at August 10, 2021, thousand Rubles	Share, %
ASSETS					
Financial investments	1170	32,555,425	105,759,923	138,315,348	76.46%
Deferred tax assets	1180	19	0	19	0.00%
Value added tax on acquired assets	1220	15	0	15	0.00%
Receivables	1230	311,320	0	311,320	0.73%
Financial investments (exclusive of cash equivalents)	1240	9,707,537	0	9,707,537	22.80%
Cash and cash equivalents	1250	4,658	0	4,658	0.01%
Total assets		42,578,974	105,759,923	148,338,897	**100.00%**
LIABILITIES					
Borrowings	1510	3,113	0	3,113	0.01%
Accounts payable	1520	58,253,388	0	58,253,388	99.99%
Total liabilities		58,256,501	0	58,256,501	**100.00%**
Net assets (assets less liabilities)		-15,677,527	105,759,923	90,082,396	

Source: Client's data, Valuer's calculations

The summary of the estimation of of the financial investments of SIGMA HOLDING OOO

Name of the Company	Book value, thousand Rubles	Share in the authorized capital, %	Value, thousand Rubles
AZIMUT OOO	832,000.00	100	763,541
AKN-VEKTOR OOO	910,000.00	100	863,446
Vater Kuler OOO	332,000.00	100	303
Galereya OOO	332,000.00	100	684
JAKLIN OOO	174,982.50	100	-89
KOZHEVNIKI+ OOO	806,000.00	100	1,006,716
KONTEINERY AO	35.00	100	371,728
OMZ OOO	1,441,081.00	100	35,642
RESURS KAPITAL OOO	52,000.00	100	68,170
RIV'ERA DEVELOPMENT AO	352,000.00	100	-1,305,543
SIGNALNY OOO	10.00	100	-5,164,489
SIMAZ AO	1,005,159.00	100	304,614
SMOUK OOO	1,441,091,00	100	1,175,759
TITUL OOO	51,000.00	100	-18,391
UM-10 3AO	650,000.00	100	-2,420
KHARON DEVELOPMENT OOO	1,200,000.00	100	-108,891

Name of the Company	Book value, thousand Rubles	Share in the authorized capital, %	Value, thousand Rubles
Eksim Oil OOO	538,877.56	50	16,367
ENTUZIAST OOO	0.05	100	3,179,601
ZELENAYA DOLINA OOO	100.00	100	122,139
Intertransekspediciya OOO	1,020,986.00	100	8,161,497
LYUBLINO DEVELOPMENT OOO	246,466.00	100	15,193,972
SZ MAK8 AO	1,811,763.00	100	8,733,618
OZN AO	692,882.00	77.55	-134,892
OTRADNOYE 3AO	355,308.00	97.41	481,794
PLASTPOLITELEN AO	842,925.00	95.36	4,567,246
RUS' AO	936,867.00	99.94	77,118
SZ AK16 AO	1,261,363.00	100	11,138,622
SZ GLORY AO	951,298.00	100	16,373,221
SZ GORIZONT OOO	866,288.00	100	6,307,199
SZ DERBENEVSKIY OOO	2,835,272.00	100	10,962,947
SZ K11 OOO		100	773,556
SZ LYUBLINO PARKING OOO	100.00	100	44
SZ PLAM OOO	143,619.00	100	16,157,915
SZ PFK AO	6,046,516.00	100	11,341,747
SZ RADUGA AO	1,647,857.00	100	12,445,661
SZ STROYDETAL' AO	2,006,806.00	91.71	10,320,022
SZ TMP N20 AO	770,773.00	100 Preference shares, 95.11 Common shares	4,105,173
TOTAL	**32,555,425,11**	**3,611.97**	**138,315,348**

Source: Client's data, Valuer's calculations

APPENDIX 5. MARKET OVERVIEW

INVESTMENT CLIMATE OF RUSSIA

Key outcomes

	H1 2019	H1 2020	H1 2021
Total investment volume, $ mln	474.7	839.5	743
Moscow market, prime yields, %			
Office market	9.5–10.5	9-10	9–9.5
Retail market	9.5-10.5	9-10	9-10
Industrial market	12-13	11.5–12.5	10.5–11.5

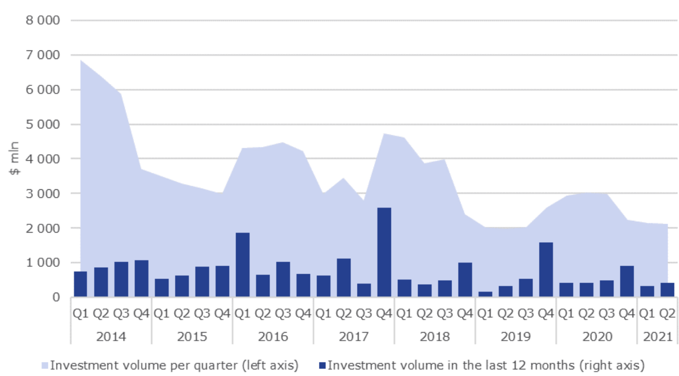
Source: Colliers

Key outcomes

After a relatively modest start to the year, when investment activity was 18% below the average investment volume over the past five years, the volume of investments in Q2 2021 reached $408 million, which is comparable to the result of Q2 2020 ($423 million) and 25% higher than in the same period of 2019. The total volume of transactions in commercial real estate in Jan-Jun 2021 amounted to $743 million, which is 11% lower than in H1 2020. The volume of investments over the last 12 calendar months remains at the level of $2 billion.

As in the previous year, the greatest interest in the investment market is concentrated around the warehouse segment. The main players here are closed-end mutual funds, such as Sberbank Asset Management and its funds, VTB-Capital - rental income and a number of other management companies and funds. The number of players in this segment is gradually increasing. Recent examples include PNK Group, which has spun off CEIF PNK rental in its business structure, consolidating more than 100,000 sq m of quality warehouses with a total value of over 4 billion rubles.

Investment volume



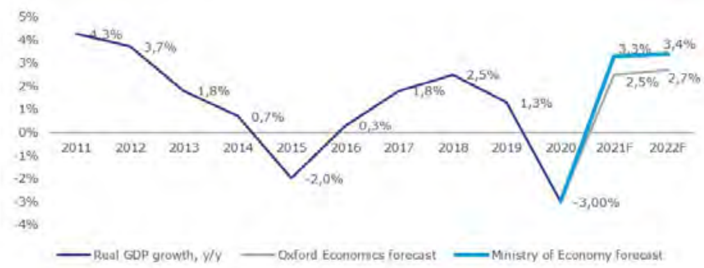
Source: Colliers

Macroeconomics

According to Oxford Economics, despite the ongoing recovery, the economy was unable to restore from the recession in the first quarter. The GDP growth forecast for 2021 remains at the level of 2.5%, the forecast for 2022 is at the level of 2.7%.

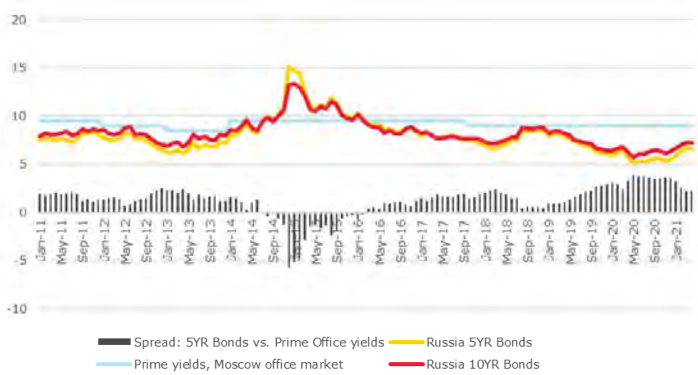
Against the background of rising inflation rates, the Central Bank is changing its monetary policy, consistently increasing the key rate from 4.25% at the beginning of the year to 5.5% at the end of June 2021, and further 6.5% in July. As a result, we observed yield adjustments for government securities. Thus, the yield on ten-year bonds of the Russian Federation fluctuates in the range of 7.2-7.3% against the current office prime yield at the level of 9-9.5%. We expect an increase in capitalization rates following an increase in the key rate and an increase in the cost of debt financing for the implementation of new projects, but the real estate market will react to current events with a traditional delay of 6-9 months.

GDP dynamics and forecasts 2021-2022



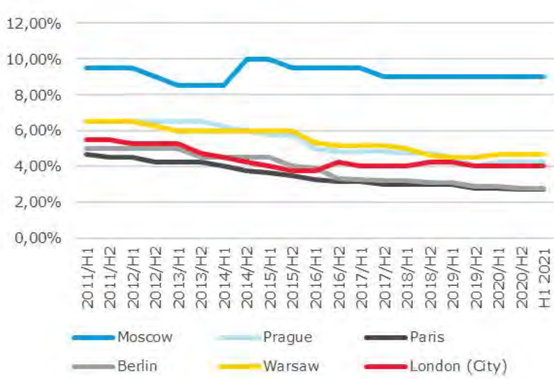
Source: Rosstat, Oxford Economics

Russian Bonds and Office prime yield dynamics, %



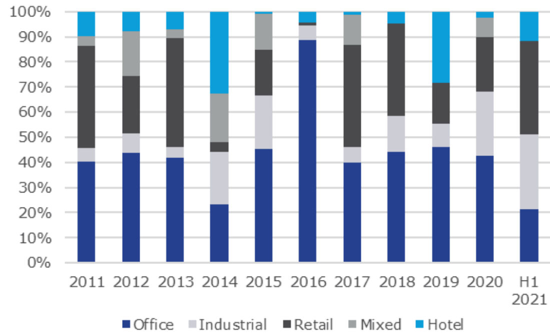
Source: Colliers

Office prime yields, International comparison



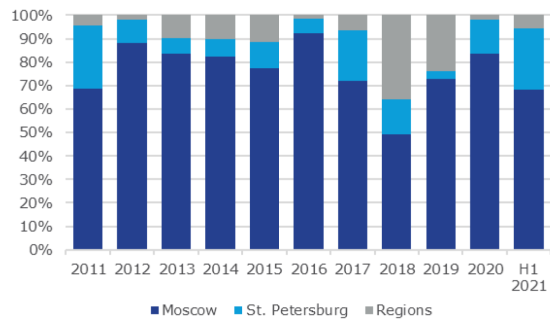
Source: Colliers

Investment volume distribution by segment



Source: Colliers

Distribution of investment volumes by region



Source: Colliers

Investment distribution

In H1 2021, the warehouse segment accounted for 29.5% of the total volume of transactions, or $219 million. Major transactions include the sale of the Nordway warehouse complex in St. Petersburg and the purchase of the Sever-4 warehouse complex in the Moscow region by the company PLT ("Professional Logistic Technologies").

The retail segment generated $276 million, or 37% of total investments. It should be noted that, despite the significant numbers, the bulk of transactions fell on the buyout of shares in large premium properties, or their consolidation. For example, the company Bonum Capital completed the consolidation of the shares of the Tsvetnoy department store. Other major deals include the purchase by Prada their street-retail premises in Stoleshnikov Lane and the sale of SC 'On Begovaya'. The dominant number of transactions in the retail segment were closed in the Moscow region.

As for the office segment, where investment activity is still at the lowest level for the last ten years, the main obstacle to the revitalization of the market is the insufficient volume of high-quality supply in exposition. In addition, difficulties in strategizing the use of offices in the long term are holding back the interest of small investors and end-users in buying office buildings. As a result, in H1 2021, an atypical picture was observed on the market, when 70% of office transactions were concentrated in St. Petersburg and only 30% in Moscow, while usually the average share of St. Petersburg office investment transactions falls within 10-20%. The largest transactions in H1 2021 were the purchase of the Technopolis Pulkovo business complex by Sterkh Corporation and the acquisition in St. Petersburg of two buildings in the central part of the city, on Millionnaya Street, by Senator, one of the main developers and owners of office real estate in the city.

Russian capital in H1 2021 formed 96% of the volume of investments - the second largest indicator in the last fifteen years (before that, in 2016, the share of Russian capital was 98%). Foreign investment growth is hindered by foreign exchange and political risks, as well as by the current epidemiological uncertainty and closed countries, limiting opportunities for communication and asset valuation.

From a geographical point of view, during the analyzed period, there was a higher investment activity in the St. Petersburg market. As a result, the share of investments in the Moscow region at the end of June 2021 amounted to 68% (at the end of 2020 - 79%). St. Petersburg accounted for 26% of investments in the first six months (11% in 2020).

Key investment deals, H1 2021

City	Segment	Name	Seller	Buyer
Moscow	Hotel	Pekin Hotel	Hals-Development	Zhemchuzhina Hotel Complex
St. Petersburg	Office	Technopolis Pulkovo	Technopolic Oyj	Sterkh Corporation
St. Petersburg	Industrial	Nordway industrial complex	Sinn Development	Central Properties
Moscow	Retail	Tsvetnoy Department Store	VEB	Bonum Capital
Moscow	Industrial	Orientir Sever-4	Orientir Group of Companies	PLT
Moscow	Retail	SC Okhotny Ryad (10% share)	Sberbank	Alexander Zanadvorov
St. Petersburg	Office	Historical buildings, 5-6 Millionnaya St		Imperiya Holding Company (Senator MC)

Source: Colliers

Trends and forecasts

According to our estimates, 2021 may show an increase in investment in commercial real estate, while maintaining geopolitical stability and recovering economic indicators. As in the previous year, investors show their main interest in warehouse assets, high-quality office projects in the CBD, as well as retail real estate with a stabilized rental flow and a high-quality tenant-mix. We expect that the bulk of capital will continue to be concentrated in the Moscow region, as was the case in previous periods.

As for the sources of capital, Russian capital will dominate the market. According to our estimates, the volume of investments in commercial real estate in 2021 will remain in the range recorded in recent years - $ 2.2-2.5 billion. At the same time, the limitation of investment volumes will not so much be due to a lack of interest in high-quality assets on the part of potential investors how much will result from the low volume of supply in the market.

Some uncertainty in the market is also formed in connection with the possible adoption of additional restrictive quarantine measures caused by the spread of the third wave of COVID-19. However, according to our estimates, these restrictions will have a low impact on investor activity: on the one hand, a significant part of transactions is closed with Russian capital, on the other hand, the previous year has already formed a certain experience of actions in similar situations.

MOSCOW RESIDENTIAL MARKET OVERVIEW

Key indicators, Q2 2021

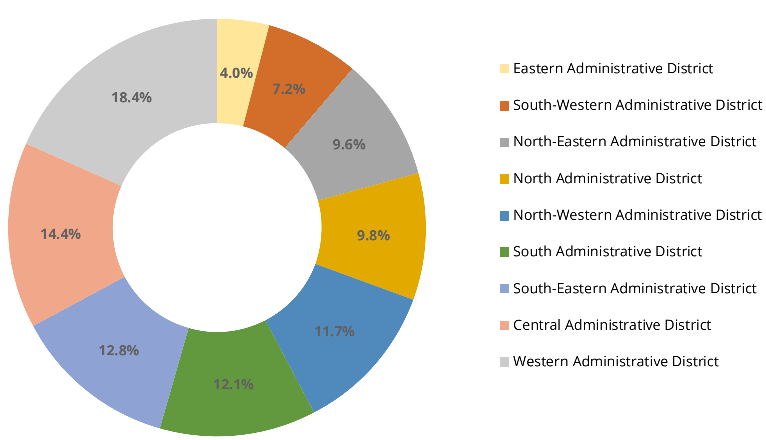
Class / Indicator	Value / Change Q2 2021 compared to Q1 2021
Compfort	
Volume of supply	624.2 ths. sq. m (- 21.7%)
Volume of demand	522 ths. sq. m (- 1.7%)
Average weighted offer price	240.3 ths. RUB/ sq. m (+12.2%)
Business	
Volume of supply	679.2 ths. sq. m (- 12.6%)
Volume of demand	379 ths. sq. m (+ 18.4%)
Average weighted offer price	347.7 ths. RUB/ sq. m (+ 11.8%)
Premium	
Volume of supply	173.3 ths. sq. m (+ 4.4%)
Volume of demand	29 ths. sq. m (- 31.0%)
Average weighted offer price	595.8 ths. RUB/ sq. m (- 3.6%)
Elite (flats and apartments)	
Volume of supply	127.8 ths. sq. m (- 14.1%)
Volume of demand	23 ths. sq. m (+ 155.6%)
Average weighted offer price	1.187 mln RUB/ sq. m (+ 11.4%)

Source: https://www.estatet.ru/

In Q2 2021 the volume of supply in the primary residential market of Moscow decreased by 389.8 ths. sq. m (- 16.5% compared to Q1 2021) and decreased by 32.5% compared to the same period in 2020. The number of lots for sale decreased by 15.5% during Q2 2021, and by 30.3% during the year.

The leader in terms of supply volume is the Western Administrative District with a share of 18.4%. The next goes the Central Administrative District with a share of 14.4%. The South-Eastern Administrative District is on the third place with a share of 12.8%.

Total structure of supply by districts



Source: https://www.estatet.ru/

In Q2 2021 the comfort class has the main share in the total volume of supply: 52%, the business class: 39.3%, premium class: 8.3% and the elite segment: 0.3%.

It was expected that the mortgage rates would start to grow (against the background of an increase in the key rate of the Central Bank) and the program of the state subsidies for mortgages would undergo changes. As a result, the volume of demand in Q2 2021 exceeded the indicators of the previous quarter by 8.4%. Compared to Q2 2020, the volume of demand in the primary market of flats and apartments within the boundaries of old Moscow has almost doubled.

Due to the high demand the prices have continued to grow. In Q2 2021 the average weighted offer price in all classes increased by 11.5% and amounted to 406 ths. RUB/ sq. m (including the elite segment).

Volume of supply, demand and average weighted offer price

Source: https://www.estatet.ru/

INDEX TO FINANCIAL STATEMENTS

Consolidated Interim Condensed Financial Statements of the Group as at and for the Six-month period ended 30 June 2021 F-2

Consolidated Interim Condensed Statement of Financial Position F-4
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income F-6
Consolidated Interim Condensed Statement of Changes in Equity F-7
Consolidated Interim Condensed Statement of Cash Flows F-9
Notes to the Consolidated Interim Condensed Financial Statements.. F-11
Supplementary information not required by IFRS F-41
Independent Auditor's report on Review of Consolidated Interim Condensed Financial Statements'...... F-42

Consolidated Financial Statements of the Group for 2020 F-44

Consolidated Statement of Financial Position F-46
Consolidated Statement of Profit or Loss and Other Comprehensive Income.. F-48
Consolidated Statement of Changes in Equity.. F-50
Consolidated Statement of Cash Flows F-52
Notes to the Consolidated Financial Statements... F-54
Supplementary information not required by IFRS F-127
Independent Auditor's Report.. F-128

Financial Statements of the Group for 2019 F-134

Consolidated Statement of Financial Position F-136
Consolidated Statement of Profit or Loss and Other Comprehensive Income.. F-138
Consolidated Statement of Cash Flows F-141
Notes to the Consolidated Financial Statements... F-143
Supplementary information not required by IFRS F-204
Independent Auditor's Report.. F-205

Public Joint Stock Company “PIK-specialized homebuilder”

Consolidated Interim Condensed Financial Statements as at and for the six-month period ended 30 June 2021

Contents

Consolidated Interim Condensed Financial Statements

Consolidated Interim Condensed Statement of Financial Position	3
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income	5
Consolidated Interim Condensed Statement of Changes in Equity	6
Consolidated Interim Condensed Statement of Cash Flows	8
Notes to the Consolidated Interim Condensed Financial Statements	10-39
Supplementary information not required by IFRS	40
Independent Auditors' Report on Review of Consolidated Interim Condensed Financial Statements	41

Consolidated Interim Condensed Statement of Financial Position as at 30 June 2021

mln RUB	Note	30 June 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	12	39,206	35,546
Intangible assets and goodwill	13	14,569	14,033
Investment property	14	7,437	6,880
Equity-accounted investees		220	8
Other investments		232	218
Accounts receivable, including contract assets	16	271	663
Financial instruments measured at fair value through profit and loss	20	91,157	34,378
Deferred tax assets		8,211	4,747
Total non-current assets		**161,303**	**96,473**
Current assets			
Inventories	15	360,750	306,990
Other investments		2,924	454
Current income tax assets		3,583	1,785
Accounts receivable, including contract assets	16	225,695	145,341
Cash and cash equivalents	19	52,918	96,527
Other current assets		2,099	1,238
Total current assets		**647,969**	**552,335**
Total assets		**809,272**	**648,808**

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 39.

Consolidated Interim Condensed Statement of Financial Position
as at 30 June 2021

mln RUB	Note	30 June 2021	31 December 2020
EQUITY AND LIABILITIES			
Equity	21		
Share capital		41,295	41,295
Additional paid-in capital		(8,470)	(8,470)
Translation reserve		2	-
Retained earnings		186,379	147,343
Total equity attributable to owners of the Company		**219,206**	**180,168**
Non-controlling interests	24	2,485	2,143
Total equity		**221,691**	**182,311**
Non-current liabilities			
Loans and borrowings	23	233,463	197,329
Accounts payable	22	13,558	7,450
Liabilities from long-term lease contracts	17	8,979	10,210
Provisions	26	187	153
Deferred tax liabilities		42,810	33,813
Total non-current liabilities		**298,997**	**248,955**
Current liabilities			
Loans and borrowings	23	104,022	34,766
Accounts payable, including contract liabilities	22	146,410	145,263
Liabilities from long-term lease contracts	17	5,811	3,753
Provisions	26	28,313	27,341
Current income tax liabilities		4,028	6,419
Total current liabilities		**288,584**	**217,542**
Total liabilities		**587,581**	**466,497**
Total equity and liabilities		**809,272**	**648,808**

These consolidated interim condensed financial statements were approved by the Board of Directors on 27 August 2021 and were signed on its behalf by:

S. E. Gordeev
CEO

E. S. Smakovskaya
Vice-President for Economics and Finance – Financial Director

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 39.

Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income for the six-month period ended 30 June 2021

mln RUB	Note	Six-month period ended 30 June 2021	Six-month period ended 30 June 2020
Revenue	7	189,279	138,529
Cost of sales		(143,262)	(103,653)
Gross profit		**46,017**	**34,876**
Net gain on disposal of subsidiaries, associates and investment property		66	10
Distribution expenses		(2,714)	(3,604)
Administrative expenses	9	(7,225)	(6,284)
Profit from change in fair value of investment property	14	606	-
Impairment losses on non-financial assets, net	18	(163)	(116)
Other expenses, net	10	(1,534)	(1,309)
Profit from operating activities		**35,053**	**23,573**
Finance income	8	57,994	5,300
Finance costs	8	(6,809)	(3,149)
Significant financing component from contracts with customers	8	(1,533)	(1,870)
Profit from financing activities		**49,652**	**281**
Share in profit/(losses) of equity-accounted investees, net of income tax		4	(114)
Profit before income tax		**84,709**	**23,740**
Income tax expense	11	(15,286)	(5,754)
Profit for the reporting period		**69,423**	**17,986**
Items that are or may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		2	-
Other comprehensive income for the reporting period		**2**	**-**
Total comprehensive income for the reporting period		**69,425**	**17,986**
Attributable to:			
Shareholders of the Company		69,083	18,201
Non-controlling interests	24	342	(215)
Total comprehensive income for the reporting period		**69,425**	**17,986**
Basic and diluted profit per share, RUB	21 (b)	**104.59**	**27.56**

The consolidated interim condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 39.

Consolidated Interim Condensed Statement of Changes in Equity for the six-month period ended 30 June 2021

		Equity attributable to owners of the Company					
mln RUB	**Note**	**Share capital**	**Additional paid-in-capital**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2020		**41,295**	**(8,470)**	**75,962**	**108,787**	**1,501**	**110,288**
Profit for the reporting period		-	-	18,201	**18,201**	(215)	**17,986**
Total comprehensive income for the reporting period		-	-	**18,201**	**18,201**	**(215)**	**17,986**
Transactions with owners of the Company							
Decrease of non-controlling interests due to restructuring of subsidiaries	24	-	-	-	-	(70)	**(70)**
Total transactions with owners of the Company		-	-	-	-	**(70)**	**(70)**
Balance at 30 June 2020		**41,295**	**(8,470)**	**94,163**	**126,988**	**1,216**	**128,204**

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 39.

Consolidated Interim Condensed Statement of Changes in Equity for the six-month period ended 30 June 2021

		Equity attributable to owners of the Company						
mln RUB	**Note**	**Share capital**	**Additional paid-in-capital**	**Translation reserve***	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2021		**41,295**	**(8,470)**	**-**	**147,343**	**180,168**	**2,143**	**182,311**
Profit for the reporting period		-	-	-	69,081	**69,081**	342	**69,423**
Other comprehensive income								
Foreign currency translation differences for foreign operations*		-	-	2	-	2	-	2
Other comprehensive income for the reporting period		-	-	2	-	2	-	2
Total comprehensive income for the reporting period		-	-	2	69,081	69,083	342	69,425
Transactions with owners of the Company								
Dividends	21 (a)	-	-	-	(30,045)	**(30,045)**	-	**(30,045)**
Total transactions with owners of the Company		-	-	-	(30,045)	(30,045)	-	(30,045)
Balance at 30 June 2021		**41,295**	**(8,470)**	**2**	**186,379**	**219,206**	**2,485**	**221,691**

*Assets and liabilities of subsidiaries, including goodwill and fair value adjustments on acquisition, are translated to RUB at the exchange rates at the reporting date. The income and expenses of foreign subsidiaries are translated to RUB at exchange rates at the dates of transactions. Foreign exchange gains are recognised in other comprehensive income and are presented as part of equity in the translation reserve item when translated from other currencies.

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 39.

Consolidated Interim Condensed Statement of Cash Flows for the six-month period ended 30 June 2021

mln RUB	Note	Six-month period ended 30 June 2021	Six-month period ended 30 June 2020
Cash flows from operating activities			
Profit for the reporting period		**69,423**	**17,986**
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	12,13	2,285	1,721
Impairment losses on non-financial assets, net	18	163	116
Loss from disposal of property, plant and equipment, intangible assets and other assets	10	692	423
Profit from change in fair value of investment property	14	(606)	-
Net gain on disposal of subsidiaries, associates and investment property		(66)	(10)
Share in (profit)/losses of equity-accounted investees, net of income tax		(4)	114
Finance income	8	(57,994)	(5,300)
Finance costs	8	6,809	3,149
Income tax expense	11	15,286	5,754
		35,988	**23,953**
Changes in:			
Inventories and other current assets		(49,639)	(19,343)
Accounts receivable, including contract assets		(86,934)	(23,549)
Accounts payable, including contract liabilities and changes in provision for taxes, other than income tax		6,961	(2,616)
Provisions		317	4,611
Cash flows used in operations before income taxes and interest*		**(93,307)**	**(16,944)**
Income taxes paid		(13,775)	(2,485)
Interest paid		(6,397)	(4,244)
Net cash used in operating activities		**(113,479)**	**(23,673)**

* Cash flows from operating activities do not include funds placed on escrow accounts in authorised banks by account holders (real estate customers) as a consideration paid under share participation agreements in the amount of RUB 81,810 million (in the six months ended 30 June 2020: RUB 20,139 million).

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 39.

Consolidated Interim Condensed Statement of Cash Flows for the six-month period ended 30 June 2021

mln RUB	Note	Six-month period ended 30 June 2021	Six-month period ended 30 June 2020
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		91	34
Interest received		1,721	1,707
Acquisition of property, plant and equipment and other intangible assets		(4,416)	(976)
Acquisition of subsidiaries, net of cash acquired		-	163
Acquisition of equity-accounted investees, including advances issued for acquisition of investees		(341)	-
Proceeds from disposal of associates and subsidiaries, net of cash		757	1,964
Proceeds from disposal of investment property and refund of prepayments received for the sale of investment property		(4,796)	66
Loans issued		(2,668)	(219)
Repayment of loans issued		271	20
Net cash (used in)/from investing activities		**(9,381)**	**2,759**
Cash flows from financing activities			
Payments for cash-settled financial instruments	20	(860)	(1,287)
Payments for lease liabilities		(2,655)	(1,238)
Proceeds from borrowings		150,518	64,645
Repayment of borrowings		(26,600)	(23,725)
Proceeds from issuance of bonds		-	15
Repurchase of bonds		(11,040)	(5,660)
Acquisition of non-controlling interests without change in control		(50)	-
Payment of dividends	21 (a)	(30,039)	-
Net cash from financing activities		**79,274**	**32,750**
Net (decrease)/increase in cash and cash equivalents		(43,586)	11,836
Effect of exchange rate fluctuations on cash and cash equivalents		(23)	7
Cash and cash equivalents at the beginning of the period		96,527	66,208
Cash and cash equivalents at the end of the period		**52,918**	**78,051**

Information on offset of operating and financing operations is presented in note 19.

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 39.

Notes to the Consolidated Interim Condensed Financial Statements as at and for the six-month period ended 30 June 2021

1 General information

(a) Organisation and operations

Public Joint Stock Company "PIK-specialized homebuilder" (the "Company") and its subsidiaries (together referred to as the "Group") comprise closed and open joint stock companies and limited liability companies incorporated under requirements of the Civil Law of the Russian Federation and entities registered in Cyprus, the Philippines and the Netherlands. The Company was established as a privately owned enterprise in 1994. The Company's shares are traded on the Moscow Exchange.

The Company's registered office is 19 Barrikadnaya Str., Moscow, 123242, Russian Federation.

The primary activities of the Group are investing in development projects for construction of residential buildings and areas, sales of real estate properties; construction services; production of construction materials, including concrete panels, window frames and other construction elements, consumed mostly by the Group internally, heating supply, maintenance and servicing apartment buildings. In 2021 and 2020 the Group primarily operated in Moscow, Moscow region and other regions of Russia.

As at 30 June 2021 and 31 December 2020 the Company is ultimately controlled by Mr. Sergey E. Gordeev.

(b) Business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by companies operating in the Russian Federation.

Starting in 2020, the new coronavirus COVID-19 began to spread rapidly around the world. In March 2020, the World Health Organization (WHO) announced the start of a pandemic. As at 30 June 2021, the uncertainty of the impact of the pandemic remains, however, management has reasonable expectations that the Group has the necessary resources to continue operations for at least the next 12 months and beyond in the foreseeable future, and that the assumption that the Group will continue to operate as a going concern remains reasonable.

The presented consolidated interim condensed financial statements reflect management's assessment of the Russian Federation's business environment, as well as the impact on the operations and financial position of the Group of events related to the development of the coronavirus pandemic and related measures taken by the Russian government to constrain the further spread of the pandemic and mitigate its impact on the economy and the population. The actual impact of future business conditions may differ from management's estimates. Management reviewed current events and conditions that may cause significant uncertainty in relation to the Group's ability to continue as a going concern and concluded that there is no material uncertainty that could cast significant doubt on the Group's ability to continue as a going concern.

2 Basis of preparation of the Consolidated Interim Condensed Financial Statements

(a) Statement of compliance with International Financial Reporting Standards

These consolidated interim condensed financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", issued by the International Accounting Standards Board. These consolidated interim condensed financial statements do not include all the information required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") and should be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2020.

(b) Use of estimates and judgments

The preparation of consolidated interim condensed financial statements in conformity with IFRSs requires management to make professional judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these consolidated interim condensed financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty do not differ significantly from those used in preparing the consolidated financial statements as at and for the year ended 31 December 2020.

3 Significant accounting policies

The accounting policies applied by the Group in these consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2020.

(a) New standards not yet adopted

A number of new Standards, amendments to Standards are not effective for the six-month reporting period ended 30 June 2021 and have not been applied in preparing these consolidated interim condensed financial statements. The Group plans to adopt these pronouncements when they become effective. These changes are not expected to have a significant impact on the Group's financial position or results of operations.

4 Operating segments

Until 31 December 2020, the Group's management analysed its activities in six reporting segments: Development, Commercial Construction, Maintenance, Industrial Segment, Proptech, Other.

According to the Group's strategic growth directions, management structure and reporting in the six months ended 30 June 2021, management reconsidered the composition of reportable segments, analysed regularly. Comparative information for the first half of 2020 is presented in accordance with the updated composition of reportable segments.

As at 30 June 2021, the Group reported five reporting segments which are its strategic business units:

- Development and construction: development of residential and commercial real estate and provision of construction services.
- Maintenance: maintenance and management of residential buildings and other properties, technical maintenance of utility systems and rendering heat, water and electricity supply services, provision of Internet services.
- Industrial Segment: production and assembly of prefabricated panel buildings and other related activities, including production of construction materials and components, production and sale of IoT-devices.
- Proptech: rent of apartment services, purchase and sale of real estate in the secondary housing market, repair of premises, agency services for the sale of residential apartments, implementation of IT solutions.
- Other: rental services and other activities.

The Group's Management Board analyses the internal management reports of each division at least once a quarter.

The Development and construction and Maintenance segments are integrated on various levels related to the construction and maintenance of real estate. Transactions between segments, as a rule, are conducted with similar pricing as transactions between independent parties.

Information on the results of each reportable segment is presented in the table below. The financial results of operations are measured based on the segment gross profit reflected in internal management reports which are analysed by the Group's Management Board. Management believes this information is most relevant in assessing the performance of individual segments in comparison with other businesses operating in the same industries.

(a) Profit and loss of segments

	Development and construction		Maintenance		Industrial segment		Proptech		Other		Total	
	Six-month period ended		Six-month period ended		Six-month period ended		Six-month period ended		Six-month period ended		Six-month period ended	
mln RUB	**30 June 2021**	**30 June 2020**	**30 June 2021**	**30 June 2020**	**30 June 2021**	**30 June 2020**	**30 June 2021**	**30 June 2020**	**30 June 2021**	**30 June 2020**	**30 June 2021**	**30 June 2020**
External revenues	167,560	122,634	13,431	12,742	2,171	1,031	5,112	1,235	1,005	887	**189,279**	**138,529**
Inter-segment revenue	2,599	2,705	1,524	2,187	16,796	14,639	13	13	166	85	**21,098**	**19,629**
Total revenue for reportable segments	**170,159**	**125,339**	**14,955**	**14,929**	**18,967**	**15,670**	**5,125**	**1,248**	**1,171**	**972**	**210,377**	**158,158**
Gross profit for reportable segments	**40,252**	**30,538**	**4,440**	**3,921**	**289**	**284**	**775**	**109**	**261**	**24**	**46,017**	**34,876**
Gross margin	**24%**	**25%**	**33%**	**31%**	**13%**	**28%**	**15%**	**9%**	**26%**	**3%**	**24%**	**25%**

(b) Geographical information

Activities of reportable segments are concentrated in three main geographical regions named in these consolidated interim condensed financial statements “Moscow”, “Moscow Region” and “Other Regions”, which include operations in the regions of Russia and abroad. In the six months ended 30 June 2021, the results of operations of companies incorporated abroad were insignificant.

Segment revenues are presented based on the geographical location of the respective segment’s assets.

mln RUB	Six-month period ended 30 June 2021	Six-month period ended 30 June 2020
Moscow	130,109	89,085
Moscow Region	45,951	40,599
Other regions	13,219	8,845
	189,279	**138,529**

In the six months ended 30 June 2021 and in the six months ended 30 June 2020, none of the customers’ volume sales exceeded 10% of the Group’s total revenue for the reporting period. In the Development and construction segment, four counterparties’ revenue was accounted for 9% of the segment’s revenue. In the Maintenance segment, revenue from one of counterparties in the six months ended 30 June 2021 accounted for 9% of the segment’s revenue (in the six months ended 30 June 2020, one counterparty’s revenue accounted for 6% of the segment’s revenue).

5 Seasonality of operations

The completion of real estate projects is usually performed in the second half of each year.

The Development and construction segment in the main geographic regions of Moscow and the Moscow Region and other regions of Russia is subject to cold spells. The volume of construction of projects from January to March usually decreases. Accordingly, revenue and gross profit in the second half of the year usually increase compared to the first half of the year.

For the 12 months ended 30 June 2021, the Development and construction segment recognised revenue in the amount of RUB 392,488 million (for the 12 months ended 30 June 2020: RUB 283,758 million) and gross profit in the amount of RUB 105,490 million (for the 12 months ended 30 June 2020: RUB 81,563 million).

6 Acquisition of associates, subsidiaries and non-controlling interests

(a) Acquisition of subsidiaries in the six months ended 30 June 2021

The Group acquires land plots for development projects through the acquisition of control in companies, holding the land plots, and classifies such acquisitions as a purchase of an asset since these companies had no other significant assets, liabilities, profit or losses at the acquisition date. Accordingly, consideration paid or payable by the Group for the acquisition of these subsidiaries was recognised as cost of construction-in-progress intended for sale (see note 15).

There were no acquisition of businesses in the six months ended 30 June 2021.

(b) Acquisition of subsidiaries in the six months ended 30 June 2020

In the six months ended 30 June 2020 the Group entered into two agreements with third parties to acquire a 70% share in two Russian companies providing contracting services to design and construct infrastructure facilities, water pipelines, sewerage systems, heating networks, and landscaping. The total consideration amounted to RUB 197 million and was paid in full in cash during 2020. As part of business combinations the Group recognised assets and liabilities at fair value at the acquisition date, with the fair value determined by an independent appraiser engaged by management.

(c) Acquisition of equity-accounted investees

In the six months ended 30 June 2021, the Group acquired an additional interest in a company operating in the environmentally friendly disposal of electronic and electrical equipment waste. The total consideration paid amounted to RUB 196 million, which was paid in the six months ended 30 June 2021.

There were no other material acquisitions of associates in the six months ended 30 June 2020.

7 Revenue

(a) Disaggregation of revenue by timing of revenue recognition

mln RUB	Six-month period ended 30 June 2021	Six-month period ended 30 June 2020
Revenue from sales of real estate and construction revenue	**167,560**	**122,634**
Revenue from sales of residential properties recognised over time	132,866	98,829
Revenue from construction services recognised over time	26,745	15,633
Revenue from sales of non-residential premises and parking spaces recognised over time	7,816	8,138
Other development revenue	133	34
Revenue from other sales	**21,719**	**15,895**
Revenue from other sales of goods and services recognised at a point in time	8,288	3,153
Revenue from maintenance services, recognised over time	13,431	12,742
Total revenue from contracts with customers	**189,279**	**138,529**

(i) Significant financing component, savings on interest expense and other components of the transaction price

A significant financing component as part of the transaction price recognised in revenue for the six months ended 30 June 2021 amounted to RUB 1,402 million (for the six months ended 30 June 2020: RUB 2,314 million). For most of the construction contracts, there is no significant financing component due to the fact that the period between receipt of payment and the fulfillment of the obligation or part of the obligation under the contracts with customers, corresponding to the payment, does not exceed 12 months, and the Group applies a practical expedient.

A significant financing component in the transaction price in contracts with customers concluded in the six months ended 30 June 2021, was calculated using interest rates from 6.46% to 8.25% (in the six months ended 30 June 2020: from 8% to 9%).

The transaction prices in sales of properties involving the escrow accounts were determined taking into account savings on interest expense as a result of applying preferential interest rates compared to base rates stipulated in the credit facility agreements. Preferential interest rates are applied to project credit facility balances covered by funds placed by customers on escrow accounts. Rates are further reduced when the cash balances on escrow accounts exceed the amount of the loan received. As a result, the actual interest rate was less than 1% in certain periods. Base interest rates in the six months ended 30 June 2021 varied from +1.6% above the key rate of the Central Bank of the Russian Federation to 9.9% (in the six months ended 30 June 2020: from +2% above the key rate of the Central Bank of the Russian Federation to 9.9%). Savings on interest expense recognised in revenue in the six months ended 30 June 2021 amounted to RUB 3,596 million (in the six months ended 30 June 2020: RUB 1,022 million).

During the six months ended 30 June 2021, the Group compensated banks for a portion of interest expense on mortgage loans issued by the banks at lower interest rates than the banks' customary market rates to customers who had purchased real estate from the Group. This refund is accounted for as a decrease in the transaction price for the sale of real estate. The reduction in revenue from the sale of real estate related to these refunds in the six months ended 30 June 2021 amounted to RUB 697 million (in the six months ended 30 June 2020: RUB 567 million).

In the six months ended 30 June 2021, the effect of discounting the provision for costs to complete, accounted for in cost of sales, amounted to RUB 1,072 million.

(ii) Sales of real estate to settle obligations for the acquisition of land

The Group recognises revenue from share participation agreements which have been concluded to settle obligations for acquired land plots. In the six months ended 30 June 2021 the effect of revenue being recognised from such contracts and certain contracts being terminated in the reporting period (note 7a (iii)) amounted to a net increase in revenue from sales of real estate of RUB 210 million (in the six months ended 30 June 2020: amounted to a net decrease in revenue of RUB 248 million).

(iii) Termination of contracts previously recognised in revenue

In the six months ended 30 June 2021 the Group reversed revenue recognised in prior periods due to terminations of several share participation agreements in the amount of RUB 707 million (in the six months ended 30 June 2020: RUB 693 million). Contracts were terminated mainly because payments were made in cash for the land plots, whereas it was initially agreed to settle the obligations by real estate properties. In addition, contracts were terminated based on mutual agreements between the parties where there were purchases of another property from elsewhere in the Group and for other reasons.

(iv) Changes in progress towards complete satisfaction of the performance obligation under contracts with the customer

During the reporting period, the Group revised several construction project budgets. As a result, the progress towards the complete satisfaction of performance obligations for certain contracts with customers changed by an average of 0.4% to 2.0% compared to the percentage of completion used in the preparation of the consolidated financial statements for 2020.

(b) Contract assets and liabilities from contracts for the sale of real estate

mln RUB	30 June 2021	31 December 2020
Contract assets	29,802	30,876
Assets under contracts with customers involving escrow accounts	107,838	61,478
Contract related costs recognised as other current assets	2,099	1,238
Trade receivables	536	264
Contract liabilities	(80,370)	(77,506)

Contract assets represent the Group's right for consideration to be received from contracts with real estate customers, where payments are made in installments and where construction progress is ahead of the payment schedule. Contract liabilities within accounts payable include outstanding prepayments received under contracts with customers, recognised a significant financing component and savings on interest expense.

As at 30 June 2021, the net amount of a significant financing component as part of liabilities under contracts with customers of real estate amounted to RUB 324 million (31 December 2020: RUB 255 million), savings on interest expenses as part of liabilities under contracts with customers of real estate amounted to RUB 3,569 million (31 December 2020: RUB 995 million)

Revenues with respect to unsatisfied performance obligations at the end of the reporting period are expected to be recognised over a period of between one and three years. The total amount of performance obligations under contracts with customers concluded as at 30 June 2021 amounted to approximately RUB 127,930 million (31 December 2020: RUB 97,886 million). Revenues of approximately amount of RUB 104,028 million are expected to be recognised during the next 12 months with respect to performance obligations outstanding as at 30 June 2021 (31 December 2020: RUB 83,402 million).

In the six months ended 30 June 2021 the Group recognised revenue of RUB 34,670 million, which was included in contract liabilities as at 1 January 2021 (in the six months ended 30 June 2020: RUB 40,788 million).

(c) Contract assets and liabilities from sale of other products and services

mln RUB	30 June 2021	31 December 2020
Trade receivables	16,326	14,931
Contract liabilities:	(4,578)	(3,135)
– contracts when revenue recognised at a point in time	(2,823)	(1,862)
– contracts when revenue recognised over time	(1,755)	(1,273)

8 Finance income and costs

mln RUB	Six-month period ended 30 June 2021	Six-month period ended 30 June 2020
Revaluation of cash-settled financial instruments (see note 20)	55,919	768
Interest income	1,991	1,918
Gain on modification of terms of a long-term financial instrument*	-	2,300
Foreign exchange gains, net	2	-
Write-off of accounts payable	20	7
Other finance income	62	307
Finance income	**57,994**	**5,300**
Interest expense before capitalisation in inventories	(12,224)	(7,847)
Capitalised interest expense	7,570	5,803
Total interest expense after capitalisation	**(4,654)**	**(2,044)**
Loss on impairment of financial assets	(888)	(629)
Foreign exchange losses, net	-	(39)
Share of profit of non-controlling interests in the Group's subsidiaries	(249)	(359)
Other finance costs**	(1,018)	(78)
Finance costs	**(6,809)**	**(3,149)**
Significant financing component from contracts with customers	(1,533)	(1,870)
Net finance income for the period	**49,652**	**281**

* In the six months ended 30 June 2020, the Group repaid early the long-term debt for land plots acquired in previous reporting periods, which should be payable during a long time, and received an early payment discount due to fulfilling by the seller certain terms of the agreement. The change in the financial liability as a result of its early repayment was recognised in finance income during the corresponding reporting period.

** Other finance costs include the effect of discounting the provision for costs to complete in the amount of RUB 726 million.

Capitalisation of interest expense and significant financing component

In the six months ended 30 June 2021, a significant financing component amounting to RUB 216 million (in the six months ended 30 June 2020: RUB 690 million) and interest expense amounting to RUB 7,570 million (in the six months ended 30 June 2020: RUB 5,803 million) were capitalised in inventories.

In the six months ended 30 June 2021, interest expense capitalised in inventories included in cost of sales, including the effect from savings on interest expense from the use of escrow accounts and a significant financing component, amounted to RUB 4,481 million (in the six months ended 30 June 2020: RUB 2,948 million).

Capitalised interest expense was included in the cost of sales of real estate properties in the six months ended 30 June 2021 in the amount of RUB 4,396 million (in the six months ended 30 June 2020: RUB 2,881 million), net of reversals of previously recognised impairment losses on capitalised interest expense.

The total effect of capitalisation of interest expense, including interest expense from realised savings from the use of escrow accounts, and of a significant financing component, in the amount of construction-in-progress net of their amounts recognised in cost of sales amounted to RUB 3,390 million (in the six months ended 30 June 2020: RUB 3,613 million).

The weighted average capitalisation rate in the six months ended 30 June 2021 was 7.71% (in the six months ended 30 June 2020: 8.83%).

In the six months ended 30 June 2021 interest expense before capitalisation in inventory included RUB 10,903 million of interest accrued on bank loans and bonds (in the six months ended 30 June 2020: RUB 7,350 million).

9 Administrative expenses

mln RUB	Six-month period ended 30 June 2021	Six-month period ended 30 June 2020
Personnel costs	3,971	3,851
Professional and other services	609	423
Research and development	598	522
Taxes	385	279
Depreciation of property, plant and equipment, amortisation of intangible assets and right-of-use assets	637	290
Rent	192	214
Material costs	275	346
Other administrative expenses	558	359
	7,225	**6,284**

10 Other expenses, net

mln RUB	Six-month period ended 30 June 2021	Six-month period ended 30 June 2020
Penalties and fines, including provision for litigation and claims	(552)	(471)
Charity	(29)	(106)
Gain on disposal of property, plant and equipment	5	40
Loss from write-off of intangible assets	(439)	(332)
Tax expenses	(259)	(79)
Result from sale and write-off of other assets	(258)	(131)
Other expenses, net	(2)	(230)
	(1,534)	**(1,309)**

11 Income taxes

Income tax benefit or expense was recognised based on management's estimate of the weighted average annual effective income tax rate determined at 18% and applied to profit before income tax for the six months ended 30 June 2021 (for the six months ended 30 June 2020: 24%).

mln RUB	Six-month period ended 30 June 2021	Six-month period ended 30 June 2020
Current tax expense		
Current income tax for the period	(9,057)	(1,570)
Underprovided in previous periods	(627)	(9)
Reversal of tax provision (see note 26)	37	-
	(9,647)	**(1,579)**
Deferred income tax expense		
Origination and reversal of temporary differences	(5,639)	(4,175)
	(5,639)	**(4,175)**
Total income tax expense	**(15,286)**	**(5,754)**

12 Property, plant and equipment

mln RUB	2021	2020
As at 1 January	35,546	34,453
Additions	4,980	1,051
Transfers from inventories	2,197	1,429
Acquisitions through business combinations	-	154
Depreciation charge	(2,056)	(1,573)
Reclassification to inventories	(549)	(14)
Disposals	(912)	(290)
Disposal of subsidiaries	-	(39)
As at 30 June	**39,206**	**35,171**

13 Intangible assets and goodwill

mln RUB	2021	2020
As at 1 January	14,033	13,454
Additions	1,183	394
Amortisation charge	(229)	(148)
Disposals	(418)	(346)
As at 30 June	**14,569**	**13,354**

14 Investment property

(a) Reconciliation of carrying amount

mln RUB	2021	2020
As at 1 January	6,880	6,626
Change in fair value	606	-
Disposals	(49)	(226)
As at 30 June	**7,437**	**6,400**

(b) Measurement of fair value

The fair value of investment property was determined by external independent real estate appraisers who have the appropriate recognised professional qualifications and recent experience in the evaluation of this type of real estate at that location. The assumptions used to calculate these amounts as at 31 December 2020 have not changed significantly.

To determine the fair value of land plots in the six months ended 30 June 2021 the Group applied a comparative approach based on an analysis of all available information on sales of similar properties, while adjustments were made to reflect differences between market analogue and the evaluated properties. Under this approach, current bids for land plots that are similar to those under valuation were analysed. Sales prices were adjusted for differences in characteristics between items under valuation and comparable land plots. The prices of similar properties were adjusted for bargaining, which resulted in a decrease in the price by 10-18%; and adjustments for a location resulted in a change in price from -39% to 15%; adjustments for area resulted in a change in price from -40% up to 38%. As at 30 June 2021, the fair value of these land plots estimated using the comparative method was RUB 7,437 million (31 December 2020: RUB 6,880 million).

Sensitivity analysis

A decrease by 5 percentage points in the base selling price for investment properties measured using the comparative method would result in a decrease in the fair value of investment property of RUB 372 million (31 December 2020: a decrease in the fair value of investment property by RUB 344 million). An increase in the selling price by 5 percentage points would have the opposite effect on the fair value of investment property of approximately the same value.

15 Inventories

mln RUB	30 June 2021	31 December 2020
Construction-in-progress intended for sale	307,125	261,315
Finished goods and goods for resale	26,471	22,243
Raw materials and consumables	12,913	10,362
Right-of-use asset	14,241	13,070
	360,750	**306,990**
Impairment losses	(2,251)	(2,489)

A significant part of construction-in-progress intended for sale and finished goods consists of costs to construct apartments, commercial properties and parking spaces, as well as costs to acquire land plots and right-of-use assets, to build infrastructure and social facilities, allocated to properties which were not sold to customers and those that were sold to customers but costs were not fully recognised in cost of sales based on the percentage of completion.

During the reporting period the Group purchased several land plots and right-of-use assets for future development in Moscow, Moscow region and other regions of Russia for the total amount of RUB 47,202 million mostly through the acquisition of control in companies that own these land plots. The Group also incurred costs associated with the purchase of land plots and right-of-use assets including changes to the terms of agreements, which were in force in the previous period, in the amount of RUB 10,388 million in relation to Group projects that are already under development. The companies had no other significant assets, liabilities and financial results as at the acquisition date. Therefore, the consideration paid by the Group for the acquisition of subsidiaries was accounted for as construction-in-progress intended for sale. The payment was partially made in cash with the remaining amount of RUB 5,715 million due within a year were included in the current accounts payable for the acquisition of land plots, and RUB 10,420 million due in more than one year, included in the non-current accounts payable for acquisition of land plots.

Construction-in-progress in the amount of RUB 265,316 million relates to construction properties that will be completed in more than 12 months after the reporting date (31 December 2020: RUB 213,716 million).

Movement of the provision for impairment of inventories (see note 18 (b))

mln RUB	Construction-in-progress intended for sale	Finished goods and goods for resale	Raw materials and consumables	Total
As at 1 January 2021	**(677)**	**(1,463)**	**(349)**	**(2,489)**
Additional provision	-	(141)	(55)	**(196)**
Release of provision	172	223	-	**395**
Utilisation	-	39	-	**39**
As at 30 June 2021	**(505)**	**(1,342)**	**(404)**	**(2,251)**

mln RUB	Construction-in-progress intended for sale	Finished goods and goods for resale	Raw materials and consumables	Total
As at 1 January 2020	**(1,794)**	**(922)**	**(243)**	**(2,959)**
Additional provision	-	(262)	(139)	**(401)**
Release of provision	67	20	-	**87**
Transfers	137	(137)	-	**-**
Utilisation	420	318	-	**738**
As at 30 June 2020	**(1,170)**	**(983)**	**(382)**	**(2,535)**

16 Accounts receivable, including contract assets

mln RUB	30 June 2021	31 December 2020
Non-current		
Trade receivables and contract assets for sale of real estate properties	269	-
Accounts receivable for disposal of subsidiaries	2	663
	271	**663**
Impairment losses on financial assets (see note 25(b))	-	(10)
Current		
Trade receivables and contract assets of Development and construction segment	137,907	92,618
Trade receivables of Maintenance segment and other services	12,619	12,690
Trade receivables for the other sales	3,782	2,344
Advances issued to suppliers and contractors	20,658	8,627
Advances isued for acquisition of land plots/right-of-use assets, including acquisition of subsidiaries	27,554	10,390
Advances issued to other suppliers and contractors	11,446	7,721
Taxes receivable	4,117	4,231
Accounts receivable from the sale of interests in subsidiaries and associates	1,338	1,387
Other accounts receivable	6,274	5,333
	225,695	**145,341**
Impairment losses on financial assets (see note 25(b))	(3,924)	(3,133)
Impairment losses on non-financial assets (see note 18)	(1,302)	(1,503)

Advances issued in the six months ended 30 June 2021 for the acquisition of land plots in the amount of RUB 21,756 million (in the six months ended 30 June 2020: RUB 1,451 million) are accounted within changes in accounts receivable, including contract assets.

17 Leases

The contract portfolio of the Group mostly consists of leases of land plots for construction of residential property for sale.

The change in the right-of-use asset during the six months ended 30 June 2021 is presented in the table below:

mln RUB	Land plots	Buildings and constructions	Equipment	Other	Total
As at 1 January 2021	**13,070**	**1,715**	**334**	**90**	**15,209**
New contracts	6,768	169	1,133	51	8,121
Modifications of contracts	(3,787)	(675)	-	(5)	(4,467)
Accrued to cost of sales	(1,810)	(76)	(101)	(16)	(2,003)
Amortisation recognised in administrative expenses	-	(218)	-	-	(218)
As at 30 June 2021	**14,241**	**915**	**1,366**	**120**	**16,642**

The change in lease liabilities during the six months ended 30 June 2021 is presented in the table below:

mln RUB	Land plots	Buildings and constructions	Equipment	Other	Total
As at 1 January 2021	**11,842**	**1,766**	**276**	**79**	**13,963**
New contracts	6,393	169	1,133	51	7,746
Modifications of contracts	(3,787)	(472)	-	(5)	(4,264)
Interest expenses on lease liabilitiess	581	60	21	4	666
Lease payments, including offsets	(2,687)	(494)	(117)	(23)	(3,321)
As at 30 June 2021	**12,342**	**1,029**	**1,313**	**106**	**14,790**

The change in the right-of-use asset during the six months ended 30 June 2020 is presented in the table below:

mln RUB	Land plots	Buildings and constructions	Equipment	Other	Total
As at 1 January 2020	**4,862**	**2,205**	**190**	**81**	**7,338**
New contracts	1,465	306	183	7	1,961
Modifications of contracts	297	(275)	(3)	(1)	18
Accrued to cost of sales	(555)	(98)	(37)	(5)	(695)
Reclassification to construction-in-progress	-	(218)	-	(4)	(222)
As at 31 December 2020	**6,069**	**1,920**	**333**	**78**	**8,400**

The change in lease liabilities during the six months ended 30 June 2020 is presented in the table below:

mln RUB	Land plots	Buildings and constructions	Equipment	Other	Total
As at 1 January 2020	**4,178**	**2,204**	**161**	**81**	**6,624**
New contracts	1,465	197	183	7	1,852
Modifications of contracts	297	(280)	3	1	21
Interest expenses on lease liabilitiess	191	92	14	3	300
Lease payments, including offsets	(810)	(379)	(53)	(16)	(1,258)
As at 31 December 2020	**5,321**	**1,834**	**308**	**76**	**7,539**

Lease costs with variable lease payments that are not accounted for as right-of-use assets and liabilities under IFRS 16 "Leases" in the consolidated statement of financial position were capitalised in construction-in-progress in the amount of RUB 745 million and included in current expenses for the period in the amount of RUB 144 million (in the six months ended 30 June 2021 RUB 951 million and RUB 74 million respectively).

As at 30 June 2021, the Group estimates that the future lease costs with variable rates will approximately amount to RUB 19,269 million for the period 2021 to 2032 (31 December 2020: RUB 12,926 million). Future costs mainly consist of the cost of land plots leased for development.

Lease liability terms as at 30 June 2021 and 31 December 2020 are presented in the table below:

Discount rate, %	Lease term	Land plots	Property and plant	Equipment	Other	Total
As at 31 December 2020						
5.8% - 8.2%	2021	155	42	7	3	207
8.21% - 11%	2021	594	57	2	-	653
6% - 7.5%	2022	313	61	2	2	378
7.51% - 9.1%	2022	875	61	54	9	999
6% - 7.5%	2023	855	4	49	-	908
7.51% - 9.1%	2023	742	225	20	28	1,015
6.7% - 9.3%	2024	1,779	758	135	23	2,695
6.7% - 9.3%	2025	941	7	7	-	955
7.2% - 8.8%	2026	5,588	-	-	-	5,588
7.4% - 9.8%	2027 - 2030	-	490	-	8	498
10% - 11%	2033 - 2054	-	61	-	6	67
Total:		**11,842**	**1,766**	**276**	**79**	**13,963**
As at 30 June 2021						
5.28% - 11%	2021	129	47	2	3	181
6% - 7.5%	2022	4,863	107	1	2	4,973
7.51% - 9.1%	2022	241	27	37	6	311
6% - 7.5%	2023	6	19	44	3	72
7.51% - 9.1%	2023	391	26	18	25	460
6.5% - 9.5%	2024	3,767	184	1,205	55	5,211
7% - 9.3%	2025	420	21	6	-	447
7.2% - 8.2%	2026-2027	2,441	81	-	-	2,522
8.21% - 9.6%	2027 - 2031	84	454	-	8	546
9.2% - 11%	2033 - 2054	-	63	-	4	67
Total:		**12,342**	**1,029**	**1,313**	**106**	**14,790**

18 Impairment losses on non-financial assets, net

In the six months ended 30 June 2021 the Group tested non-financial assets for possible impairment indicators, the results are specified in the table below:

mln RUB	Six-month period ended 30 June 2021	Six-month period ended 30 June 2020
Impairment losses		
Inventories	-	(6)
Advances issued	(614)	(417)
	(614)	**(423)**
Reversal of impairment losses		
Advances issued	451	307
	451	**307**
	(163)	**(116)**

(a) Property, plant and equipment

The Group analysed property, plant and equipment for impairment indicators as at 30 June 2021 and as at 30 June 2020 and did not identify any evidence of impairment indicators at both reporting dates.

(b) Inventories

In most cases, the Group used the discounted cash flows method and engaged an independent appraiser to estimate the net realizable value of the Group's construction-in-progress as at the reporting dates. The coronavirus pandemic did not have a significant negative impact on the key assumptions used in calculating discounted cash flows (for example, contract volumes and average sales prices) due to government support measures for the construction industry, marketing campaigns, conducted by the Group and the Group's digital technologies backing online sales, including mortgage transactions.

The following key assumptions of the discounted cash flow method were used in determining the net realizable value of construction-in-progress:

- Cash flows were projected for each individually significant project;
- The expected selling prices for the apartments were based on market prices effective in June 2021 for similar real estate;
- The final expected cost of construction was forecasted based on cost per square meter and construction pace in June 2021 for similar projects of the Group;
- An average pre-tax discount rates of 10 -17% were applied to cash flows depending on the stage of the project and construction financing schemes.

Based on the results of impairment testing in the six months ended 30 June 2021 impairment losses was charged in the amount of RUB 196 million and the provision was released in the amount of RUB 395 million (in the six months ended 30 June 2020: the provision for impairment of inventories was charged in the amount of RUB 401 million and the provision was released in the amount of RUB 87 million). Income from impairment reversal included in cost of goods sold, amounted to RUB 124 million (in the six months ended 30 June 2020: impairment loss amounted to RUB 479 million), including recognised losses on onerous contracts projects in the amount of RUB 94 million without accrual of provision (in the six months ended 30 June 2020: RUB 330 million).

Sensitivity analysis

Management has determined the discount rate and the estimated selling prices as key assumptions subject to reasonable change that could have a significant impact on the recoverable value of inventories.

A reduction in the selling price by 5% would lead to additional impairment of construction-in-progress amounted to RUB 1 630 million as at 30 June 2021 (31 December 2020: RUB 570 million).

An increase in the discount rate by 1 percentage point would lead to additional impairment of construction-in-progress amounted to RUB 160 million as at 30 June 2021 (31 December 2020: RUB 140 million).

(c) Advances issued

Advances issued on newly acquired projects are tested for impairment as part of the project return analysis before acquisition. Advances issued for projects under construction are tested for impairment as part of the assessment of the net realisable value of construction-in-progress using the discounted cash flow method and with the help of an independent appraiser.

(d) Intangible assets and goodwill

The Group analysed intangible assets for impairment as at 30 June 2021 and as at 30 June 2020 and did not identify any evidence of impairment at both reporting dates. The current economic situation did not result in significant budget shortfalls in the six months ended 30 June 2021 or in significant changes in the forecasts used in assessing the recoverability of client base and goodwill.

19 Cash and cash equivalents

mln RUB	30 June 2021	31 December 2020
Cash on hand	2	1
Cash in banks	52,414	96,085
Restricted cash	502	441
Cash and cash equivalents	**52,918**	**96,527**

Cash balance on escrow accounts (for information purposes)

mln RUB	30 June 2021	31 December 2020
Escrow accounts	162,766	90,303

Cash, placed on escrow accounts and not recognised in the Group's consolidated statement of financial position, represents the amounts deposited by the owners of the accounts (customers of real estate properties) in authorised banks as a consideration for acquired property under share participation agreements.

In the six months ended 30 June 2021, cash receipts to escrow accounts amounted to RUB 81,810 million (in the six months ended 30 June 2020: RUB 20,139 million).

In the six months ended 30 June 2021, as the Group completed the construction of real estate properties, where apartments were sold using escrow accounts, according to the legislation, the Group became entitled to receive cash placed on escrow accounts in the amount of RUB 9,347 million, of which RUB 6,639 million was set off against the project finance liability, and RUB 302 million was used to pay the interest due under the project finance liability.

As at 30 June 2021, cash in the amount of 16,689 million was placed on special bank accounts which operations are subject to special banking control (as at 31 December 2020: RUB 49,240 million) in accordance with the requirements of Federal Law No. 214- FZ.

20 Financial instruments measured at fair value through profit and loss

As at 30 June 2021, the Group's non-current assets include two cash-settled financial instruments:

- In June 2017 the Group entered into a transaction to sell its repurchased depositary receipts (GDRs) to one of the largest banks of the Russian Federation (see Note 29). Simultaneous to the transaction, the Group entered into a forward cash-settled financial instrument under which the Group will be paid by the Bank or pay to the Bank the difference between the market price of the GDRs as at the date the contract terminates and the initial delivery price of the GDRs.
- In May 2018 the Group entered into a second contract for a cash-settled financial instrument with the same Bank. In this case, the Group did not repurchase its shares. Instead the Bank entered into forward transactions with final sellers to purchase the required number of shares.

In accordance with this agreement, the transaction parties compensate the difference between the agreed share price and the market value of the Group's shares at the expiry date of the contract.

During the course of each contract the Group makes quarterly payments to the Bank, taking into account interim payments and dividends paid.

Both contracts can be extended every 6 months by either party.

In the six months ended 30 June 2021, the change in the value of financial instruments carried at fair value is as follows:

mln RUB	Cash-settled financial instrument executed in June 2017	Cash-settled financial instrument executed in May 2018	Total
Fair value as at 31 December 2020	**15,977**	**18,401**	**34,378**
Quarterly interim payments	336	524	860
Change in fair value	25,293	30,626	55,919
Fair value as at 30 June 2021	**41,606**	**49,551**	**91,157**

As at 30 June 2021, the estimated fair value of cash-settled financial instruments was determined based on the following key assumptions and contract terms:

	Cash-settled financial instrument executed in June 2017	Cash-settled financial instrument executed in May 2018
Number of shares in the agreement:	49 990 198	60 137 070
Share price used in the calculation:	1 074.60 RUB (as at 31 December 2020: 587.29 RUB)	
Quarterly interim payment interest rate:	key rate of Central Bank of Russian Federation+2.2%	key rate of Central Bank of Russian Federation+1.8%
Interim expiry date:	29 December 2021	30 November 2021
Maximum (terminal) contract prolongation term initiated by one of the parties:	every 6 months, but no later than 31 January 2023	
Risk-free rate:	5.48% (as at 31 December 2020: 4.23%)	5.45% (as at 31 December 2020: 4.20%)
Discount rate adjusted for credit risk:	6.58% (as at 31 December 2020: 4.73%)	6.35% (as at 31 December 2020: 4.59%)
Annual discount rate for interim payment:	7.84% (as at 31 December 2020: 6.36%)	7.74% (as at 31 December 2020: 6.4%)

Sensitivity analysis

A decrease in the forecast selling price by 5 percentage points would result in a decrease in the fair value of cash-settled financial instruments as follows:

- For cash-settled financial instruments executed in June 2017 by RUB 2,663 million (31 December 2020: by RUB 1,453 million);
- For cash-settled financial instruments executed in May 2018 by RUB 3,209 million (31 December 2020: by RUB 1,751 million).

21 Equity

(a) Dividends

Under the Russian legislation, the Company's reserves available for distribution are limited to retained earnings as recognised in the Company's statutory financial statements prepared following the Russian Accounting Principles.

In May 2021, the Group approved and declared dividends in the amount of RUB 30,006 million, or RUB 45.43 per share. Dividends were paid in full in May 2021.

In the six months ended 30 June 2020, there were no dividends declared and paid.

(b) Weighted average number of shares and earnings per share

Calculation of earnings per share is based on the profit for the period and the weighted average number of ordinary shares in circulation during the period, which amounted to 660 497 344 shares (in the six months ended 30 June 2020: 660 497 344 shares). The Company has no ordinary shares with potentially dilutive effect.

22 Accounts payable, including contract liabilities

mln RUB	30 June 2021	31 December 2020
Non-current		
Accounts payable for acquisition of land plots	12,616	6,563
Accounts payable under construction contracts	459	433
Other advances received	451	449
Other liabilities	32	5
	13,558	**7,450**
Current		
Liabilities under contracts with customers of real estate properties and advances received for construction works	80,370	77,506
Liabilities under contracts with customers of real estate properties in acquisition of land plots	5,812	6,889
Other advances received	4,725	8,091
Accounts payable for construction works and other trade payables	17,053	15,357
Trade payables of Maintenance segment	9,830	10,952
Accounts payable for acquisition of land plots	6,652	5,194
Payables to employees	6,848	6,183
Other taxes payable	10,748	9,447
Accounts payable to owners of non-controlling interests	930	687
Other accounts payable	3,442	4,957
	146,410	**145,263**

Information on the Group's exposure to foreign exchange risk and liquidity risk in terms of other trade payables is disclosed in note 25.

23 Loans and borrowings

mln RUB	30 June 2021	31 December 2020
Non-current		
Bonds, net of those purchased by the Group	32,116	36,739
Unsecured bank loans	-	4,473
Unsecured loans received	115	115
Project financing	190,922	146,597
Secured bank loans	5,911	6,216
Interest payable	4,399	3,189
	233,463	**197,329**
Current		
Bonds, net of those purchased by the Group	6,394	12,666
Unsecured bank loans	4,473	-
Unsecured loans received	128	103
Project financing	81,876	16,679
Secured bank loans	7,143	2,521
Interest payable	4,008	2,797
	104,022	**34,766**
	337,485	**232,095**

As at 30 June 2021 and 31 December 2020, bank loans were secured with:

- lease/ownership rights of land plots with a total area of 1,088 ha (as at 31 December 2020: 912 ha), with carrying amount of RUB 102,272 million (as at 31 December 2020: RUB 66,406 million);

- shares of/ interest in certain subsidiaries of the Group:

	Ownership interest	
	30 June 2021	31 December 2020
LLC PIK-Broker	100%	100%
CJSC Stroybusinesscenter	100%	100%
LLC Spetsialyzirovany Zastroyschik Tyron	99.999%	99.999%
JSC Spetsialyzirovany Zastroyschik Kuntsevo-Invest	100%	100%
JSC Spetsialyzirovany Zastroyschik Zelenogradsky (JSC Production and trade complex Zelenogradsky)	100%	100%
LLC Spetsialyzirovany Zastroyschik Legro	100%	100%
JSC Spetsialyzirovany Zastroyschik Stolichny kompleks	100%	100%
JSC Port-City	100%	100%
JSC Spetsialyzirovany Zastroyschik LZSMIK	99.9999%	99.9999%
JSC Spetsialyzirovany Zastroyschik M.Stroy	100%	100%
LLC Spetsialyzirovany Zastroyschik Volokolamskoye shosse 24	100%	100%
LLC Spetsialyzirovany Zastroyschik Bolshaya Ochakovskaya	100%	100%
LLC Sacramento-2	100%	100%
JSC Spetsialyzirovany Zastroyschik Krasnokazarmennaya 15	99.028%	99.028%
JSC Spetsialyzirovany Zastroyschik Monetchik	99%	99%
LLC Archecom	100%	100%
JSC Spetsialyzirovany Zastroyschik Volzhsky Park	100%	100%
LLC SZ GradOlymp	99.9%	99.9%
LLC Meridian	100%	100%
LLC Ereda	100%	100%
LLC Coronella	100%	100%
JSC Galaktik Invest	100%	100%
LLC Spetsialyzirovany Zastroyschik Solntsevo Park	100%	100%
LLC Spetsialyzirovany Zastroyschik Likhobory	100%	100%
LLC Ground	100%	100%
JSC Spetsialyzirovany Zastroyschik Trial Service (JSC Trial Service)	100%	100%
JSC Spetsialyzirovany Zastroyschik Torgovy Dom Sputnik (JSC Torgovy Dom Sputnik)	100%	100%
LLC SZ Serednevo	100%	100%
JSC Spetsialyzirovany Zastroyschik Perovskoye	100%	100%
LLC Globus	100%	100%
LLC SZ Pik-Primorye	100%	100%
LLC Parasang systems	-	100%
LLC SZ Chasovaya	99.9%	99.9%
LLC Spetsialyzirovany Zastroyschik Stroy-Expert	-	100%
JSC Spetsialyzirovany Zastroyschik Novokhokhlovskaya 15	100%	100%
JSC Spetsialyzirovany Zastroyschik Presnensky Val 27	100%	100%
LLC Spetsialyzirovany Zastroyschik Kantemirovskaya	100%	100%
LLC Lotan	100%	100%
O.P.H.L. Openprospect Holdings Limited	100%	100%
D.H. PRIVATE INVEST TECHNOLOGY LIMITED	100%	100%
LLC Spetsialyzirovany Zastroyschik Faramant	100%	-
LLC Spetsialyzirovany Zastroyschik InvestAlliance	100%	-
JSC Avtokombinat №42	99.9774%	-
JSC Ozernaya	100%	-
LLC Spetsialyzirovany Zastroyschik Ozernaya 44	100%	-
LLC Agrotrans	100%	-
LLC Borets	99.9%	-
LLC RIVIERA PARK	99.9%	-
LLC Megapolis	100%	-
LLC RegionInvest	100%	-
JSC Galaktion	100%	-

	Ownership interest	
	30 June 2021	31 December 2020
JSC ATOL Company	100%	-
JSC Spetsialyzirovany Zastroyschik PIK-Region	100%	-
LLC L-Holding	100%	-
JSC 2d Irtyshsky	99.08%	-
LLC L-Development	100%	-
LLC Astreid Group	100%	-
LLC Spetsialyzirovany Zastroyschik Ekstragrad	100%	-
LLC Alkaid	100%	-
LLC Spetsialyzirovany Zastroyschik Stolitsa	100%	-
LLC Spetsialyzirovany Zastroyschik Simonovskaya Naberezhnaya	100%	-
LLC Almadin	100%	-
LLC Pegas	100%	-

Issue and redemption of bonds

In June 2021, the Group repaid previously placed bonds with a coupon rate of 8.7% in the amount of RUB 3,270 million and bonds with a coupon rate of +1.45% above the key rate of the Central Bank of the Russian Federation in the amount of RUB 6,000 million.

The bonds’ maturities, including offers, are presented in the table below. Depending on the terms of the issue coupon payments are made quarterly or semi-annually.

The fair value of the bonds is disclosed in note 25 (a).

The terms of financial liabilities as at 30 June 2021 did not significantly change compared to those disclosed as at 31 December 2020 in the consolidated financial statements for 2020, except for new loans and borrowings as indicated below.

				30 June 2021		31 December 2020	
mln RUB	**Currency**	**Nominal rate, %**	**Maturity**	**Nominal value**	**Carrying value**	**Nominal value**	**Carrying value**
Project financing	RUB	9.75%-10.75%	2021	-	-	3,398	3,398
Project financing	RUB	From the key interest rate+2% to the key interest rate of the Central Bank of the Russian Federation+3.75%	2021-2029	142,886	142,729	80,653	80,631
Project financing	RUB	Key interest rate of the Central Bank of the Russian Federation+4%	2022	-	-	1,600	1,591
Project financing	RUB	Variable interest rate*	2023-2031	135,189	130,069	79,490	77,656
Secured bank loans	RUB	From the key interest rate+1.95% to the key interest rate of the Central Bank of the Russian Federation+2.7%	2022-2026	13,054	13,054	8,737	8,737
Unsecured bank loans	RUB	Key interest rate of the Central Bank of the Russian Federation+3.5%	2022	4,500	4,473	4,500	4,473
Unsecured loans received	RUB	5%	2023	115	115	115	115
Unsecured loans received	RUB	8.5%-10.5%	2021	128	128	103	103
Bonds	RUB	7.4%-11.25%	2021-2024	28,120	28,045	32,990	32,886
Bonds	RUB	Key interest rate of the Central Bank of the Russian Federation+0.5%	2028	7,000	7,000	7,000	7,000
Bonds	RUB	Key interest rate of the Central Bank of the Russian Federation+1.4%	2022	2,475	2,475	2,475	2,475
Bonds	RUB	Key interest rate of the Central Bank of the Russian Federation+1.45%	2021	-	-	6,000	5,884
Bonds	RUB	Key interest rateof the Central Bank of the Russian Federation+1.5%	2023	990	990	1,160	1,160
				334,457	**329,078**	**228,221**	**226,109**

* variable effective rates are calculated by applying base rates to funds not covered by cash on escrow accounts. These rates range from +1.6% above the key rate of the Central Bank of the Russian Federation where interest is capitalised up to a rate of 9.9% where interest is paid in advance of releasing funds from escrow accounts. Rates on loans fully covered by cash on escrow accounts are subject to preferential rates and additional discounts, as a result of which the rate may be reduced to 0.01%.

24 Non-controlling interests

The following is a summary of movements in equity attributable to non-controlling interests in subsidiaries of the Company:

mln RUB	Developer	Internet provider	Manufacturer of smart home systems	Manufacturer of elevator equipment	Other	Total
As at 1 January 2021	1,194	613	170	18	148	2,143
Profit/(loss) for the period	257	(105)	(35)	1	224	342
Other changes	12	-	167	-	(179)	-
As at 30 June 2021	**1,463**	**508**	**302**	**19**	**193**	**2,485**

mln RUB	Internet provider	Manufacturer of elevator equipment	Other	Total
As at 1 January 2020	614	344	543	1,501
(Loss)/profit for the period	-	(332)	117	(215)
Change in non-controlling interest due to the restructuring of subsidiaries	-	-	(70)	(70)
As at 30 June 2020	**614**	**12**	**590**	**1,216**

The following tables summarise the information before the elimination of intercompany transactions in the Group's subsidiaries where the non-controlling interests are significant.

mln RUB	Developer	Internet provider	Manufacturer of smart home systems	Manufacturer of elevator equipment	Other	Total
As at 30 June 2021						
Non-current assets	76	2,534	491	1,105	324,414	328,620
Current assets	17,710	1,558	1,363	3,927	209,329	233,887
Non-current liabilities	4,655	44	29	188	36,564	41,480
Current liabilities	6,105	1,923	912	3,218	270,247	282,405
Net assets	**7,026**	**2,125**	**913**	**1,626**	**226,932**	**238,622**
Carrying amount of non-controlling interest	1,463	508	302	19	193	2,485
Revenue	4,512	690	587	2,477	18,313	26,579
Profit/(loss)	1,481	(210)	59	78	13,443	14,851
Total comprehensive income	**1,481**	**(210)**	**59**	**78**	**13,443**	**14,851**
Profit/(loss) attributable to non-controlling interest	257	(105)	(35)	1	224	342

mln RUB	Internet provider	Manufacturer of elevator equipment	Other	Total
As at 30 June 2020				
Non-current assets	1,238	1,064	13,793	16,095
Current assets	-	1,878	24,150	26,028
Non-current liabilities	-	192	3,627	3,819
Current liabilities	9	1,473	32,535	34,017
Net assets	**1,229**	**1,277**	**1,781**	**4,287**
Carrying amount of non-controlling interest	614	12	590	1,216
Revenue	-	1,780	18,479	20,259
(Loss)/profit	(1)	227	(2,557)	(2,331)
Total comprehensive income	**(1)**	**227**	**(2,557)**	**(2,331)**
(Loss)/profit attributable to non-controlling interest	-	(332)	117	(215)

25 Financial instruments

The carrying value of financial assets and liabilities (see note 25 (a)) and the corresponding levels of the fair value hierarchy are presented below:

mln RUB	Note	30 June 2021	31 December 2020
Level 1			
Financial asssets:			
Financial instruments measured at fair value through profit or loss	20	91,157	34,378
Financial liabilities:			
Unsecured bonds	23	(38,998)	(50,186)
Level 3			
Assets:			
Cash and cash equivalents	19	52,918	96,527
Trade and other receivables	16	162,191	115,035
Loans issued, bank deposits accounted for in other investments and equity accounted investees		3,376	680
Liabilities:			
Loans and borrowings	23	(298,487)	(181,909)
Long-term lease liabilities	17	(14,790)	(13,963)
Trade and other payables	22	(50,084)	(43,461)
		(92,717)	**(42,899)**

(a) Fair values and carrying amounts

As at 30 June 2021 and 31 December 2020, the carrying amounts of the Group's financial assets and liabilities of the Group did not differ significantly from their fair values, except for bonds. As at 30 June 2021, the fair value of bonds, net of those repurchased by the Group, exceeded their carrying amount by RUB 619 million (as at 31 December 2020: RUB 1,654 million).

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Generally, credit risk relates to financial assets of the Group measured at amortised cost, which include cash and cash equivalents, receivables and other investments. During the reporting period, there were no significant changes in the structure of financial assets, their credit quality and valuation methods.

The approach and the procedure for calculating impairment losses (expected credit losses) on the Group's financial assets measured at amortised cost did not materially differ from those used in preparing the consolidated financial statements for the year ended 31 December 2020. During the reporting period there were no cases of downward movement of credit ratings.

Amounts of receivables and other investments measured at amortised cost, grouped by internal credit rating and payment statistics, are presented in the table below:

(i) Accounts receivable, including contract assets

mln RUB Internal credit rating of the Group	Gross carrying amount as at 30 June 2021	Impairment loss as at 30 June 2021	Gross carrying amount as at 31 December 2020	Impairment loss as at 31 December 2020
High	135,149	(30)	86,276	(11)
Above-medium	11,618	(165)	14,235	(226)
Medium	4,451	(240)	6,096	(342)
Below-medium	2,935	(493)	731	(147)
Low	57	(6)	87	(50)
Default	1,294	(1,190)	972	(655)
Total	**155,504**	**(2,124)**	**108,397**	**(1,431)**

(ii) Accounts receivable for which expected credit losses are estimated based on payment statistics

mln RUB Overdue debt	Weighted average loss rate	Gross carrying amount as at 30 June 2021	Impairment loss as at 30 June 2021	Gross carrying amount as at 31 December 2020	Impairment loss as at 31 December 2020
0-30 days	9.73%	3,503	(341)	1,989	(202)
31-90 days	9.77%	972	(95)	1,040	(105)
90-180 days	9.77%	686	(67)	1,009	(102)
181-360 days	9.79%	1,073	(105)	1,271	(129)
1-3 years	23.76%	2,407	(572)	2,489	(596)
more than 3 years	32.75%	1,893	(620)	1,901	(578)
Total		**10,534**	**(1,800)**	**9,699**	**(1,712)**

(iii) Other investments

mln RUB Internal credit rating of the Group	Gross carrying amount as at 30 June 2021	Impairment loss as at 30 June 2021	Gross carrying amount as at 31 December 2020	Impairment loss as at 31 December 2020
High	2,711	(16)	164	(5)
Above-medium	486	(110)	127	(3)
Medium	117	(32)	494	(109)
Below-medium	-	-	2	-
Default	102	(102)	145	(143)
Total	**3,416**	**(260)**	**932**	**(260)**

(iv) Cash and cash equivalents

The Group does not recognise a provision for estimated credit losses in relation to cash balances as the amount is not material. Cash and cash equivalents are placed with banks rated no lower than B+, based on the classification of international rating agencies S&P Global Ratings, Fitch and Moody's. The Group considers expected credit losses to be insignificant.

(v) Guaranties

Generally, the Group issues guarantees only for the obligations of its subsidiaries, with the exception of certain suppliers and contractors providing construction services for whom the Group issued sureties. As at 30 June 2021 and 31 December 2020 the amount of such sureties did not exceed RUB 1,000 million.

26 Provisions

mln RUB	Provision for costs to complete	Provision for onerous contracts	Tax provision	Provision for litigation	Provision for warranty obligations	Total
As at 1 January 2021	**24,717**	**353**	**414**	**1,607**	**403**	**27,494**
Additional provisions	7,149	1,325	-	545	52	9,071
Release of provisions	(1,076)	(394)	(37)	(285)	-	(1,792)
Utilisation	(5,177)	(748)	-	(332)	(16)	(6,273)
As at 30 June 2021	**25,613**	**536**	**377**	**1,535**	**439**	**28,500**

mln RUB	Provision for costs to complete	Provision for onerous contracts	Tax provision	Provision for litigation	Provision for warranty obligations	Total
As at 1 January 2020	**21,895**	**345**	**1,562**	**2,169**	**-**	**25,971**
Additional provisions	9,254	2,856	-	1,393	-	13,503
Release of provisions	(611)	(424)	-	(1,263)	-	(2,298)
Utilisation	(4,058)	(2,429)	-	(128)	-	(6,615)
As at 30 June 2020	**26,480**	**348**	**1,562**	**2,171**	**-**	**30,561**

In calculation of provisions, the Group used assumptions, which are subject to uncertainty and judgment. In preparing these consolidated interim condensed financial statements, the assumptions used to calculate provisions do not differ significantly from those used in preparing the consolidated financial statements as at and for the year ended 31 December 2020.

27 Contingencies

The contingencies of the Group related to taxes, insurance and warranties did not materially differ from the contingencies and guarantees reported in the consolidated financial statements as at and for the year ended 31 December 2020.

28 Related party transactions

(a) Control relationships

As at 30 June 2021, the Company is ultimately controlled by Mr. Sergey E. Gordeev, who owns 60,1% of the Company's ordinary shares (31 December 2020: 59,33%).

(b) Management remuneration

Key management remuneration accrued during the first six months of 2021 is represented in the table below:

mln RUB	Six-month period ended 30 June 2021	Six-month period ended 30 June 2020
Salary and bonuses	1,084	497
Insurance premium	193	83
Total	**1,277**	**580**

(c) Related parties' balances

mln RUB	30 June 2021	31 December 2020
Advances issued	467	1,817
Loans issued	1,286	17
Accounts receivable	56	13
Advances received	(49)	-
Accounts payable	(267)	(69)
Total	**1,493**	**1,778**

(d) Transactions with related parties

mln RUB	Six-month period ended 30 June 2021	Six-month period ended 30 June 2020
Contribution to the share capital of an associate	(245)	(200)
Advances to suppliers and contractors	(272)	-
Purchases of commodities and services	(202)	-
Loans issued	(1,286)	-
Total	**(2,005)**	**(200)**

(e) Other transactions with related parties

In the six months ended 30 June 2021, executive directors of the Company purchased residential apartments in uncompleted buildings for the total amount of RUB 30 million and RUB 18 million in completed buildings (in the six months ended 30 June 2020 there were no such operations).

In the six months ended 30 June 2021, the ultimate controlling shareholder of the Group issued a guarantee under one of the Group's construction contracts, according to which the Group is responsible for the fulfillment of all current and future contractual obligations. As at 30 June 2021, there were no outstanding contractual obligations under this contract.

29 Transactions with the Government

(a) Control relationships

One of the largest Russian banks ("the Bank") is a shareholder of more than 20% of the Group's share capital. At the same time, the Bank did not participate in the decision-making process by having representatives on the Board of Directors of the Company. Significant transactions with the Bank are provided below.

Balances with the Bank

mln RUB	30 June 2021	31 December 2020
Financial instruments measured at fair value	91,157	34,378
Advances issued	73	37
Cash in banks	30,256	66,956
Loans and borrowings	(157,914)	(125,452)
Interest payable	(3,659)	(3,576)
	(40,087)	**(27,657)**

Transactions with the Bank and the Bank affiliates

mln RUB	Six-month period ended 30 June 2021	Six-month period ended 30 June 2020
Revaluation of cash-settled financial instruments	55,919	768
Interest income	52	93
Interest expense before capitalisation	(4,802)	(3,131)
Other revenue	39	-
Commercial expenses	-	(382)
Quarterly interim payments under cash-settled financial instruments	(860)	(1,287)
Other finance costs	(34)	(2)
Total	**50,314**	**(3,941)**

As at 30 June 2021, parties to share participation agreements placed RUB 119,685 million to escrow accounts with the Bank (31 December 2020: RUB 69,676 million).

During first six months of 2021, the Group received project financing from the Bank of RUB 51,775 million at rates of between +2% and +3.06% above the key rate of the Central Bank of the Russian Federation and repaid debt related to project financing of RUB 18,420 million at rates of between +2% and +3.06% above the key rate of the Central Bank of the Russian Federation (in the six months ended 30 June 2020: received project financing of RUB 46,605 million at rates of between +2% and +3.21% above the key rate of the Central Bank of the Russian Federation. There was no repayment of debt).

The key terms for financial instruments are disclosed in notes 20 and 23.

(b) Transactions with the Government

In addition, the Group conducts transactions with several entities under control or joint control of the Russian Federation. The Group applies an exemption provided by IAS 24 "Related Party Disclosures", which allows the disclosure of transactions with entities related to the Government in a simplified manner.

The Group conducts operations with enterprises related to Government, which are part of ordinary activities and are carried out on conditions comparable to the terms of activities with enterprises not related to Government. Such operations include, but are not limited to, providing construction, general constructor's and technical supervision services, the lease of land for development projects, purchasing the construction services, and contributions to the fund for the protection of the rights of citizens participating in shared construction projects. Those transactions that exceeded RUB 1,000 million in the six months ended 30 June 2021, according to management estimates, amounted to at least 5.25% of the revenues from sale of construction services and about 0.31 % of the costs for construction of real estate objects (in the six months ended 30 June 2020: 87.15% and 5.87% respectively). As at 30 June 2021, outstanding balances with government-related enterprises do not exceed RUB 25,200 million of assets and RUB 39,400 million of liabilities of the Group (as at 31 December 2020: RUB 29,039 million of assets and RUB 60,764 million of liabilities of the Group).

As at 30 June 2021, parties to share participation agreements placed RUB 27,965 million to escrow accounts with banks associated with the government (31 December 2020: RUB 12,404 million). In the six months ended 30 June 2021, the Group received loan financing from banks associated with the government in the amount of RUB 40,101 million (in first half of 2020: RUB 1,750 million).

30 Subsequent events

In August 2021 the Group acquired land plots from a third party through the acquisition of 50% of shares in the company.

31 Non-IFRS measures

Net debt

mln RUB	Note	30 June 2021	31 December 2020
Loans and borrowings, excluding project financing	23	64,687	68,819
Project financing	23	272,798	163,276
Cash and cash equivalents	19	(52,918)	(96,527)
Net debt		**284,567**	**135,568**

Net debt except for escrow accounts balances

mln RUB	Note	30 June 2021	31 December 2020
Loans and borrowings, excluding project financing	23	64,687	68,819
Project financing	23	272,798	163,276
Cash and cash equivalents	19	(52,918)	(96,527)
Escrow accounts balances	19	(162,766)	(90,303)
Net debt		**121,801**	**45,265**

Earnings before interest, taxes, depreciation and amortisation (EBITDA)

mln RUB	Note	Six-month period ended 30 June 2021	Six-month period ended 30 June 2020
Profit and total comprehensive income for the period		69,425	17,986
Depreciation of property, plant and equipment and amortisation of intangible assets	12, 13	2,285	1,721
Interest expense after capitalisation	8	4,654	2,044
Significant financing component on contracts with customers and the effect of discounting the provision for costs to complete, included in other financial costs	8	2,259	1,870
Interest income	8	(1,991)	(1,918)
Income tax expense	11	15,286	5,754
EBITDA		**91,918**	**27,457**

Earnings before interest, taxes, depreciation and amortisation (see above) as additionally adjusted (see below) (Adjusted EBITDA)

mln RUB	Note	Six-month period ended 30 June 2021	Six-month period ended 30 June 2020
EBITDA		**91,918**	**27,457**
Significant financing component and interest expense savings from project financing of construction of real estate sold through the use of escrow accounts recognised in revenue	7	(4,999)	(3,336)
Interest expense written off to cost of sales	8	4,481	2,948
Discount the provision for costs to complete accrued to cost of sales	7	(1,072)	-
Impairment losses on non-financial assets, net	18	163	116
(Gain on reversal of)/impairment loss included in cost of sales, net	18	(124)	479
Profit from change in fair value of investment property	14	(606)	-
Impairment loss on financial assets, net	8	888	629
Reversal of write-off of accounts payable	8	(20)	(7)
Foreign exchange (gain)/loss, net	8	(2)	39
Loss on disposal of property, plant and equipment, intangible assets and other assets	10	692	423
Gain on disposal of subsidiaries, associates and investment property, net		(66)	(10)
Penalties and fines, including provision for litigation	10	552	471
Write-off of other materials		66	15
Other finance income	8	(62)	(307)
Elimination of revaluation of cash-settled financial instruments and financial liability	8	(55,919)	(3,068)
Adjusted EBITDA		**35,890**	**25,849**

*****

Supplementary information not required by IFRS

Net cash from operating activities before acquisition and sale of land plots/right-of-use assets and prepayments for land plots/right-of-use assets

mln RUB	Six-month period ended 30 June 2021	Six-month period ended 30 June 2020
Cash flows from operations before changes in inventories, accounts receivable and payable and provision for costs to complete	**35,988**	**23,953**
Changes in:		
Inventories before acqusitions and sale of land plots/right-of-use asset	7,879	4,841
Receivables, including contract assets and excluding advances issued for the aqcuisition of land plots/right-of-use asset	(69,770)	(24,753)
Payables, including contract liabilities and changes in the provision for taxes, other than income tax	27	(3,154)
Provisions	317	4,611
Net cash flows (used in)/from operations before income taxes and interes paid and before acquisition expenses and proceeds from sale of land plots/right-of-use asset and advances issued for the aqcuisition of land plots/right-of-use asset	**(25,559)**	**5,498**
Income taxes paid	(13,775)	(2,485)
Interest paid	(6,397)	(4,244)
Net cash flows used in operations before acquisitions expenses and proceeds from sale of land plots/right-of-use asset and advances issued for the aqcuisition of land plots/right-of-use asset	**(45,731)**	**(1,231)**
Acquisition of ownership and lease of project land plots, including acquisition of subsidiaries	(57,590)	(24,250)
Gain on sales of land plots/right-of-use asset	72	66
Changes in accounts payable for acquisition of land plots, liabilities to transfer real estate objects in land plot acquisition transactions and long-term lease liabilities	6,934	538
Change in advances issued for the acquisition of land plots/right-of-use asset	(17,164)	1,204
Net cash used in operating activities	**(113,479)**	**(23,673)**

Net assets of LLC GP-MFS

As at 30 June 2021 and as at 30 June 2020, the net assets of GP-MFS LLC amounted to a positive value.

Development capital expenditures (cash flows) except for cash paid for the acquisition of land plots/right-of-use assets

In the six months ended 30 June 2021 development capital expenditure amounted to RUB 94,228 million (in the six months ended 30 June 2020: RUB 65,701 million).

Proceeds from sales of real estate

In the six months ended 30 June 2021 proceeds from real estate sales taking into account receipts for escrow accounts amounted to RUB 166,372 million (in the six months ended 30 June 2020: RUB 104,330 million).

KPMG

JSC "KPMG"
Naberezhnaya Tower Complex, Block C
10 Presnenskaya Naberezhnaya
Moscow, Russia 123112
Telephone +7 (495) 937 4477
Fax +7 (495) 937 4499
Internet www.kpmg.ru

Independent Auditors' Report on Review of Consolidated Interim Condensed Financial Statements

To the Shareholders and the Board of Directors of Public Joint Stock Company PIK-Specialized homebuilder

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of Public Joint Stock Company "PIK-Specialized homebuilder" (the "Company") and its subsidiaries (the "Group") as at 30 June 2021, and the related consolidated interim condensed 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 consolidated interim condensed financial statements (the "consolidated interim condensed financial statements"). Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these consolidated interim condensed 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 consolidated interim condensed 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: Public Joint Stock Company "PIK-Specialized homebuilder".

Registration number in the Unified State Register of Legal Entities No. 1027739137084.

Moscow, Russia.

Audit firm: JSC "KPMG", a company incorporated under the Laws of the Russian Federation.

Registration number in the Unified State Register of Legal Entities No.1027700125628.

Member of the Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). Principal registration number of the entry in the Register of Auditors and Audit Organizations: No. 12006020351.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial statements as at 30 June 2021 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 _Interim Financial Reporting_.

Other Matter

The supplementary information accompanying the consolidated interim condensed financial statements on page 40 is presented solely for the convenience of users, does not form part of the consolidated interim condensed financial statements and is not reviewed.

Kirill Altukhov

JSC “KPMG”

Moscow, Russia

27 August 2021

Public Joint Stock Company “PIK-specialized homebuilder”

(previously PJSC Group of Companies PIK)

Consolidated Financial Statements

for 2020

and Independent Auditors’ Report

Contents

Consolidated Financial Statements

Consolidated Statement of Financial Position	3
Consolidated Statement of Profit or Loss and Other Comprehensive Income	5
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	11-83
Supplementary information not required by IFRS	84
Independent Auditors' Report	85

Consolidated Statement of Financial Position as at 31 December 2020

mln RUB	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	15	35,546	34,453
Intangible assets and goodwill	16	14,033	13,454
Investment property	17	6,880	6,626
Equity accounted investees		8	703
Other investments	19	218	263
Accounts receivable	20	663	1,774
Financial instruments measured at fair value through profit and loss	24	34,378	10,377
Deferred tax assets	14	4,747	593
Total non-current assets		**96,473**	**68,243**
Current assets			
Inventories	18	306,990	270,967
Other investments	19	454	217
Current income tax assets		1,785	1,475
Accounts receivable, including contract assets	20	145,341	64,130
Cash and cash equivalents	22	96,527	66,208
Other current assets		1,238	763
Total current assets		**552,335**	**403,760**
Total assets		**648,808**	**472,003**

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 11 to 83.

Consolidated Statement of Financial Position as at 31 December 2020

mln RUB	Note	31 December 2020	31 December 2019
EQUITY AND LIABILITIES			
Equity	25		
Share capital		41,295	41,295
Additional paid-in capital		(8,470)	(8,470)
Retained earnings		147,343	75,962
Total equity attributable to owners of the Company		**180,168**	**108,787**
Non-controlling interests	27	2,143	1,501
Total equity		**182,311**	**110,288**
Non-current liabilities			
Loans and borrowings	26	197,329	109,608
Accounts payable	29	7,450	9,807
Liabilities from long-term lease contracts	21	10,210	4,601
Provisions	28	153	-
Deferred tax liabilities	14	33,813	19,856
Total non-current liabilities		**248,955**	**143,872**
Current liabilities			
Loans and borrowings	26	34,766	29,939
Accounts payable, including contract liabilities	29	145,263	157,569
Liabilities from long-term lease contracts	21	3,753	2,023
Provisions	28	27,341	25,971
Current income tax liabilities		6,419	2,341
Total current liabilities		**217,542**	**217,843**
Total liabilities		**466,497**	**361,715**
Total equity and liabilities		**648,808**	**472,003**

These consolidated financial statements were approved by the Board of Directors on 19 March 2021 and were signed on its behalf by:

S. E. Gordeev
CEO

E. S. Smakovskaya
Vice-President for Economics and Finance – Financial Director

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 11 to 83.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2020

mln RUB	Note	2020	2019
Revenue from sales of real estate properties accounted for at historical cost		219,274	170,054
Revenue from sales of real estate properties acquired through business combinations and recognised at fair value at initial recognition		75,305	63,264
Other revenue		85,582	47,317
Revenue	9	**380,161**	**280,635**
Cost of sales of real estate properties accounted for at historical cost		(149,993)	(113,913)
Cost of sales of real estate properties acquired through business combinations and recognised at fair value at initial recognition		(61,794)	(53,933)
Cost of other sales		(64,189)	(37,082)
Cost of sales		**(275,976)**	**(204,928)**
Gross profit from sales of real estate properties accounted for at historical cost		69,281	56,141
Gross profit from sales of real estate properties acquired through business combinations and recognised at fair value at initial recognition		13,511	9,331
Gross profit from other sales		21,393	10,235
Gross profit		**104,185**	**75,707**
Net gain on disposal of subsidiaries, associates and investment property	8	620	668
Distribution expenses		(6,264)	(8,125)
Administrative expenses	12	(10,755)	(10,631)
Profit/(loss) from change in fair value of investment property	17	480	(20)
Reversal of impairment losses on non-financial assets, net	23	996	91
Other (expenses)/income, net	11	(1,363)	2,865
Profit from operating activities		**87,899**	**60,555**

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 83.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2020

mln RUB	Note	2020	2019
Finance income	10	28,369	7,695
Finance costs	10	(8,213)	(3,701)
Significant financing component from contracts with customers		(2,568)	(5,166)
Profit/(loss) from financing activities		**17,588**	**(1,172)**
Share in losses of equity-accounted investees, net of income tax		(212)	(145)
Profit before income tax		**105,275**	**59,238**
Income tax expense	14	(18,782)	(14,125)
Profit and total comprehensive income for the reporting period		**86,493**	**45,113**
Attributable to:			
Shareholders of the Company		86,381	44,900
Non-controlling interests	27	112	213
Profit and total comprehensive income for the reporting period		**86,493**	**45,113**
Basic and diluted profit per share, RUB	25 (b)	**130.78**	**67.98**

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 83.

Consolidated Statement of Changes in Equity for 2020

mln RUB	Note	Attributable to equity holders of the Company: Share capital	Additional paid-in-capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2019		**41,295**	**(8,470)**	**45,370**	**78,195**	**1,868**	**80,063**
Profit for the reporting period		-	-	44,900	**44,900**	213	**45,113**
Total comprehensive income for the reporting period		**-**	**-**	**44,900**	**44,900**	**213**	**45,113**
Transactions with owners of the Company							
Acquisition of non-controlling interests without change in control		-	-	-	-	(22)	**(22)**
Decrease of non-controlling interests due to the legal restructuring of subsidiaries	27	-	-	692	**692**	(692)	**-**
Acquisition of subsidiaries with non-controlling interest		-	-	-	-	271	**271**
Disposal of subsidiaries with non-controlling interest	8	-	-	-	-	(137)	**(137)**
Dividends	25 (a)	-	-	(15,000)	**(15,000)**	-	**(15,000)**
Total transactions with owners of the Company		**-**	**-**	**(14,308)**	**(14,308)**	**(580)**	**(14,888)**
Balance at 31 December 2019		**41,295**	**(8,470)**	**75,962**	**108,787**	**1,501**	**110,288**

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 11 to 83.

Consolidated Statement of Changes in Equity for 2020

mln RUB	Note	Attributable to equity holders of the Company: Share capital	Additional paid-in-capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2020		**41,295**	**(8,470)**	**75,962**	**108,787**	**1,501**	**110,288**
Profit for the reporting period		-	-	86,381	**86,381**	112	**86,493**
Total comprehensive income for the reporting period		-	-	**86,381**	**86,381**	**112**	**86,493**
Transactions with owners of the Company							
Acquisition of non-controlling interests without change in control		-	-	-	-	(250)	**(250)**
Change in non-controlling interests due to the legal restructuring of subsidiaries	27	-	-	-	-	313	**313**
Other changes	27	-	-	-	-	467	**467**
Dividends	25 (a)	-	-	(15,000)	**(15,000)**	-	**(15,000)**
Total transactions with owners of the Company		-	-	**(15,000)**	**(15,000)**	**530**	**(14,470)**
Balance at 31 December 2020		**41,295**	**(8,470)**	**147,343**	**180,168**	**2,143**	**182,311**

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 11 to 83.

Consolidated Statement of Cash Flows for 2020

mln RUB	Note	2020	2019
Cash flows from operating activities			
Profit for the reporting period		**86,493**	**45,113**
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	15, 16	3,479	3,024
Impairment gain on non-financial assets, net	23	(996)	(415)
Loss/(gain) from disposal of property, plant and equipment and other assets	11	437	(47)
Profit/(loss) from change in fair value of investment property	17	(480)	20
Net gain on disposal of subsidiaries, associates and investment property	8	(620)	(668)
Share in losses of equity-accounted investees, net of income tax		212	145
Finance income	10	(28,369)	(7,695)
Finance costs	10	8,213	3,701
Income tax expense	14	18,782	14,125
Negative goodwill	11	(120)	(4,719)
		87,031	**52,584**
Changes in:			
Inventories and other current assets		(25,798)	(43,017)
Accounts receivable, including contract assets		(84,309)	(29,421)
Accounts payable, including contract liabilities and changes in provision for taxes, other than income tax		(14,175)	(2,583)
Provisions		2,086	(3,670)
Cash flows used in operations before income taxes and interest*		**(35,165)**	**(26,107)**
Income taxes paid		(6,326)	(8,390)
Interest paid		(9,089)	(8,659)
Net cash used in operating activities		**(50,580)**	**(43,156)**

* Cash flows from operating activities do not include funds placed on escrow accounts in the authorised banks by account holders (real estate customers) as a consideration paid under share participation agreements in the amount of RUB 77,580 million (2019: RUB 14,916 million).

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 11 to 83.

Consolidated Statement of Cash Flows for 2020

mln RUB	Note	2020	2019
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		385	241
Interest received		3,359	2,981
Acquisition of property, plant and equipment and other intangible assets		(3,168)	(4,150)
Acquisition of subsidiaries, net of cash acquired	7 (a)	274	(1,437)
Acquisition of equity accounted investees, including advances issued for acquisition of investees		(300)	(740)
Proceeds from disposal of associates and subsidiaries, net of cash		3,970	45
Proceeds from disposal of investment property and prepayments received for the sale of investment property		4,883	-
Loans issued		(484)	(221)
Repayment of loans issued		314	268
Net cash from/(used in) investing activities		**9,233**	**(3,013)**
Cash flows from financing activities			
Payments for cash-settled financial instruments	24	(2,161)	(2,805)
Payments for lease liabilities		(2,696)	(2,421)
Proceeds from borrowings		129,695	81,750
Repayment of borrowings		(37,612)	(4,082)
Proceeds from issuance of bonds		7,015	21,636
Repurchase of bonds		(7,430)	(25,271)
Acquisition of non-controlling interests without change in control		(150)	(22)
Payment of dividends	25 (a)	(15,000)	(15,000)
Net cash from financing activities		**71,661**	**53,785**
Net increase in cash and cash equivalents		30,314	7,616
Effect of exchange rate fluctuations on cash and cash equivalents		5	(9)
Cash and cash equivalents at the beginning of the period		66,208	58,601
Cash and cash equivalents at the end of the period		**96,527**	**66,208**

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 11 to 83.

Notes to the Consolidated Financial Statements for 2020

1	General information	12
2	Basis of preparation of the Consolidated Financial Statements	13
3	Functional and presentation currency of the Consolidated Financial Statements	13
4	Use of estimates and judgments	14
5	Measurement of fair values	15
6	Operating segments	16
7	Acquisition of subsidiaries and associates	19
8	Disposals of subsidiaries, associates and investment property	21
9	Revenue	21
10	Finance income and costs	24
11	Other (expenses)/income, net	25
12	Administrative expenses	25
13	Personnel costs	25
14	Income taxes	26
15	Property, plant and equipment	29
16	Intangible assets and goodwill	30
17	Investment property	31
18	Inventories	31
19	Other investments	32
20	Accounts receivable, including contract assets	33
21	Leases	33
22	Cash and cash equivalents	35
23	Impairment loss on non-financial assets	36
24	Financial instruments measured at fair value through profit and loss	38
25	Equity	39
26	Loans and borrowings	40
27	Non-controlling interest	46
28	Provisions	48
29	Accounts payable, including contract liabilities	49
30	Financial instruments	50
31	Contingencies	57
32	Significant subsidiaries	59
33	Related party transactions	59
34	Transactions with the Government	60
35	Subsequent events	61
36	Basis of measurement	61
37	Significant accounting policies	61
38	New standards	80
39	Information on non-IFRS measures	81

1 General information

(a) Organisation and operations

Public Joint Stock Company "PIK-specialized homebuilder" (previously PJSC Group of Companies PIK, the "Company") and its subsidiaries (together referred to as the "Group") comprise mostly joint stock companies and limited liability companies incorporated in the Russian Federation and companies incorporated in Cyprus. The Company was established as a privately owned enterprise in 1994. The Company's shares are traded on the Moscow Exchange.

The Company's registered office is Bldg 1, 19 Barrikadnaya Str., Moscow, 123242, Russian Federation.

The primary activities of the Group are construction of residential buildings and areas, sales of real estate properties; construction services; production of construction materials, including concrete panels, window frames and other construction elements, consumed mostly by the Group internally, heat supply; maintenance of apartment buildings. During 2020 and 2019 the Group primarily operated in Moscow, Moscow Region and insignificantly in some other regions of Russia.

As at 31 December 2020 and 31 December 2019, the Company was ultimately controlled by Mr. Sergey E. Gordeev.

(b) Business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is affected by the economy and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax, and regulatory frameworks continue their development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments, give rise to challenges faced by companies operating in the Russian Federation.

Since 2014, the United States of America, the European Union, and some other countries have imposed and gradually tightened economic sanctions with respect to Russian individuals and legal entities. The imposition of economic sanctions has resulted in increased economic uncertainty including more volatile equity markets, depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and significantly reduced availability of credit. The long-term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to evaluate.

At the beginning of 2020, the new coronavirus infection COVID-19 began to spread rapidly in the world. In March 2020, the World Health Organization (WHO) announced the beginning of a pandemic. Quarantine measures taken afterwards significantly affected the activities of many companies, including the suspension or shutdown of production, disruption of supply chains, staff quarantine and reduced demand.

Quarantine measures imposed by the authorities of the Russian Federation in the second quarter of 2020 included the introduction of non-working days, the suspension of trade and service companies. The Moscow government imposed temporary restrictions on construction works from 13 April 2020 to 12 May 2020.

Flexible construction technologies and own production facilities allowed the Group quickly resume construction works shortly after the lifting of the temporary ban on construction in Moscow and the Moscow Region.

Besides, in the first weeks after the restrictive measures had been introduced, the Group launched an online real estate sales service, including mortgage transactions, which helped maintain sales at an adequate level.

In 2020, in addition to the outbreak of the coronavirus infection, oil prices fell sharply, which in turn affected stock indices, led to a fall in the quotes of most stocks and financial instruments, as well as the decline in the Rouble value against other currencies.

Overall, the real estate market has proven to be a highly resilient sector, in contrast to other sectors that are suffering from the effects of the pandemic.

The quarantine measures and the decline in oil prices have led to a reduction in the disposable income of the population and an increase in the unemployment rate, giving rise to a risk of falling demand for real estate. At the same time, the Government of the Russian Federation implemented various measures to support both the construction industry and its customers, including the introduction of mortgage programmes with a preferential rate of 6.5% per annum (were in effect during the reporting period), which significantly boosted demand for real estate.

The uncertainty caused by the pandemic persists, and the Group may face an even greater impact of COVID-19 as a result of its negative impact on the global economy and financial markets. The significance of the impact of COVID-19 on the Group's operations largely depends on the duration and spread of the virus impact on the global and Russian economy.

If demand for real estate decreases in the future, there may be restrictions on obtaining financing at preferential rates, the contract covenants may be violated, and increased costs may lead to a decline in the Group's gross profit. Management estimates that these risks do not currently have a material impact on the Group's results of operations.

The Group analysed various scenarios of the possible impact on the current operating environment, cash flows, and liquidity, including debt covenants. The analysis demonstrated the Group's ability to continue as a going concern.

Besides, in response to a severe scenario of deterioration of the situation, management may take mitigating measures to reduce costs, optimize the Group's cash flows and maintain liquidity:

- reducing secondary capital expenditures and delaying or eliminating discretionary spending; and
- ceasing the recruitment of secondary personnel; and
- reducing marketing costs.

Based on these factors, management reasonably expects that the Group has sufficient resources, and its credit facilities are appropriate. Management has sufficient grounds to expect that the Group has necessary resources to continue operation for at least the next 12 months and in the foreseeable future and that the going concern assumption remains reasonable.

The presented consolidated financial statements reflect management's assessment of the impact of the Russian Federation's business environment, as well as events related to the development of the coronavirus pandemic and measures taken by the government to constrain the further spread of the pandemic and mitigate its impact on the economy and the country's population, on the operations and the financial position of the Group. Management reviewed current events and conditions that may cause significant uncertainty as to the Group's going concern and concluded that there is no material uncertainty that could cause significant doubt about Group's ability to continue as a going concern.

2 Basis of preparation of the Consolidated Financial Statements

Statement of compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs). The Group's significant accounting policies are set out in Note 37.

3 Functional and presentation currency of the Consolidated Financial Statements

The presentation currency of these consolidated financial statements is the Russian Rouble.

The functional currency for each Group entity is determined separately. For most businesses, the functional currency is the Russian Rouble, except for businesses located in the Republic of Cyprus, where transactions are insignificant. All numerical indicators in Roubles are rounded to the nearest million.

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 in which a change in a particular estimate will have an impact on the financial statements.

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 1 (b) Business Environment – whether there are material uncertainties that may cause significant doubt about the entity's ability to continue its operations as a going concern;
- note 7 Acquisition of Subsidiaries and Associates – classification of the acquisition of subsidiaries as an asset purchase or a business acquisition;
- notes 9 Revenue and 37 (b) Revenue from Contracts with Customers – whether revenue from real estate is recognised over time or at a point in time;
- note 16 Intangible Assets and Goodwill – useful lives of intangible assets;
- notes 23 Impairment Loss on Non-financial Assets and 37 (o) Impairment Loss – depreciation of inventories, impairment of advances issued, property, plant and equipment and intangible assets and goodwill;
- notes 28 Provisions and 37 (g) Provisions – the provision for onerous contracts, provision for the cost to complete, litigation provision, warranty and tax provisions;
- notes 21 Leases and 37 (m) Leases – determination of the lease term and liability amount;
- note 30 (b) Credit Risk – estimated provisions for trade receivables.

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 7 Acquisition of Subsidiaries and Associates» – determination of the fair values at the acquisition date;
- note 9 Revenue – an estimate of expected revenue;
- note 14 Income Taxes – availability of future taxable profits against which tax losses carried forward can be set off;
- note 17 Investment Property – key assumptions regarding valuation of investment property;
- note 18 Inventories – key assumptions affecting the identification and determination of the amount of impairment;
- notes 23 Impairment Loss on Non-financial Assets» and 37 (o) Impairment Loss – key assumptions in determining a recoverable amount;
- note 24 Financial Instruments Measured at Fair Value through Profit and Loss – assumptions in determining at fair value;
- notes 28 Provisions, 31 Contingencies and 37 (g) Provisions – key assumptions regarding the likelihood and magnitude of an outflow of resources;
- note 37 (o) Impairment Loss – key assumptions regarding the measurement of an allowance for expected credit losses in respect of receivables and contractual assets.

5 Measurement of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment (see note 15) recognised as a result of business combinations was based on market values. The market value of a property is the estimated amount for which the property could be exchanged on the date of valuation between market participants in an orderly transaction. The fair value of items of plant, equipment, fixtures and fittings was based on the market approach and cost approach, using quoted market prices for similar items when available and replacement cost when appropriate.

Where no quoted market prices were available, the fair value of property, plant and equipment was primarily determined on the basis of the replacement cost, taking into account accumulated depreciation. This method involved calculating the amount of costs required to reproduce or replace an asset which was then adjusted for the amount of decrease in its value caused by physical wear and tear, functional or economic reasons (including the use of the discounted cash flow method) and obsolescence.

Investment property

The fair value of investment property (see note 17) is based on valuations performed by external independent appraisers who hold recognised, recent and relevant professional qualifications. The fair value of investment property is determined by using the income or the comparative approaches selected individually for each specific investment property being valued.

The comparative approach is generally used in the assessment of land plots for which construction plans have not been developed. The income approach is applied in the valuation of properties leased out or intended for rent, and the land plots available for development where construction plans have been already developed.

Intangible assets and goodwill

The fair value of relations with clients (client base (see note 16)) acquired through business combination was determined with the use of income approach based on the multi-period excess earnings method, i.e. the net present value of cash flows after deducting all other assets and liabilities of the business. The client base is recognised as an intangible asset with an indefinite useful life, and is not amortised.

The fair value of other intangible assets, including those acquired in business combinations, was based on the discounted cash flows expected to be derived from the use and eventual sale of these assets.

Inventories

The fair value of inventories (see note 18) acquired in business combinations was based on their estimated present selling price in the ordinary course of business less expected costs of completion and their sale to the end buyer by an independent market participant.

Non-derivative financial liabilities

Fair value, which was determined for disclosure purposes only, was calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Financial instruments measured at fair value through profit and loss

The fair value of financial instruments measured at fair value through profit and loss (see note 24), was determined on the basis of discounted cash flows expected to be received at the end of financial instruments contracts.

6 Operating segments

As at 31 December 2020, the Group defines six reporting segments which are its strategic business units:

- Development: development projects planned and undertaken by the Group, including identification of investment opportunities, performance of feasibility studies, obtaining the necessary construction permits, management of projects, construction and sale of real estate.
- Commercial Construction: development of construction projects for third-party developers, general contractor's activities, technical supervision and granting rights to use the Group's trademark.
- Maintenance: maintenance and management of residential buildings and other properties, technical maintenance of utility systems and rendering heat, water and electricity supply services, provision of Internet services.
- Industrial Segment: production and assembly of prefabricated panel buildings and other related activities, including production of construction materials and components, production and sale of IoT-devices.
- Proptech: rent of apartment services, purchase and sale of real estate in the secondary housing market, repair of premises, agency services for the sale of residential apartments, implementation of IT solutions.
- Other: rental services and other activities.

The Group's Management Board reviews internal management reports of each segment at least once a quarter.

There is some integration between the Development and Commercial construction reporting segments, as well as the Development and Maintenance reporting segments, including the provision of services for construction, operation of real estate, etc. As a rule, transaction prices between the segments are set on the same terms as for transactions between independent parties.

Below is information regarding the results of each of the reporting segments. The financial results of the Group's operations are estimated based on segment gross profit indicators reflected in internal management reports, which are reviewed by the Group's Management Board. Management believes that this information is most relevant when evaluating the performance of individual segments compared to other businesses operating in the same industry.

(a) Profit and loss of segments

	Development		Commercial construction		Maintenance		Industrial segment		Proptech		Other		Total	
mln RUB	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
External revenues*	299,251	233,478	48,311	26,644	24,233	16,192	3,363	2,376	2,936	963	2,067	982	**380,161**	**280,635**
Inter-segment revenue	4,477	1,396	25,228	12,620	4,111	2,205	35,404	37,290	29	17	177	154	**69,426**	**53,682**
Total revenue for reportable segments	**303,728**	**234,874**	**73,539**	**39,264**	**28,344**	**18,397**	**38,767**	**39,666**	**2,965**	**980**	**2,244**	**1,136**	**449,587**	**334,317**
Gross profit for reportable segment	**87,700**	**65,620**	**8,036**	**4,730**	**7,320**	**4,588**	**478**	**406**	**426**	**55**	**225**	**308**	**104,185**	**75,707**
Gross margin	**29%**	**28%**	**17%**	**18%**	**30%**	**28%**	**14%**	**17%**	**15%**	**6%**	**11%**	**31%**	**27%**	**27%**

* External revenue from the Development segment includes:

- revenue from sales of residential property recognised over time in the amount of RUB 275,579 million (2019: RUB 215,885 million);
- revenue from sales of non-residential property and parking spaces recognised over time in the amount of RUB 19 000 million (2019: RUB 17,433 million);
- other development revenue of RUB 4,672 million (2019: RUB 160 million).

(b) Geographical information

Activities of reportable segments are concentrated mainly in three geographical areas, named "Moscow", "Moscow Region" and "Other Regions of Russia" for the purposes of these consolidated financial statements.

Information about segment revenues is based on the geographical location of the respective segment's assets and presented below.

mln RUB	2020	2019
Moscow	250,113	177,082
Moscow Region	107,736	85,650
Other Regions of Russia	22,312	17,903
	380,161	**280,635**

(c) Reconciliation of reportable segments' revenues and profit or loss

mln RUB	2020	2019
Revenue		
Total revenue of reportable segments	449,587	334,317
Elimination of reportable inter-segment sales revenue	(69,426)	(53,682)
Consolidated revenue	**380,161**	**280,635**
Reconciliation of gross profit and profit before tax		
Adjusted reportable segments' gross profit	104,185	75,707
Consolidated gross profit	**104,185**	**75,707**
Unallocated amounts		
Gain on disposal of subsidiaries, associates and investment property, net	620	668
Distribution expenses	(6,264)	(8,125)
Administrative expenses	(10,755)	(10,631)
Profit/(loss) from change in fair value of investment property	480	(20)
Gain on reversal of impairment losses on non-financial assets, net	996	91
Other (expenses)/income, net	(1,363)	2,865
Finance income	28,369	7,695
Finance costs	(8,213)	(3,701)
Significant financing component from contracts with customers	(2,568)	(5,166)
Share of loss of equity accounted investees, net of income tax	(212)	(145)
Consolidated profit before tax	**105,275**	**59,238**

In 2020 and 2019, no customer represented more than 10% of the Group's total revenue for the reporting period. Revenue of the Commercial construction segment was generated mainly from three customers, which accounted for approximately 81% of revenue of the segment. In 2020, revenue of the Maintenance segment from one customer accounts for 20.8% of the revenue of the segment, in 2019, revenue from one customer accounted for 21.98% of the same.

7 Acquisition of subsidiaries and associates

(a) Acquisition of subsidiaries in 2020

In 2020, the Group entered into agreements with third parties to acquire a 70% share in two Russian companies, which provide contract services to design and construct external infrastructure facilities – water pipelines, sewerage systems, heating networks, as well as landscaping services. The Group was the main customer of these companies before the acquisition. The total consideration amounted to RUB 197 million and was paid in full in cash during 2020. As part of business combinations, the Group recognised assets and liabilities at fair value at the acquisition date, with such fair value determined by the independent appraiser engaged by management.

The independent appraiser applied the comparative method to evaluate property, plant, and equipment at the acquisition date, and the cost method was used to evaluate the remaining assets.

The following table summarises amounts recognised in respect of assets and liabilities acquired at the acquisition date, the fair value of the consideration paid, and the result of the acquisition of subsidiaries:

mln RUB	**31 December 2020**
Property, plant and equipment	326
Intangible assets	43
Deferred tax assets	6
Inventories	1,030
Accounts receivable	1,051
including accounts receivable of the Group companies	*198*
Cash and cash equivalents	471
Other current assets	2
Deferred tax liabilities	(9)
Loans and borrowings	(92)
including loans from the Group companies	*(92)*
Accounts payable	(2,375)
including accounts payable of the Group companies	*(1,789)*
Net identifiable assets, liabilities and contingent liabilities	**453**
Negative goodwill from acquisition of subsidiaries	(120)
Non-controlling interest	(136)
Total consideration	**197**
Consideration paid	197
Cash acquired	(471)
Acquisition of subsidiaries, net of cash acquired	**(274)**

(b) Acquisition of subsidiaries in 2019

Acquisition of companies providing residential buildings' maintenance services

In the second half of 2019, the Group entered into several related agreements with a third party to acquire a business providing residential buildings' maintenance services. As a result, the Group obtained control over a 99.9% interest in the parent company of the specified business and its subsidiaries. The transaction also included agreements on the acquisition and subsequent sale in December 2019 of 17 companies providing housing and utility services. These companies were acquired solely for resale and on the acquisition were recognised as assets held for sale. The total acquisition cost amounted to RUB 3,779 million, of which RUB 2,006 million were paid in cash, and the remaining amount of RUB 1,773 million was settled against accounts receivable recognised as a result of the sale by the Group in 2017 of some of the acquired companies.

As a result of the acquisition, the Group recognised income from the acquisition of RUB 4,719 million.

As part of business combinations, for companies providing residential buildings' maintenance services, the Group recognised identifiable intangible assets (client base) and property, plant and equipment at their fair values, which were determined by the independent appraiser engaged by the Group's Management.

Fair values of assets held for sale were determined based on their selling price less costs to sell, which were known at the date of acquisition.

Fair values of identifiable intangible assets were measured based on the following assumptions and valuation techniques:

- all acquired companies were operating companies and would continue their activities in the future;
- as part of the income approach, the Multi-Period Excess Earnings (MPEEM) method was used to determine the fair value of the Client base:

  - The revenue forecast was based on the management companies' tariffs and service fees effective in 2019, adjusted for the consumer price index growth and areas under maintenance as at the valuation date;

  - The Client base disposal ratio was set at 1.5% per year;

  - The discount rate applied equaled the cost of equity of 15.3%;

  - The tax rate applied was the Russian statutory income tax rate of 20%.

Acquisition of the company engaged in the provision of residential real estate rental services

In 2019, the Group acquired an additional 31.01% interest in the company that provides residential real estate rental services. As a result, the Group's share in the company increased to 51%. The total consideration amounted to RUB 360 million, including RUB 30 million paid in 2018 and RUB 330 million in 2019.

(c) Acquisition of associates

There were no material acquisitions of associates in 2020.

In 2019 the Group acquired non-controlling interests and obtained significant influence over two companies in the services sector. The total consideration paid amounted to RUB 840 million, of which RUB 740 million were paid in 2019 and RUB 100 million in 2018. The Group's share of the fair value of net assets of acquired companies approximates the amount of consideration paid.

(d) Acquisition of subsidiaries classified as a purchase of an asset

The Group acquires land plots for development projects through the acquisition of control in respective companies, holding the land plots, and classifies such acquisitions as a purchase of an asset since these companies had no other significant assets, liabilities, profit or losses at the acquisition date. Accordingly, consideration paid or payable by the Group for the acquisition of these subsidiaries was recognised as the cost of construction-in-progress intended for sale (see note 18).

8 Disposals of subsidiaries, associates and investment property

In 2020 and 2019, for legal restructuring purposes after completion of construction, the Group sold companies included in the Development segment and Other segment companies, as well as assets held for sale (see note 7 (b)). Besides, in 2020, the Group sold its interests in two associates (services sector companies). The following table summarises the result of their disposal:

mln RUB	2020	2019
Property, plant and equipment	(129)	(21)
Intangible assets	(7)	(2)
Investment property	-	(23)
Equity accounted investees	(1,399)	-
Inventories	(56)	(96)
Other investments	(41)	(729)
Income tax receivable	(133)	(389)
Accounts receivable, including contract assets	(1,202)	(8,368)
Assets held for sale	-	(2,911)
Deferred tax assets	(145)	(897)
Deffered tax liabilities	88	1,038
Loans and borrowings	159	12
Trade and other payables	721	7,970
Provisions	58	1,425
Income tax payable	-	251
Net assets	**(2,086)**	**(2,740)**
Non-controlling interest	-	137
Receivable from the disposal of subsidiaries	**88**	**3,226**
Advances received in the previous period for the acquisition of companies	**270**	**-**
Consideration received in cash	**2,789**	**141**
Cash and cash equivalents of disposed subsidiaries	(311)	(96)
Gain on disposal of subsidiaries and associates, net	**750**	**668**
Loss on disposal of investment property, net	(130)	-
Gain on disposal of subsidiaries, associates and investment property, net	**620**	**668**

9 Revenue

(a) Disaggregation of revenue depending from timing of revenue

mln RUB	2020	2019
Revenue from sales of real estate and other development revenue	**299,251**	**233,478**
Revenue from sales of residential properties recognised over time	275,579	215,885
Revenue from sales of non-residential premises and parking spaces recognised over time	19,000	17,433
Other development revenue	4,672	160
Revenue from other sales	**80,910**	**47,157**
Revenue from other sales of goods and services recognised at a point in time	8,366	4,321
Revenue from construction services recognised over time	48,311	26,644
Revenue from maintenance services, recognised over time	24,233	16,192
Total revenue from contracts with customers	**380,161**	**280,635**

(i) Significant financing component, savings on interest expense and other components of the transaction price

The significant financing component as part of the transaction price recognised in revenue for 2020 amounted to RUB 5,361 million (for 2019: RUB 7,170 million). There is no significant financing component in revenue from construction services as the period between the performance of the contract obligation and payment does not exceed 12 months and the Group uses a practical expedient with respect to this type of revenue (see note 37(b)).

The significant financing component in the transaction price in contracts with customers concluded in 2020, was calculated using interest rates from 5.7% to 9.3% (2019: from 8% to 9.6%).

The transaction prices in sales of properties involving the escrow accounts were determined taking into account savings on interest expense as a result of applying preferential interest rates compared to base rates stipulated in the credit facility agreements. Preferential interest rates are applied to amounts of project credit facilities covered by funds placed by customers on escrow accounts and are further reduced when the cash balances on escrow accounts exceed the amount of the loan received. As a result, the actual interest rate was less than 1% in certain periods. Base interest rates in 2020 varied from the key rate of the Central Bank of the Russian Federation by +1.6% to 9.9% (2019: from the key rate of the Central Bank of the Russian Federation by +2% to 9.9%). Savings on interest expense recognised in revenue in 2020 amounted to RUB 2 528 million (2019: RUB 260 million).

During 2020, the Group compensated banks with a certain part of interest expense on mortgage loans issued at a lower rate to customers of real estate sold by the Group. This refund was accounted for as a decrease of the consideration receivable under contracts with customers of real estate in the amount of RUB 2,673 million. The revenue was affected by RUB 1,960 million in 2020.

(ii) Sales of real estate to settle obligations for the acquisition of land

The Group recognises revenue from share participation agreements which have been concluded to settle obligations for acquired land plots. In 2020 of the effect of revenue being recognised from such contracts and certain contracts being terminated in the reporting period (note 9a (iii)) amounted to RUB 873 million of a net decrease in revenue from sales of real estate (2019: revenue amounted to RUB 210 million).

(iii) Termination of contracts previously recognised in revenue

In 2020 the Group reversed revenue, recognised in prior periods due to terminations of several share participation agreements in amounts of RUB 1,185 million (2019: RUB 1,064 million). Contracts were terminated mainly because payments were made in cash for the land plots, whereas it was initially agreed to settle the obligations by real estate properties. This applied to approximately 60% of all contract terminations. In addition, contracts were terminated based on mutual agreements between the parties where there were purchases of another property from elsewhere in the Group and violations of payments terms by customers as well as other reasons.

(iv) Changes in progress towards complete satisfaction of the performance obligation under contracts with the customer

During the reporting period, the Group reconsidered its approach to accounting for certain infrastructure facilities are being constructed as required by respective construction permits, which are not to be transferred into joint ownership of the customers. The absence of these facilities does not affect the ability of customers to move into and begin to use the completed houses. As a result, the Group's progress towards complete satisfaction of its performance obligations under contracts with customers changed compared to the percentage of completion applied when preparing the consolidated financial statements for 2019 by around 0.4%, which in turn led to an increase in gross margin in the current period by RUB 786 million.

During the reporting period, the Group revised several construction project budgets. As a result, the progress towards the complete satisfaction of performance obligations for certain contracts with customers increased by an average of 1.8% compared to the percentage of completion used in the preparation of the consolidated financial statements for 2019.

(v) Other development revenue

In 2020, other development revenue comprises the sale of two development projects at an early stage and before sales started (see note 18), to other developers, who will manage the construction with the Group being hired as a general constructor, with insignificant gross margin (2019 there were no such operations).

(b) Contract assets and contract liabilities from contracts for sales of real estate

mln RUB	31 December 2020	31 December 2019
Contract assets	6,170	2,426
Assets under contracts with customers involving escrow accounts	61,478	7,718
Contract related costs recognised as other current assets	1,238	763
Trade receivables	264	581
Contract liabilities	(62,965)	(93,153)

Contract assets represent the Group's rights to receive cash consideration under contracts with customers where payments are made in installments and the progress of construction is ahead of the payment schedule. Contract liabilities within accounts payable include outstanding prepayments received under contracts with customers, recognised significant financing component and savings on interest expense.

As at 31 December 2020, the net amount of significant financing component as part of contract liabilities amounted to RUB 255 million (31 December 2019: RUB 624 million), savings on interest expense as part of contract liabilities amounted to RUB 995 million (31 December 2019: RUB 285 million).

Revenues with respect to uncompleted performance obligations at the end of the reporting period are expected to be recognised over the next three years. The total amount of performance obligations under contracts with customers concluded as at 31 December 2020 amounted to approximately RUB 97,886 million (31 December 2019: RUB 112,584 million). Revenues in approximate amount of RUB 83,402 million are expected to be recognised during the next 12 months with respect to performance obligations outstanding as at 31 December 2020 (31 December 2019: RUB 96,499 million).

In 2020, the Group recognise revenue of RUB 77,595 million under contracts with customers not completed as at 1 January 2020. In 2019, the Group recognised revenue of RUB 75,932 million with respect to contract liabilities as at 1 January 2019.

(c) Assets and liabilities under contracts for the sale of other products and services

Performance obligations and contract assets in sales of other services mainly arise from general contracting works and provision of technical customer services, as presented below:

mln RUB	31 december 2020	31 December 2019
Trade receivables	39,637	14,611
Contract liabilities:	(17,676)	(9,322)
– contracts when revenue recognised at a point in time	(1,862)	(814)
– contracts when revenue recognised over time	(15,814)	(8,508)

During the reporting period, the Group revised several construction budgets. As a result, progress towards complete satisfaction of the performance obligation increased by an average of 2% compared to the percentage of completion used in the preparation of the consolidated financial statements for 2019.

All contract liabilities outstanding at the end of the reporting period are expected to be recognised in revenue within one year. For most of the contracts, a significant financing component is not recognised as for this type of revenue the Group applies the practical expedient and the period between the payment receipt and the expected satisfaction of the obligation or its part does not exceed 12 months.

In 2020, the Group recognised revenue of RUB 7,498 million with respect to contract liabilities as at 1 January 2020. In 2019, the Group recognised revenue of RUB 7,233 million under contracts uncompleted as at 1 January 2019.

10 Finance income and costs

mln RUB	2020	2019
Revaluation of cash-settled financial instruments (see note 24)	21,840	3,138
Interest income	4,034	3,223
Gain on modification of terms of a long-term financial instrument*	2,300	-
Foreign exchange gains, net	24	31
Write-off of accounts payable	122	525
Other finance income	49	778
Finance income	**28,369**	**7,695**
Interest expense before capitalisation in inventories	(15,619)	(10,578)
Capitalised interest expense	10,866	7,741
Total interest expense after capitalisation	**(4,753)**	**(2,837)**
Loss on impairment of financial assets	(1,598)	(408)
Non-controlling interest's share of profit of the Group's limited liability companies	(308)	(346)
Other finance costs	(1,554)	(110)
Finance costs	**(8,213)**	**(3,701)**
Net finance income for the period	**20,156**	**3,994**

*In 2020, the Group early repaid the long-term debt for land plots acquired in previous reporting periods and received an early payment discount because the seller had fulfilled certain arrangements. The effect of such early repayment was recognised in finance income in the reporting period.

Capitalisation of interest expense and significant financing component

In 2020, interest expense, including the effect from savings on interest expense from the use of escrow accounts, and a significant financing component capitalised in inventories, was included in the cost of sales in the amount of RUB 8,496 million (2019: RUB 5,762 million).

Capitalised interest expense was included in the cost of sale of real estate properties in 2020 in the amount of RUB 8,272 million (2019: RUB 5,462 million), net of reversals of the previously recognised impairment losses on capitalised interest expense.

In 2020, the total effect of capitalisation of interest expense, including interest expense from realised savings from the use of escrow accounts, and of a significant financing component in the amount of construction-in-progress amounted to RUB 5,132 million (2019: RUB 4,624 million).

The weighted average capitalisation rate in 2020 was 8.3% (2019: 9.4%).

In 2020 interest expense before capitalisation in inventory included RUB 14,427 million of interest accrued on bank loans and bonds (2019: RUB 8,575 million).

In 2020, a significant financing component amounting to RUB 2,538 million (2019: RUB 2,345 million) was capitalised in inventories.

11 Other (expenses)/income, net

mln RUB	2020	2019
Penalties and fines, including provision for litigation and claims	(1,038)	(1,858)
Charity	(12)	(66)
Gain on disposal of property, plant and equipment	(5)	(18)
Loss from write-off of intangible assets	(379)	-
Tax expenses	(27)	(443)
Result from sale and write-off of other assets	(432)	65
Other income, net	410	466
Negative goodwill from acquisition of subsidiaries (see notes 7(a),7(b))	120	4,719
	(1,363)	**2,865**

12 Administrative expenses

mln RUB	2020	2019
Personnel costs	5,765	6,181
Professional and other services	782	1,157
Research and development	1,097	640
Taxes	771	484
Depreciation of property, plant and equipment, amortisation of intangible assets and right-of-use assets	735	587
Rent	249	183
Material costs	585	536
Other administrative expenses	771	863
	10,755	**10,631**

13 Personnel costs

mln RUB	2020	2019
Salaries and wages		
Cost of sales	25,658	20,191
Administrative expenses	4,761	5,197
Distribution expenses	1,384	1,525
	31,803	**26,913**
Social charges		
Cost of sales	6,231	4,767
Administrative expenses	1,004	984
Distribution expenses	383	409
	7,618	**6,160**
Total	**39,421**	**33,073**

14 Income taxes

(a) Amounts recognised in profit and loss

The Group's applicable tax rate for income tax is 20% for Russian companies (2019: 20%). The subsidiaries located in Cyprus were taxed at a rate 12.5% (2019: 12.5%).

The income tax expense consists of the following:

mln RUB	2020	2019
Current tax expense		
Current income tax for the period	(10,002)	(8,065)
Underprovided in previous periods	(19)	(92)
Reversal/(accrual) of tax provision (see note 28)	1,128	(391)
	(8,893)	**(8,548)**
Deferred income tax expense		
Origination and reversal of temporary differences	(9,889)	(5,577)
	(9,889)	**(5,577)**
Total income tax expense	**(18,782)**	**(14,125)**

(b) Reconciliation of effective tax rate

mln RUB	2020	%	2019	%
Profit before income tax	105,275	100	59,238	100
Income tax expense at applicable tax rate	(21,055)	(20)	(11,847)	(20)
Recognition and use of tax assets for losses previously unrecognised	1,468	1	(715)	(1)
Underprovided in previous periods	(19)	-	(92)	-
Non-deductible expenses	(319)	-	(1,700)	(3)
Gain on bargain purchase of subsidiaries	24	-	609	1
Effect of tax rates in foreign jurisdictions	(9)	-	11	-
Reversal/(accrual) of tax provision	1,128	1	(391)	(1)
	(18,782)	**(18)**	**(14,125)**	**(24)**

(c) Recognised deferred tax assets and liabilities

mln RUB	Assets		Liabilities		Net	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Property, plant and equipment	1,786	1,919	(1,568)	(1,546)	218	373
Investment property	7	7	(1,212)	(1,125)	(1,205)	(1,118)
Financial instruments measured at fair value through profit or loss	-	-	(5,276)	(907)	(5,276)	(907)
Other investments	177	138	(56)	(64)	121	74
Intangible assets and goodwill	5	7	(2,268)	(2,441)	(2,263)	(2,434)
Inventories	5,730	4,297	(31,570)	(23,665)	(25,840)	(19,368)
Accounts receivable, including contract assets	2,477	1,002	(1,295)	(983)	1,182	19
Accounts payable, including contract liabilities	928	1,093	(1,964)	(871)	(1,036)	222
Loans and borrowings	-	-	(64)	(65)	(64)	(65)
Tax loss carry-forwards	5,097	3,941	-	-	5,097	3,941
Tax assets/(liabilities)	16,207	12,404	(45,273)	(31,667)	(29,066)	(19,263)
Offsetting of tax	(11,460)	(11,811)	11,460	11,811	-	-
Deferred tax assets/(liabilities)	**4,747**	**593**	**(33,813)**	**(19,856)**	**(29,066)**	**(19,263)**

(d) Movement in deferred tax balances

mln RUB	1 January 2020	Recognised in profit or loss	Effect of disposals	Effect of acquisitions*	31 December 2020
Property, plant and equipment	373	(145)	(12)	2	218
Investment property	(1,118)	(87)	-	-	(1,205)
Financial instruments measured at fair value through profit or loss	(907)	(4,369)	-	-	(5,276)
Other investments	74	47	-	-	121
Intangible assets and goodwill	(2,434)	103	68	-	(2,263)
Inventories	(19,368)	(6,418)	(54)	-	(25,840)
Accounts receivable, including contract assets	19	1,146	(17)	34	1,182
Accounts payable, including contract liabilities	222	(1,308)	(42)	92	(1,036)
Loans and borrowings	(65)	1	-	-	(64)
Tax loss carry-forwards	3,941	1,141	-	15	5,097
	(19,263)	**(9,889)**	**(57)**	**143**	**(29,066)**

mln RUB	1 January 2019	Recognised in profit or loss	Reclassifications	Effect of disposals	Effect of acquisitions*	31 December 2019
Property, plant and equipment	818	(329)	-	(85)	(31)	373
Investment property	(2,315)	(339)	1,528	8	-	(1,118)
Financial instruments measured at fair value through profit or loss	(887)	(20)	-	-	-	(907)
Other investments	506	(212)	-	(225)	5	74
Intangible assets and goodwill	(53)	(223)	-	-	(2,158)	(2,434)
Inventories	(14,679)	(3,516)	(1,528)	355	-	(19,368)
Accounts receivable, including contract assets	412	(661)	-	248	20	19
Accounts payable, including contract liabilities	451	(464)	-	(21)	256	222
Loans and borrowings	(64)	-	-	-	(1)	(65)
Tax loss carry-forwards	3,619	187	-	(139)	274	3,941
	(12,192)	**(5,577)**	**-**	**141**	**(1,635)**	**(19,263)**

* Including deferred taxes recognised on the acquisition of companies that own land plots, classified as the purchase of an asset rather than a business combination.

(e) Unrecognised deferred tax assets

Deferred tax assets of RUB 6,932 million (31 December 2019: RUB 8,400 million) have not been recognised in respect of the deductible temporary differences and tax losses carried forward because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

(f) Unrecognised deferred tax liabilities related to investments in subsidiaries

As at 31 December 2020, the Group did not recognise a deferred tax liability related to temporary differences of RUB 244,257 million (31 December 2019: RUB 216,525 million) because the Group can control the dividend policy of subsidiaries and the timing of the reversal of temporary differences, or due to the zero rate of the applicable dividend tax.

15 Property, plant and equipment

mln RUB	Buildings	Plant and equipment	Infrastructure facilities	Other fixed assets	Construction-in-progress	Total
Cost / Deemed cost						
As at 1 January 2019	**14,962**	**7,627**	**8,020**	**1,306**	**2,535**	**34,450**
Acquisitions through business combinations	504	126	-	92	17	739
Additions	2,570	128	-	25	3,228	5,951
Transfers from inventories	-	-	-	-	3,937	3,937
Disposals	(273)	(252)	(102)	(80)	(103)	(810)
Disposals of subsidiaries	(17)	(4)	-	(2)	(1)	(24)
Reclassifications to inventories	(71)	(6)	(9)	(17)	-	(103)
Reclassification between groups	145	(145)	-	-	-	-
Transfers	864	584	2,550	371	(4,369)	-
As at 31 December 2019	**18,684**	**8,058**	**10,459**	**1,695**	**5,244**	**44,140**
Acquisitions through business combinations (see note 7(a))	11	298	-	17	-	326
Additions	209	131	6	5	3,439	3,790
Transfers from inventories	-	-	-	-	971	971
Disposals	(122)	(409)	(229)	(75)	(165)	(1,000)
Disposals of subsidiaries	(44)	(5)	(61)	(1)	(114)	(225)
Reclassifications to inventories	-	-	-	-	(38)	(38)
Reclassification between groups	88	(75)	-	(13)	-	-
Transfers	365	620	4,430	276	(5,691)	-
As at 31 December 2020	**19,191**	**8,618**	**14,605**	**1,904**	**3,646**	**47,964**
Accumulated depreciation and impairment losses						
As at 1 January 2019	**(4,070)**	**(2,341)**	**(1,113)**	**(663)**	**(74)**	**(8,261)**
Depreciation charge	(1,161)	(720)	(442)	(328)	-	(2,651)
Reversal of impairment	689	-	-	-	-	689
Disposals	54	280	122	49	-	505
Disposals of subsidiaries	1	1	-	1	-	3
Reclassifications to inventories	17	1	-	10	-	28
As at 31 December 2019	**(4,470)**	**(2,779)**	**(1,433)**	**(931)**	**(74)**	**(9,687)**
Depreciation charge	(1,306)	(888)	(610)	(374)	-	(3,178)
Disposals	62	181	41	67	-	351
Disposals of subsidiaries	10	3	9	-	74	96
Reclassification between groups	(2)	1	-	1	-	-
As at 31 December 2020	**(5,706)**	**(3,482)**	**(1,993)**	**(1,237)**	**-**	**(12,418)**
Net book value						
As at 1 January 2019	**10,892**	**5,286**	**6,907**	**643**	**2,461**	**26,189**
As at 31 December 2019	**14,214**	**5,279**	**9,026**	**764**	**5,170**	**34,453**
As at 31 December 2020	**13,485**	**5,136**	**12,612**	**667**	**3,646**	**35,546**

The result of the impairment test for property, plant and equipment is described in Note 23 (a).

(a) Depreciation expense

In 2020 depreciation expense of RUB 2,358 million was charged to cost of sales, RUB 128 million to distribution expenses, RUB 692 million to administrative expenses (2019: RUB 1,994 million, RUB 112 million, and RUB 545 million, respectively).

(b) Right-of-use assets

As at 31 December 2020, the net book value of leased property, plant and equipment was RUB 2,139 million (31 December 2019: RUB 2,540 million).

The information about leases is disclosed in note 21.

(c) Transfer from inventories

In 2020, the Group revised the further way of the usage of certain engineering infrastructure facilities and will use them in the Maintenance segment. These assets of RUB 794 million were transferred to property, plant and equipment from inventories (2019: RUB 3,715 million).

16 Intangible assets and goodwill

mln RUB	Client base	Goodwill	Concession	Software	Other	Total
Cost / Deemed cost						
As at 1 January 2019	539	197	367	493	669	2,265
Acquisitions through business combinations	11,102	-	-	-	22	11,124
Additions	-	-	253	266	374	893
Disposals	-	-	-	(50)	(407)	(457)
Disposals of subsidiaries	(2)	-	-	-	-	(2)
Reclassification between groups	(306)	-	-	-	306	-
As at 31 December 2019	**11,333**	**197**	**620**	**709**	**964**	**13,823**
Acquisitions through business combinations (see note 7(a))	43	-	-	-	-	43
Additions	-	67	191	332	656	1,246
Disposals	(381)	-	-	(16)	(71)	(468)
Disposals of subsidiaries	-	-	-	-	(16)	(16)
Reclassification between groups	-	-	-	21	(21)	-
As at 31 December 2020	**10,995**	**264**	**811**	**1,046**	**1,512**	**14,628**
Accumulated depreciation and impairment losses						
As at 1 January 2019	-	-	-	(47)	(337)	(384)
Amortisation charge	-	-	(23)	(48)	(302)	(373)
Disposals	-	-	-	3	385	388
As at 31 December 2019	**-**	**-**	**(23)**	**(92)**	**(254)**	**(369)**
Amortisation charge	-	-	(27)	(47)	(227)	(301)
Disposals	-	-	-	3	63	**66**
Disposals of subsidiaries	-	-	-	-	9	**9**
As at 31 December 2020	**-**	**-**	**(50)**	**(136)**	**(409)**	**(595)**
Net book value						
As at 1 January 2019	**539**	**197**	**367**	**446**	**332**	**1,881**
As at 31 December 2019	**11,333**	**197**	**597**	**617**	**710**	**13,454**
As at 31 December 2020	**10,995**	**264**	**761**	**910**	**1,103**	**14,033**

The client base acquired in 2019 as a part of business combinations mainly relates to subsidiaries of the Maintenance segment that provides services to real estate properties and apartment rental services. The client base is mainly represented by contracts with apartments' owners. The Group considers it highly probable that these contracts' terms will be extended, and it is difficult to determine when the Group will cease to receive economic benefits from this asset. As a result, the client base is recognised as an intangible asset with indefinite useful life, and amortisation is not accrued.

The result of the impairment test for intangible assets is disclosed in Note 23 (d).

17 Investment property

(a) Reconciliation of carrying amount

mln RUB	2020	2019
As at 1 January	6,626	18,086
Reclassification to inventories	-	(11,412)
Change in fair value	480	(20)
Disposals	(226)	(28)
As at 31 December	**6,880**	**6,626**

Investment property consists of land plots with undetermined use located in the Moscow Region. In 2020 positive change in fair value of these land plots amounted to RUB 480 million (2019: negative change – RUB 20 million).

(b) Measurement of fair value

The fair value of investment property was determined by external, independent real estate appraisers who have the appropriate recognised professional qualifications and recent experience in the evaluation of this type of real estate at that location.

To determine the fair value of land plots in 2020 and 2019 the Group applied a comparative approach based on an analysis of all available information on sales of similar properties, while adjustments were made to reflect differences between market equivalent and the evaluated properties. Under this approach, current bids for land plots that are similar to those under valuation were analysed. Sales prices were adjusted for differences in characteristics between items under valuation and comparable land plots. The prices of similar properties were adjusted for bargaining, which resulted in a decrease in the price by an average of 11.5%; adjustments for a location resulted in a change in price from -13% to 8%; adjustments for area resulted in a change in price from -30% up to 30%. As at 31 December 2020, the fair value of these land plots estimated using the comparative method was RUB 6,880 million (31 December 2019: RUB 6,626 million). The fair value measurement of investment property was classified as Level 3 of the fair value hierarchy based on input data or the valuation methods used and the level of adjustments applied to market equivalents.

Sensitivity analysis

A decrease in the basic selling price by 5% in the comparative method measurement would decrease the fair value of investment property by RUB 362 million (31 December 2019: RUB 331 million). An increase of selling price by 5% would have an equal but opposite effect on the fair value of investment property.

18 Inventories

mln RUB	31 December 2020	31 December 2019
Construction-in-progress, intended for sale, recognised at historical cost	207,139	162,887
Construction-in-progress, intended for sale, acquired through business acquisition	54,176	74,960
Finished goods and goods for resale	22,243	20,523
Raw materials and consumables	10,362	7,735
Right-of-use asset	13,070	4,862
	306,990	**270,967**
Impairment losses	(2,489)	(4,121)

Movement of the provision for impairment of inventories (see note 23 (b))

mln RUB	Construction-in-progress, intended for sale	Finished goods and goods for resale	Raw materials and consumables	Total
As at 1 January 2020	**(2,855)**	**(921)**	**(345)**	**(4,121)**
Additional provision	-	(1,067)	(326)	**(1,393)**
Release of provision	1,605	155	302	**2,062**
Transfers	137	(137)	-	-
Utilisation	436	507	-	**943**
Disposals	-	-	20	**20**
As at 31 December 2020	**(677)**	**(1,463)**	**(349)**	**(2,489)**

A significant part of the construction-in-progress intended for sale and finished goods consists of costs to construct residential properties, commercial and parking spaces, as well as costs to aqcuire land, to build infrastructure and social facilities, allocated to properties which were not sold to customers and those that were sold to customers but costs were not fully recognised in cost of sales based on the percentage of completion.

In 2020, the Group purchased several land plots for future development in Moscow, Moscow Region and other Regions of Russia for the total amount of RUB 47,277 million mostly through the acquisition of control in companies that own these land plots, as well as land plots in the amount of RUB 9,423 million in the Group's projects that are already under development. The companies had no other significant assets, liabilities and financial results as at the acquisition date. Therefore, the consideration paid by the Group for the acquisition of subsidiaries was accounted for in construction work in progress intended for sale. The payment was partially made in cash, the remaining amounts of RUB 1,637 million which is due to be paid within the next year were included in the current accounts payable for the acquisition of land plots, as well as RUB 11,511 million were included in the non-current accounts payable for acquisition of land plots.

Construction-in-progress in the amount of RUB 213,716 million relates to construction properties that will be completed in more than 12 months after the reporting date (31 December 2019: RUB 159,769 million).

In 2020, the Group sold two development projects with a carrying value of RUB 3,860 million to third-party developers.

19 Other investments

mln RUB	31 December 2020	31 December 2019
Non-current		
Loans issued to third parties in RUB at fixed rates of 9.0%	-	68
Other investments	1	2
Bank deposits	217	193
	218	**263**
Impairment losses	(130)	(101)
Current		
Loans issued to third parties in RUB at fixed rates of 7.0%-9.6%	441	124
Banks deposits	13	93
	454	**217**
Impairment losses	(130)	(229)

As at 31 December 2020 and 31 December 2019 other investments are recognised at amortised cost (see note 30(b)).

20 Trade and other receivables including contract assets

mln RUB	31 December 2020	31 December 2019
Non-current		
Accounts receivable for disposal of subsidiaries	663	1,774
	663	**1,774**
Impairment losses on financial assets (see note 30(b))	(10)	(54)
Current		
Trade receivables and contract assets for sale of real estate properties	67,912	10,725
Trade receivables for construction services	24,706	2,936
Trade receivables of Maintenance segment and other services	12,690	9,083
Trade receivables for the other sales	2,344	2,666
Advances issued to suppliers and contractors in development	5,368	9,709
Advances issued to suppliers and contractors in construction services	3,259	4,287
Advances isued for acquisition of land plots/right-of-use assets, including acquisition of subsidiaries	10,390	6,451
Advances issued to other suppliers and contractors	7,721	6,337
Taxes receivable	4,231	6,566
Accounts receivable from the sale of interests in subsidiaries and associates	1,387	1,372
Other accounts receivable	5,333	3,998
	145,341	**64,130**
Impairment losses on financial assets (see note 30(b))	(3,133)	(1,986)
Impairment losses on non-financial assets (see note 23)	(1,503)	(1,517)

Advances issued in 2020 for the acquisition of land plots in the amount of RUB 9,272 million (2019: RUB 6,044 million) are accounted within changes in accounts receivable, including contract assets.

21 Leases

The contract portfolio of the Group mostly consists of leases of land plots for the construction of residential property for sale.

During 2020, the change in the right-of-use asset is presented in the table below:

mln RUB	Land plots	Buildings and constructions	Equipment	Other	Total
As at 1 January 2020	**4,862**	**2,205**	**190**	**81**	**7,338**
New contracts	7,231	290	285	31	7,837
Modifications of contracts	2,612	(206)	(57)	-	2,349
Accrued to cost of sales	(1,635)	(173)	(84)	(22)	(1,914)
Amortisation recognised in administrative expenses	-	(401)	-	-	(401)
As at 31 December 2020	**13,070**	**1,715**	**334**	**90**	**15,209**

During 2020, the change in lease liabilities is presented in the table below:

mln RUB	Land plots	Buildings and constructions	Equipment	Other	Total
As at 1 January 2020	**4,178**	**2,204**	**161**	**81**	**6,624**
New contracts	7,231	290	285	31	7,837
Modifications of contracts	2,615	(324)	(61)	(1)	2,229
Interest expenses on lease liabilitiess	619	170	23	7	819
Lease payments, including offsets	(2,801)	(574)	(132)	(39)	(3,546)
As at 31 December 2020	**11,842**	**1,766**	**276**	**79**	**13,963**

During 2019, the change in the right-of-use asset is presented in the table below:

mln RUB	Land plots	Buildings and constructions	Equipment	Other	Total
As at 1 January 2019	**3,341**	**84**	**-**	**-**	**3,425**
New contracts	1,882	2,382	220	93	4,577
Modifications of contracts	2,220	38	-	-	2,258
Acquisitions through business combinations	-	205	-	-	205
Accrued to cost of sales	(2,190)	(222)	(30)	(6)	(2,448)
Amortisation recognised in administrative expenses	-	(282)	-	(6)	(288)
Reclassification to construction-in-progress	(391)	-	-	-	(391)
As at 31 December 2019	**4,862**	**2,205**	**190**	**81**	**7,338**

During 2019, the change in lease liabilities is presented in the table below:

mln RUB	Land plots	Buildings and constructions	Equipment	Other	Total
As at 1 January 2019	**3,687**	**88**	**-**	**-**	**3,775**
New contracts	1,843	2,211	198	93	4,345
Modifications of contracts	2,220	38	-	-	2,258
Acquisitions through business combinations	-	218	-	-	218
Interest expenses on lease liabilitiess	434	140	10	5	589
Lease payments, including offsets	(4,006)	(491)	(47)	(17)	(4,561)
As at 31 December 2019	**4,178**	**2,204**	**161**	**81**	**6,624**

The Group ceased to lease certain office properties since some employees were transferred to remote work. As a result, lease agreements were terminated and recognised as modifications of the lease agreements. These modifications did not have a significant impact on the results of the Group in the current period.

Additional agreements to amend the terms of a purchase of land plots in lease contracts were significant factors for the modification of assets and liabilities under lease agreements in 2020.

Lease costs with variable lease payments that are not accounted for as right-of-use assets and liabilities under IFRS 16 "Leases" in the statement of financial position were capitalised in construction-in-progress in the amount of RUB 1,833 million and reflected in expenses for the period in the amount of RUB 83 million (2019: RUB 1,543 million and RUB 90 million respectively).

The Group estimates that, as at 31 December 2020, the future lease costs with variable rates tentatively for the period 2021 to 2032 will amount to RUB 12,926 million (31 December 2019: RUB 11,794 million). Future costs mainly consist of the cost of land leased for development.

The lease liability terms as at 31 December 2020 and 31 December 2019 are presented in the table below.

Discount rate, %	Lease term	Land plots	Property and plant	Equipment	Other	Total
As at 31 December 2019						
7.5% - 11%	2020	573	107	5	3	688
7.9% - 11%	2021	522	130	25	5	682
7.51% - 9.5%	2022	943	165	44	35	1,187
11%	2022 - 2026	-	132	-	-	132
8.3% - 9.2%	2023	303	236	20	-	559
8.3% - 9.3%	2024	661	988	6	29	1,684
8.3% - 9.3%	2025	1,129	-	-	-	1,129
8.6% - 9.8%	2026 - 2030	39	445	-	9	493
10% - 11%	2033 - 2045	8	1	61	-	70
Total:		**4,178**	**2,204**	**161**	**81**	**6,624**
As at 31 December 2020						
5.8% - 8.2%	2021	155	42	7	3	207
8.21% - 11%	2021	594	57	2	-	653
6% - 7.5%	2022	313	61	2	2	378
7.51% - 9.1%	2022	875	61	54	9	999
6% - 7.5%	2023	855	4	49	-	908
7.51% - 9.1%	2023	742	225	20	28	1,015
6.7% - 9.3%	2024	1,779	758	135	23	2,695
6.7% - 9.3%	2025	941	7	7	-	955
7.2% - 8.8%	2026	5,588	-	-	-	5,588
7.4% - 9.8%	2027 - 2030	-	490	-	8	498
10% - 11%	2033 - 2054	-	61	-	6	67
Total:		**11,842**	**1,766**	**276**	**79**	**13,963**

22 Cash and cash equivalents

mln RUB	31 December 2020	31 December 2019
Cash on hand	1	1
Cash in banks	96,085	65,862
Restricted cash	441	345
Cash and cash equivalents	**96,527**	**66,208**

Cash balance on escrow accounts (for reference only)

mln RUB	31 December 2020	31 December 2019
Escrow accounts	90,303	16,061

Cash, placed on escrow accounts and not recognised in the Group's consolidated statement of financial position, represents the amounts deposited by the owners of the accounts (customers of real estate properties) in the authorised banks as consideration for acquired property under share participation agreements.

In 2020, cash receipts to escrow accounts amounted to RUB 77,580 million (2019: RUB 14,916 million).

In 2020, as the Group completed the construction of real estate properties, where apartments were sold using escrow accounts, according to the legislation, the Group became entitled to receive cash placed on escrow accounts in the amount of RUB 3,338 million, of which RUB 1,783 million was set off against the project finance liability, and RUB 51 million was used to pay the interest due under the project finance liability.

As at 31 December 2020, cash amounting to RUB 49,240 million was placed on special bank accounts which are subject to special banking control (31 December 2019: RUB 24,572 million) pursuant to Federal Law No. 214-FZ.

The Group's exposure to interest rate risk and sensitivity analysis of financial assets and liabilities are disclosed in Note 30.

23 Impairment loss on non-financial assets

At each reporting date the Group reviews impairment indicators for the following assets:

- property, plant and equipment;
- intangible assets;
- inventories;
- advances paid for construction work and other advances.

(a) Property, plant and equipment

The Group analysed property, plant and equipment for impairment as at 31 December 2020 and as at 31 December 2019 and did not identify any evidence of impairment at both reporting dates due to an increase in prices for properties for the construction of the majority of the Group's PPE is employed, and no operating losses in the Maintenance segment.

Also, in 2019 the Group analysed the value of the administrative building used as the Group's headquarters, which was previously impaired. The Group engaged an independent appraiser to determine the fair value of the building at the reporting date. The fair value was determined based on the percentage weighting of the results obtained by the comparative approach and the discounted cash flow method within the income approach. As the fair value of the building exceeded the carrying amount, the Group reversed a previously recognised impairment loss of RUB 689 million.

(b) Inventories

In most cases, the Group used the discounted cash flows method and engaged an independent appraiser to estimate the net realisable value of the Group's work in progress at the reporting dates. As a result of the coronavirus pandemic, some projects' development schedules, including construction terms and sales pace, were adjusted, thus impacting cash flow forecasts for these projects. The coronavirus pandemic did not have a significant negative impact on the key assumptions used in calculating discounted cash flows (for example, contract volumes and average sales prices) due to government support measures for the construction industry, marketing campaigns launched by the Group and the Group's digital technologies backing online sales, including mortgage transactions.

The following key assumptions of the discounted cash flow method were used in determining the net realisable value of construction-in-progress:

- Cash flows were projected for each significant project individually;
- The expected selling prices for apartments were based on market prices effective in December 2020 for similar real estate;
- The final expected cost of construction was forecasted based on cost per square meter and construction pace for similar projects of the Group in December 2020;
- An average pre-tax discount rate of 7-16% was applied to cash flows depending on the stage of the project and construction financing schemes.

Based on the results of impairment testing in 2020, a provision for inventory impairment of RUB 1,393 million was created in the cost of sales, and an inventory in the amount of RUB 262 million was written-off (2019: RUB 216 million). The provision of RUB 943 million was used due to the completion of the projects or sales of finished products (2019: a provision of RUB 251 million was reversed). Also, the Group reversed the impairment of three development projects of RUB 2,062 million, including RUB 1,058 million at the cost of current projects, due to the favorable economic situation, which resulted to an increase in prices and sales rates in the real estate market. Thus, the net impairment loss included in the cost of sales amounted to RUB 380 million (2019: RUB 324 million).

Sensitivity analysis

The management determined the discount rate and the estimated selling prices as key assumptions subject to reasonable change that could have a significant impact on the recoverable value of inventories.

A reduction in the selling price by 5% would lead to RUB 570 million of additional impairment of construction-in-progress as at 31 December 2020 (31 December 2019: RUB 350 million).

An increase in the discount rate by 1 percentage point would lead to RUB 140 million of additional impairment of construction-in-progress as at 31 December 2020 (31 December 2019: RUB 34 million).

(c) Advances issued

Advances issued on newly acquired projects are tested for impairment as part of the project return analysis before acquisition. Advances issued for projects under construction are tested for impairment as part of the assessment of the net realisable value of construction-in-progress using the discounted cash flow method and with the help of an independent appraiser.

(d) Intangible assets and goodwill

The Group analysed intangible assets for any indications of impairment as at 31 December 2020 and 31 December 2019 and determined that there were no indications of impairment. The current economic environment did not affect the actual versus projected operating performance and the forecasts used in assessing the recoverability of the client base and goodwill.

(i) The client base of companies providing housing and utility services

The Group used the discounted cash flow method to assess the fair value of intangible assets, which mostly consists of the client base of companies providing housing and utility services. The Group used the discounted cash flow method within the income approach. The fair value measurement was based on the following assumptions:

- The revenue forecast was based on the tariffs and service prices in 2020, taking into account the growth of the consumer price index and the volume of serviced areas acquired and available at the date of assessment;
- The cash flow forecasting period was 5 years;
- The terminal growth rate of cash flows was 1.6%;
- A discount rate of 15.3% was applied;
- The applicable income tax rate was equaled to the statutory rate of 20%.

Sensitivity analysis

The management identified the discount rate, EBITDA margin and client base retirement ratio as the key assumptions subject to reasonable change.

An increase/decrease by 1 percentage point in each of these assumptions individually would not result in an additional impairment of intangible assets as at 31 December 2020. In 2019, no impairment testing and sensitivity analysis was performed, as the asset was acquired in the second half of 2019.

Impairment testing results and write-offs

		31 December 2020			31 December 2019		
mln RUB	**Note**	**Gross carrying value**	**Impairment/ write-off**	**Carrying value after impairment**	**Gross carrying value**	**Impairment/ write-off**	**Carrying value after impairment**
Property, plant and equipment	15	36,319	(773)	35,546	35,304	(851)	34,453
Intangible assets and goodwill	16	14,033	-	14,033	13,454	-	13,454
Inventory	18	309,479	(2,489)	306,990	275,088	(4,121)	270,967
Advances issued	20	28,241	(1,503)	26,738	28,301	(1,517)	26,784
Total		**388,072**	**(4,765)**	**383,307**	**352,147**	**(6,489)**	**345,658**

(e) Impairment losses and reversal of impairment losses recognised in the consolidated statement of profit or loss and other comprehensive income

mln RUB	**2020**	**2019**
Impairment losses		
Inventories	(47)	(62)
Advances issued	(369)	(966)
	(416)	**(1,028)**
Reversal of impairment losses		
Property, plant and equipment	-	689
Advances issued	341	400
Inventories	1,071	30
	1,412	**1,119**
	996	**91**

In 2020, impairment losses relating to property, plant and equipment in the amount of RUB 78 million and advances issued in the amount of RUB 42 million were written off against the disposal of related assets (2019: RUB 165 million and RUB 83 million respectively).

24 Financial instruments measured at fair value through profit and loss

As at reporting date Group's assets include two cash-settled financial instruments:

- under the agreement with the Bank (information about the Bank is disclosed in note 34) entered into in June 2017, simultaneously with the sale of own global depositary receipts purchased in the open market ("cash-settled financial instruments executed in June 2017") with original date of maturity at 29 June 2020 and in 2020 extended until 29 June 2021.
- under the agreement with the Bank, entered into in May 2018, no own GDRs have been sold by the Group ("cash-settled financial instruments executed in May 2018").

Under the terms of the cash-settled financial instruments, the parties compensate the difference between the agreed share price and the market value of the Group's shares at the settlement date of the contracts, adjusted for the interim payments and dividends paid.

In 2020, the change in the value of financial instruments measured at fair value was as follows:

mln RUB	Cash-settled financial instrument executed in June 2017	Cash-settled financial instrument executed in May 2018	Total
Fair value as at 31 December 2019	**5,001**	**5,376**	**10,377**
Quarterly interim payments	1,090	1,071	2,161
Change in fair value	9,886	11,954	21,840
Fair value as at 31 December 2020	**15,977**	**18,401**	**34,378**

As at 31 December 2020, the fair value of cash-settled financial instruments was determined based on the following key assumptions and contract terms:

	Cash-settled financial instrument executed in June 2017	Cash-settled financial instrument executed in May 2018
Number of shares in the agreement:	49 990 198	60 137 070
Share price used in the calculation:	587.29 RUB (as at 31 December 2019: 392.46 RUB)	
Quarterly interim payment interest rate:	key rate of Central Bank of Russian Federation+2.2%	key rate of Central Bank of Russian Federation+1.8%
Date of expiration:	29 June 2021	31 May 2021
Maximum contract prolongation term initiated by one of the parties:	every 6 months. but no later than 31 January 2023	
Risk-free rate:	4.23% (as at 31 December 2019: 5.8%)	4.20% (as at 31 December 2019: 5.9%)
Discount rate adjusted for credit risk:	6.83%)	4.59% (as at 31 December 2019: 7.1%)
Annual discount rate for interim payment:	6.36% (as at 31 December 2019: 7.8%)	6.4% (as at 31 December 2019: 8.1%)

Sensitivity analysis

A decrease in the forecasted share by 5 percentage points would result in a decrease in the fair value of cash-settled financial instruments as follows:

- For the agreement entered into in June 2017 by RUB 1,453 million (31 December 2019: by RUB 972 million);
- For the agreement entered into in May 2018 by RUB 1,751 million (31 December 2019: by RUB 1,142 million).

Sensitivity analysis to changes in discount rates indicated no significant impact on the fair value of the cash-settled financial instruments.

25 Equity

(a) Dividends

Under the Russian legislation, the Company's reserves available for distribution are limited to retained earnings as recognised in the Company's statutory financial statements prepared following the Russian Accounting Principles.

In August 2020 dividends of RUB 15,000 million (RUB 22.71 per share) were declared and approved. The declared dividends were paid in full in October 2020.

In May 2019 dividends of RUB 15,000 million (RUB 22.71 per share) were declared and approved. The declared dividends were paid in full in June 2019.

(b) Weighted average number of shares and earnings per share

The calculation of earnings per share is based on the profit for the year attributable to the ordinary shareholders of the Company and the weighted average number of ordinary shares that were in circulation during the year, in the amount of 660 497 344 shares (2019: 660 497 344 shares). The Company has no ordinary shares with a potential dilutive effect.

26 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk refer note 30.

mln RUB	31 December 2020	31 December 2019
Non-current		
Bonds, net of those purchased by the Group	36,739	39,850
Unsecured bank loans	4,473	17
Unsecured loans received	115	-
Project financing	146,597	62,000
Secured bank loans	6,216	6,996
Interest payable	3,189	745
	197,329	**109,608**
Current		
Bonds, net of those purchased by the Group	12,666	9,902
Unsecured bank loans	-	4,508
Unsecured loans received	103	-
Project financing	16,679	13,197
Secured bank loans	2,521	1,208
Interest payable	2,797	1,124
	34,766	**29,939**
	232,095	**139,547**

As at 31 December 2020 and 31 December 2019 the bank loans and project financing were secured with:

- lease/ownership rights of land plots with a total area of 912 ha (31 December 2019: 844.4 ha) and carrying amount of RUB 66,406 million (31 December 2019: RUB 57,832 million);

- shares of certain subsidiaries of the Group:

	Ownership interest	
	31 December 2020	**31 December 2019**
LLC PIK-Broker (LLC Metronome)	100%	100%
CJSC Stroybusinesscenter	100%	100%
LLC Tyrone	99.999%	99.999%
JSC Spetsialyzirovany Zastroyschik Kuntsevo-Invest	100%	-
JSC Production and trade complex Zelenogradsky	100%	-
LLC Spetsialyzirovany Zastroyschik Legro	100%	100%
JSC Spetsialyzirovany Zastroyschik Stolichny kompleks	100%	100%
JSC Port-City	100%	100%
JSC Spetsialyzirovany Zastroyschik Lzsmik	99.9999%	99.9999%
JSC Spetsialyzirovany Zastroyschik M.Stroy	100%	100%
LLC Spetsialyzirovany Zastroyschik Volokolamskoye shosse 24 (LLC Agramant)	100%	100%
LLC Spetsialyzirovany Zastroyschik Bolshaya Ochakovskaya (LLC KSSK)	100%	100%
LLC Sacramento-2	100%	100%
JSC Spetsialyzirovany Zastroyschik Krasnokazarmennaya 15 (JSC Khlebozavod № 12)	99.028%	99.028%
CJSC Spetsialyzirovany Zastroyschik Monetchik	99%	-
LLC Archecom	100%	100%
JSC Spetsialyzirovany Zastroyschik Volzhsky Park (JSC Grayvoronovo)	100%	100%
LLC SZ GradOlymp	99.9%	99.9%
LLC Meridian	100%	100%
LLC Ereda	100%	100%
LLC Coronella	100%	100%
JSC Galaktik Invest	100%	100%
LLC Spetsialyzirovany Zastroyschik Solntsevo Park	100%	100%
LLC Spetsialyzirovany Zastroyschik Likhobory	100%	-
LLC Ground	100%	100%
JSC Trial Service	100%	-
JSC Torgovy Dom Sputnik	100%	-
LLC SZ Serednevo	100%	-
JSC Spetsialyzirovany Zastroyschik Perovskoye	100%	-
LLC Globus	100%	-
LLC SZ Pik-Primorye	100%	-
LLC Parasang systems	100%	-
LLC SZ Chasovaya	99.9%	-
LLC Spetsialyzirovany Zastroyschik Stroy-Expert	100%	-
JSC Spetsialyzirovany Zastroyschik Novokhokhlovskaya 15	100%	-
JSC Spetsialyzirovany Zastroyschik Presnensky Val 27	100%	-
LLC Spetsialyzirovany Zastroyschik Kantemirovskaya	100%	-
LLC Lotan	100%	-
JSC Dosflota	-	100%
JSC Spetsialyzirovany Zastroyschik Filit	-	100%
JSC Buildingovaya Companiya	-	100%
JSC Mezhregionalny Processingovy Center	-	100%
LLC Monumental	-	100%
JSC Novaya Integratsiya	-	100%
JSC Extra Com	-	100%

Issue and redemption of bonds

In March 2020 the Group redeemed bonds with the coupon rate of 13% for RUB 3,890 million through an offer at the market. The outstanding bonds amounted to RUB 2,475 million and have a maturity date in February 2022 and a coupon rate equaled to the key rate of the Central Bank of the Russian Federation + 1.4%.

In September 2020, the Group placed bonds in the amount of RUB 7,000 million with a maturity date on 29 March 2023. The coupon rate was set at 7.4%. The frequency of coupon payments is once a quarter.

The bonds' maturities, including offers, are presented in the table below. Depending on the terms of the issue coupon payments are made quarterly or semi-annually.

The terms of financial liabilities as at 31 December 2020 did not significantly change compared to those disclosed as at 31 December 2019 in the consolidated financial statements for 2019, except for new loans and borrowings as indicated below.

				31 December 2020		31 December 2019	
mln RUB	**Currency**	**Nominal rate, %**	**Maturity**	**Nominal value**	**Carrying value**	**Nominal value**	**Carrying value**
Project financing	RUB	9.75%-10.75%	2021	3,398	3,398	10,932	10,893
Project financing	RUB	10.78%-12%	2025	-	-	21,280	21,144
Project financing	RUB	From the key interest rate+2% to the key interest rate+4%	2021-2026	82,253	82,222	11,500	11,500
Project financing	RUB	Variable interest rate*	2023-2031	79,490	77,656	31,660	31,660
Secured bank loans	RUB	Key interest rate+1.95%	2026	2,887	2,887	2,964	2,965
Secured bank loans	RUB	From the key interest rate+2.2% to the key interest rate+2.7%	2022-2025	5,850	5,850	5,239	5,239
Unsecured bank loans	RUB	Key interest rate+1.45%	2022	4,500	4,473	4,500	4,525
Unsecured bank loans	RUB	Key interest rate+3.5%	2022	-	-	-	-
Unsecured loans received	RUB	5%	2023	115	115	-	-
Unsecured loans received	RUB	9.50%-10.5%	2021	103	103	-	-
Bonds	RUB	7.40%-11.25%	2021-2024	32,990	32,886	29,175	29,007
Bonds	RUB	13%	2022	-	-	6,365	6,362
Bonds	RUB	Key interest rate+0.5%	2028	7,000	7,000	7,000	6,999
Bonds	RUB	Key interest rate+1.4%	2022	2,475	2,475	-	-
Bonds	RUB	Key interest rate+1.45%	2021	6,000	5,884	6,000	5,884
Bonds	RUB	Key interest rate+1.5%	2023	1,160	1,160	1,500	1,500
				228,221	**226,109**	**138,115**	**137,678**

* variable effective rates in the range for basic rates from the key rate of the Central Bank of the Russian Federation + 1.6% with capitalisation up to 9.9%, with no payments of both interest and principle till maturity (31 December 2019: in the range for basic rates from the key rate of the Central Bank of the Russian Federation + 2% with capitalisation up to 9.9%, with no payments of both interest and principle till maturity), and adjusted depending on cash balances placed by customers on the escrow accounts.

The fair value of the bonds outstanding is disclosed in note 30 (e).

Reconciliation of changes of liabilities/assets and cash flows arising from financing activities

mln RUB	Bonds, net of those purchased by the Group	Loans and borrowings	Lease liabilities	Financial instruments measured at fair value through profit and loss	Non-controlling interest	Dividends	Total
As at 1 January 2020	**50,533**	**89,014**	**6,624**	**(10,377)**	**1,501**	**-**	**137,295**
Proceeds	7,015	129,695	-	-	-	-	136,710
Payments	(7,430)	(37,612)	(2,696)	(2,161)	(150)	(15,000)	(65,049)
Net cash from financing activities	**(415)**	**92,083**	**(2,696)**	**(2,161)**	**(150)**	**(15,000)**	**71,661**
Interest accrued	4,449	9,978	819	-	-	-	15,246
Interest paid	(4,496)	(3,774)	(819)	-	-	-	(9,089)
New lease contracts	-	-	7,837	-	-	-	7,837
Lease modifications	-	-	2,229	-	-	-	2,229
Offsets under lease agreements	-	-	(31)	-	-	-	(31)
Revaluation of cash-settled financial instruments	-	-	-	(21,840)	-	-	(21,840)
Accrual of dividends	-	-	-	-	-	15,000	15,000
Acquisitions of subsidiaries	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	112	-	112
Change in non-controlling interest due to the restructuring of subsidiaries	-	-	-	-	313	-	313
Settlement of project finance liabilities from escrow accounts	-	(1,835)	-	-	-	-	(1,835)
Other changes	(18)	(3,424)	-	-	467	-	(2,975)
Acquisition of non-controlling interests without change in control, net of cash paid	-	-	-	-	(100)	-	(100)
As at 31 December 2020	**50,053**	**182,042**	**13,963**	**(34,378)**	**2,143**	**-**	**213,823**

mln RUB	Bonds, net of those purchased by the Group	Loans and borrowings	Lease liabilities	Financial instruments measured at fair value through profit and loss	Non-controlling interest	Dividends	Total
As at 1 January 2019	**54,645**	**7,601**	**3,775**	**(4,434)**	**1,868**	**-**	**63,455**
Proceeds	21,636	81,750	-	-	-	-	103,386
Payments	(25,271)	(4,082)	(2,421)	(2,805)	(22)	(15,000)	(49,601)
Net cash from financing activities	**(3,635)**	**77,668**	**(2,421)**	**(2,805)**	**(22)**	**(15,000)**	**53,785**
Interest accrued	5,696	2,964	589	-	-	-	9,249
Interest paid	(6,173)	(1,897)	(589)	-	-	-	(8,659)
Effect of transaction costs	-	(144)	-	-	-	-	(144)
New lease contracts or lease modifications	-	-	6,821	-	-	-	6,821
Offsets under lease agreements	-	-	(1,551)	-	-	-	(1,551)
Revaluation of cash-settled financial instruments	-	-	-	(3,138)	-	-	(3,138)
Accrual of dividends	-	-	-	-	-	15,000	15,000
Acquisitions of subsidiaries, net	-	2,822	-	-	271	-	3,093
Profit for the period	-	-	-	-	213	-	213
Change in non-controlling interest due to the restructuring of subsidiaries	-	-	-	-	(692)	-	(692)
Disposal of subsidiaries	-	-	-	-	(137)	-	(137)
As at 31 December 2019	**50,533**	**89,014**	**6,624**	**(10,377)**	**1,501**	**-**	**137,295**

27 Non-controlling interest

The following is a summary of the impact of changes in shares that did not result in a loss of control, on the equity attributable to the Company:

mln RUB	Developer	Internet provider	Manufacturer of smart home systems	Manufacturer of elevator equipment	Rental services provider	Other	Total
As at 1 January 2020	108	614	166	345	183	85	1,501
Profit/(loss) for the period	382	(1)	4	(327)	-	54	112
Acquisition of non-controlling interests	-	-	-	-	(183)	(67)	(250)
Change in non-controlling interest due to the restructuring of subsidiaries	304	-	-	-	-	9	313
Other changes	400	-	-	-	-	67	467
As at 31 December 2020	**1,194**	**613**	**170**	**18**	**-**	**148**	**2,143**

mln RUB	Developer	Internet provider	Manufacturer of smart home systems	Manufacturer of elevator equipment	Rental services provider	Other	Total
As at 1 January 2019	846	661	106	137	-	118	1,868
(Loss)/profit for the period	(2)	(47)	82	208	-	(28)	213
Acquisition of non-controlling interests	-	-	(22)	-	-	-	(22)
Acquisition of subsidiaries with non-controlling interest	-	-	-	-	183	88	271
Change in non-controlling interest due to the restructuring of subsidiaries	(692)	-	-	-	-	-	(692)
Disposal of subsidiaries with non-controlling interest	(44)	-	-	-	-	(93)	(137)
As at 31 December 2019	**108**	**614**	**166**	**345**	**183**	**85**	**1,501**

The following tables summarize the information before the elimination of intercompany transactions in the Group's subsidiaries where the non-controlling interests are significant.

mln RUB	Developer	Internet provider	Manufacturer of smart home systems	Manufacturer of elevator equipment	Other	Total
As at 31 Decemder 2020						
Non-current assets	50	1,238	246	1,101	13,614	16,249
Current assets	6,820	-	246	2,489	23,468	33,023
Non-current liabilities	330	-	30	200	3,595	4,155
Current liabilities	4,598	10	(87)	1,841	33,872	40,234
Net assets	**1,942**	**1,228**	**549**	**1,549**	**(385)**	**4,883**
Carrying amount of non-controlling interest	1,194	613	170	18	148	2,143
Revenue	5,847	-	246	4,105	38,475	48,673
Profit/(loss)	729	(2)	12	499	(4,153)	(2,915)
Total comprehensive income	**729**	**(2)**	**12**	**499**	**(4,153)**	**(2,915)**
Profit/(loss) attributable to non-controlling interest	382	(1)	4	(327)	54	112

mln RUB	Developer	Internet provider	Manufacturer of smart home systems	Manufacturer of elevator equipment	Rental services provider	Other	Total
As at 31 Decemder 2019							
Non-current assets	50	1,238	250	1,083	241	12,516	15,378
Current assets	170	1	246	1,235	119	17,727	19,498
Non-current liabilities	-	-	30	208	-	223	461
Current liabilities	4	9	(71)	1,059	1	28,704	29,706
Net assets	**216**	**1,230**	**537**	**1,051**	**359**	**1,316**	**4,710**
Carrying amount of non-controlling interest	108	614	166	345	183	85	1,501
Revenue	-	-	275	2,177	-	46,413	48,865
(Loss)/profit	(3)	-	5	114	-	(11,675)	(11,559)
Total comprehensive income	**(3)**	**-**	**5**	**114**	**-**	**(11,675)**	**(11,559)**
(Loss)/profit attributable to non-controlling interest	(2)	(47)	82	208	-	(28)	213

28 Provisions

mln RUB	Provision for costs to complete	Provision for onerous contracts	Tax provision	Provision for litigation	Provision for warranty obligations	Total
As at 1 January 2020	**21,895**	**345**	**1,562**	**2,169**	**-**	**25,971**
Additional provisions	14,090	3,486	330	790	449	19,145
Release of provisions	(1,302)	(528)	(1,458)	(694)	(23)	(4,005)
Utilisation	(9,965)	(2,950)	-	(621)	(23)	(13,559)
Disposal through disposal of subsidiaries	(1)	-	(20)	(37)	-	(58)
As at 31 December 2020	**24,717**	**353**	**414**	**1,607**	**403**	**27,494**

	Provision for costs to complete	Provision for onerous contracts	Tax provision	Provision for litigation	Total
As at 1 January 2019	**24,744**	**881**	**2,412**	**2,036**	**30,073**
Additional provisions	10,429	2,861	1,090	1,933	16,313
Release of provisions	(3,315)	(1,765)	(699)	(1,214)	(6,993)
Utilisation	(9,963)	(1,632)	-	(402)	(11,997)
Disposal through disposal of subsidiaries	-	-	(1,241)	(184)	(1,425)
As at 31 December 2019	**21,895**	**345**	**1,562**	**2,169**	**25,971**

In calculation of provisions, the Group used assumptions, which are subject to uncertainty and judgment.

Provision for costs to complete

The provision for costs to complete represents an estimate of the future amounts the Group expects to spend to construct social and cultural facilities and infrastructure not to be transferred into joint ownership and to complete the acquisition of all land plots for a project. The provision was calculated and recognised for 240 buildings under construction and on sale based on the prevailing average purchase prices for materials and subcontracting work in the fourth quarter of 2020, and the completion dates of projects or certain phases from 1 to 3 years. Estimated costs can be revised subsequently as a result of changes in urban development standards and regulations, which determine main project parameters, construction materials and labor price fluctuations, and inflation rate.

The provision for costs to complete for social and cultural facilities and infrastructure was recognised using for all buildings under construction where the sales started using its percentage of completion.

In addition, the provision for costs to complete includes an estimated cost of completing the acquisition of land on projects where sales of real estate properties have already been in the amount of RUB 4,141 million as at 31 December 2020 (31 December 2019: RUB 2,866 million). According to the terms of acquisition of land plots in these projects, the acquisition is carried out gradually, and the transaction price is subject for amendments by additional agreements in the future. Provision for the cost to purchase the land plots included in the cost of sales was recognised based on the percentage of completion of houses already under construction and on sale.

The Group develops some projects where land plots were leased or acquired under the condition to transfer some real estate properties to customers defrauded by third-party developers. The Group recognised a provision for this obligation in the amount of expected costs to construct real estate properties for defrauded customers within 3 years. As at 31 December 2020, the provision amounted to RUB 2,005 million (31 December 2019: RUB 2,786 million) and was included in the provision for costs to complete.

Tax provision

As at 31 December 2020, the tax provision relates mostly to the deductibility of certain expenses for tax purposes and intercompany transactions and includes provision for income tax of RUB 414 million (31 December 2019: RUB 1 562 million including related penalties).

In 2020, the provision related to income tax risks identified in previous periods was released due to the completion of the on-site tax inspection for that period in the amount of RUB 1,458 million. An additional provision for income tax was accrued in the amount of RUB 330 million.

Provision for litigation

The Group is involved as a defendant in litigations relating to contracts with customers to supply properties, agreements to purchase construction materials and services. As at 31 December 2020, the Group estimated that it was probable that a resource outflow would be necessary in the amount of RUB 1,607 million (31 December 2019: RUB 2,169 million).

Provision for warranty obligations

According to the current Russian legislation, the Group commits to the quality of completed buildings. The amount of the warranty claims for previous periods was insignificant. Since the construction volumes have been increased, the estimated warranty obligations increased accordingly and amounted to RUB 403 million.

29 Accounts payable, including contract liabilities

mln RUB	31 December 2020	31 December 2019
Non-current		
Accounts payable for acquisition of land plots	6,563	8,469
Accounts payable under construction contracts	433	348
Other advances received	449	495
Other liabilities	5	495
	7,450	**9,807**
Current		
Liabilities under contracts with customers of real estate properties	62,965	93,153
Liabilities under contracts with customers of real estate properties in acquisition of land plots	6,766	8,933
Advances received for construction works	14,541	7,117
Other advances received	8,091	1,836
Accounts payable for construction works and other trade payables	12,785	9,345
Trade payables of Maintenance segment	10,952	10,038
Accounts payable for acquisition of land plots	5,394	7,337
Accounts payable to suppliers and contractors under construction contracts	2,695	596
Payables to employees	6,183	6,382
Other taxes payable	9,447	9,325
Accounts payable to owners of non-controlling interests	687	408
Other accounts payable	4,757	3,099
	145,263	**157,569**

The information about the Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in note 30.

30 Financial instruments

According to the Group’s assessment, the COVID-19 coronavirus did not significantly affect the management’s assessment of the Group’s credit, market, currency and liquidity risks.

The carrying value of financial assets and liabilities (see note 30 (e)) and the corresponding levels of the fair value hierarchy are presented below:

mln RUB	Note	31 December 2020	31 December 2019
Level 1			
Financial asssets:			
Financial instruments measured at fair value through profit or loss	24	34,378	10,377
Financial liabilities:			
Unsecured bonds	26	(50,053)	(50,533)
Level 3			
Assets:			
Cash and cash equivalents	22	96,527	66,208
Trade and other receivables	20	115,035	32,554
Loans issued, bank deposits accounted for in other investments and equity accounted investees	19	680	1,183
Liabilities:			
Loans and borrowings	26	(182,042)	(89,014)
Long-term lease liabilities	21	(13,963)	(6,624)
Trade and other payables	29	(43,584)	(39,727)
		(43,022)	**(75,576)**

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

This note presents information about the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risk, and the Group’s management of capital. Further quantitative disclosures are provided throughout these consolidated financial statements.

Risk management framework

The Board of Directors 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 limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group’s Audit Committee monitors how the management ensures compliance with the Group’s risk management policies and procedures and reviews the adequacy of the risk management system given the risks to which the Group is exposed. The Audit Committee performs its supervisory functions in close cooperation with the internal audit department.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. Generally, credit risk relates to financial assets of the Group measured at amortised cost, which include cash and cash equivalents, receivables and other investments. During the reporting period, there were no significant changes in the structure of financial assets, their credit quality and valuation methods.

(i) Sale of apartments to individuals

The Group is not significantly exposed to credit risk in connection with sales of apartments to individuals as such sales are mostly arranged on a prepayment basis or using escrow accounts. To estimate the impairment provision for assets under contracts with customers for sales of real estate properties with the use of escrow accounts with an authorised bank, the bank's credit rating is applied.

(ii) Accounts receivable from legal entities

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The management of the Group analyses accounts receivable depending on a category of customers.

For effective control over credit risk levels, customers are grouped according to their credit characteristics, including the type of contract, aging profile, maturity and credit history. Accounts receivable from legal entities are grouped as follows:

- Accounts receivable from construction services contracts and the sales of real estate, including contract assets;
- Accounts receivable from customers of services provided by the Maintenance segment, except for the accounts receivable from customers of housing and utility services;
- Other receivables.

The management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment terms and conditions are offered. These terms also specify certain penalties in the event of late payment.

The Group generally provides services such as construction services if a surety or a bank guarantee is provided. The main consumers are state-owned and commercial developers.

Detailed information on the revenue concentration is disclosed in note 6.

(iii) Accounts receivable of consumers of housing and utility services

If payments for housing and utility services are overdue for more than 3 months, the Group uses enhanced procedures to inform debtors about the indebtedness and may take enforcement measures afterwards. Expected credit losses calculation is based on the accumulated statistics for the last three years on debt collection, considering the terms of delinquency and the economic environment of the region where the services are provided. The primary customers are the owners of residential premises.

(iv) Guarantees

Generally, the Group provides financial guarantees only to the Group's subsidiaries except for certain third-party construction services contractors and suppliers. As at 31 December 2020, and 31 December 2019 the amount of these guarantees did not exceed RUB 1 000 million.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

mln RUB	31 December 2020	31 December 2019
Loans issued and bank deposits recorded in other investments	672	480
Accounts receivable, including contract assets	115,035	32,554
Cash and cash equivalents	96,527	66,208
	212,234	**99,242**

Impairment losses

During the reporting period, the change in estimated provisions for expected credit losses in respect of financial assets of the Group measured at amortised cost and contract assets was as follows:

mln RUB	Other investments	Accounts receivable	Total
Impairment loss provision as at 1 January 2020	**330**	**2,040**	**2,370**
Amount used	(18)	(64)	(82)
Accruals	53	2,097	2,150
Releases	(105)	(930)	(1,035)
Impairment loss provision as at 31 December 2020	**260**	**3,143**	**3,403**

mln RUB	Other investments	Accounts receivable	Total
Impairment loss provision as at 1 January 2019	**320**	**1,824**	**2,144**
Amount used	(27)	(233)	(260)
Accruals	69	1,548	1,617
Releases	(32)	(1,099)	(1,131)
Impairment loss provision as at 31 December 2019	**330**	**2,040**	**2,370**

The credit rating of some suppliers and contractors was downgraded as a result of the worsening economic situation due to the COVID-19 pandemic. As at the reporting date, the carrying amount of credit-impaired debt resulting from the downgrade of the credit rating was insignificant. The Group continuously reviews the quality and balances of accounts receivable and takes preventive measures to mitigate risks, such as stricter requirements for the selection of contractors, termination of contracts with contractors with a low internal credit rating, and revision of the terms of advance payments for contract work.

(i) Accounts receivable, including contract assets

Internal credit rating of the Group	Gross carrying amount as at 31 December 2020	Impairment loss as at 31 December 2020	Gross carrying amount as at 31 December 2019	Impairment loss as at 31 December 2019
High	86,276	(11)	11,593	(1)
Above-medium	14,235	(226)	7,430	(239)
Medium	6,096	(342)	5,331	(315)
Below-medium	731	(147)	-	-
Low	87	(50)	2	(1)
Default	972	(655)	1,071	(929)
Total	**108,397**	**(1,431)**	**25,427**	**(1,485)**

The Group's main counterparties do not have external credit ratings, and the assessment of expected credit risks from receivables and other investments is based on internal credit ratings. The Group evaluates the counterparties' internal credit rating based on an analysis of the financial statements of counterparties, the history of interaction and settlements with counterparties, litigation history and other available risk factors. The Group assigns the following rating categories to counterparties:

- High: counterparties in this category are sufficiently able to meet their contractual obligations in the near term. The Group assesses that adverse changes in economic and business conditions in the longer term will not reduce the counterparty's ability to meet its contractual obligations. These are mainly clients whose indebtedness is secured by real estate properties constructed and sold by the Group;
- Above-medium: counterparties are sufficiently able to meet their contractual obligations in the near term. The Group assesses that adverse changes in economic and business conditions in the long-term will not reduce the counterparty's ability to meet its contractual obligations;
- The medium category includes risky counterparties. According to the Group's analysis, counterparties have sufficient ability to meet their contractual obligations in the future in the short term, but adverse changes in economic and business conditions in the longer term may reduce the counterparty's ability to meet its contractual payment obligations;
- Below-medium: this category includes counterparties with some insolvency signs. Counterparties in this category may have a reduced ability to meet their contractual payment obligations in the near term and may default on their obligations in the long run;
- Low: this category includes counterparties with many insolvency signs. Counterparties in this category may not be able to meet their contractual obligations to pay in the near term and/or in the longer term;
- Default: this category includes counterparties whose debt is non-recoverable.

In the reporting period, the transfer of assets to the credit-impaired category was insignificant.

(ii) Accounts receivable of customers of housing and utility services

Due to the impact of the COVID-19 pandemic on the economic situation, the Group identified an increase in accounts receivable balances with a payment delay of over 30 days. At the same time, the cash collections have not significantly decreased, and in the long term, the Group does not expect a significant increase in the risk of expected credit losses.

Overdue debt	Weighted average loss rate	Gross carrying amount as at 31 December 2020	Impairment loss as at 31 December 2020	Gross carrying amount as at 31 December 2019	Impairment loss as at 31 December 2019
0-30 days	10.16%	1,989	(202)	3,779	(108)
31-90 days	10.10%	1,040	(105)	2,017	(58)
90-180 days	10.11%	1,009	(102)	721	(21)
180-360 days	10.15%	1,271	(129)	767	(22)
1-3 years	23.95%	2,489	(596)	1,575	(250)
more than 3 years		1,901	(578)	306	(96)
Total		**9,699**	**(1,712)**	**9,165**	**(555)**

(iii) Other investments

Internal credit rating of the Group	Gross carrying amount as at 31 December 2020	Impairment loss as at 31 December 2020	Gross carrying amount as at 31 December 2019	Impairment loss as at 31 December 2019
High	164	(5)	104	-
Above-medium	127	(3)	16	-
Medium	494	(109)	207	(58)
Below-medium	2	-	274	(73)
Low	-	-	51	(41)
Default	145	(143)	158	(158)
Total	**932**	**(260)**	**810**	**(330)**

(iv) Cash and cash equivalents

The Group does not recognise a provision for ECL for cash balances as the provision is not material. Cash and cash equivalents are placed with banks rated no lower than B+, based on the classification of international rating agencies S&P Global Ratings, Fitch and Moody's. The Group considers expected credit losses to be insignificant.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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.

Group's financial department carries out liquidity risk management (including risks which the Group would face in the long-, medium- and short-term periods) in accordance with internal regulations approved by the Board of Directors and reviewed regularly to reflect changes in market conditions.

The liquidity position is centrally managed for all subsidiaries of the Group to constantly control the cash balances available.

Since 1 July 2019, in accordance with the requirements of the legislation of the Russian Federation, the Group has started selling real estate properties under share participation agreements using escrow accounts. The Group developed and agreed with banks an appropriate procedure under which the banks, where buyers of real estate properties open escrow accounts and transfer money for acquired real estate properties, provide the Group with project financing covering the full amount of costs necessary for the construction of a project and the commissioning of all real estate properties.

Upon completion of the construction of a residential building, the cash placed in escrow accounts with authorised banks is released to the Group, and the Group partially pays the project financing debt outstanding.

Thus, in the consolidated statement of financial position, project finance liabilities gradually increase, while liabilities under contracts with customers decrease.

The amount of revenue recognised under contracts with customers using escrow accounts in 2020 amounted to RUB 58,960 million (2019: RUB 7,855 million).

Management estimates that the Group's transition to customer settlements using escrow accounts does not significantly affect the Group's ability to meet its obligations on time.

Covenant compliance risk

The Group proactively monitors compliance with all debt covenants and, in case of the risk of default, initiates negotiations with the lenders to amend the respective facility agreement, before any event of default occurs.

To disclose the forecast of future interest payments on loans and borrowings with a variable interest rate, the Group uses interest rates effective as of the reporting date without taking into account any changes resulting from a change in the Central Bank of Russia's rate in future periods and/or the ratio of funds placed on escrow accounts to project financing debt.

The following are the contractual maturities of the financial liabilities, including estimated interest payments.

31 December 2020				**Contractual cash flows**				
mln RUB	**Carrying value**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-5 yrs**	**5-10 yrs**	**Total**
Bank loans	176,486	6,987	12,229	84,078	35,838	34,841	4,406	178,379
Bonds	49,405	11,040	1,770	15,335	10,979	3,500	7,000	49,624
Loans	218	70	33	-	115	-	-	218
Interest payable	5,986	6,644	4,406	11,358	3,848	5,149	1,254	32,659
Trade and other accounts payable	59,901	52,045	1,669	2,876	1,040	2,595	1,447	61,672
Lease liabilities	13,963	2,180	2,580	4,173	2,913	3,584	1,380	16,810
Financial instruments measured at fair value through profit or loss	(34,378)	1,044	-	-	-	-	-	1,044
	271,581	**80,010**	**22,687**	**117,820**	**54,733**	**49,669**	**15,487**	**340,406**

31 December 2019				**Contractual cash flows**				
mln RUB	**Carrying value**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-5 yrs**	**5-10 yrs**	**Total**
Bank loans	87,926	12,539	6,486	9,288	19,653	32,150	8,000	88,116
Bonds	49,752	8,135	1,770	12,810	12,845	7,479	7,000	50,039
Interest payable	1,869	4,442	3,773	4,943	3,974	4,332	9,108	30,572
Trade and other accounts payable	55,842	45,992	1,882	3,878	2,330	2,501	3,218	59,801
Lease liabilities	6,624	1,023	1,482	2,201	1,365	1,511	509	8,091
Financial instruments measured at fair value through profit or loss	(10,377)	1,232	551	503	-	-	-	2,286
	191,636	**73,363**	**15,944**	**33,623**	**40,167**	**47,973**	**27,835**	**238,905**

(d) Market risk

Market risk is the risk that changes in market prices, in particular 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.

The Group does not enter into contracts other than to meet the Group's production needs and its delivery obligations; such contracts are not settled on a net basis.

(i) Currency risk

The Group is exposed to currency risk related to purchases and cash balances that are denominated in a currency other than the Russian Rouble (RUB).

Borrowings and arising interest payments are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily in RUB. This provides a natural economic hedge and no currency derivatives are used by the Group.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

Exposure to currency risk of the Group determined based on the nominal value of financial instruments was immaterial in 2020 and 2019.

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings, as well as cash-settled financial instruments by changing either their fair value (fixed rate debt) or their future cash flows (for loans and borrowings with a variable rate and cash-settled financial instruments). Management does not have a formal policy of determining how much of the Group's exposure should be attributed to fixed or variable rates. However, at the time of obtaining new loans or borrowings, management uses its judgment to decide which rate – fixed or variable – would be more favorable for the Group over the expected period until maturity.

Risk profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

mln RUB	Note	31 December 2020	31 December 2019
Variable rate financial assets		**34,378**	**10,377**
Financial instruments carried at fair value through the profit or loss	24	34,378	10,377
Fixed rate financial assets		**24,073**	**28,027**
Bank deposits recorded in cash and cash equivalents		22,739	25,775
Long-term receivables	20	663	1,774
Loans issued and bank deposits recorded in other investments	19	671	478
Variable rate financial liabilities		**(189,607)**	**(72,141)**
Loans and borrowings	26	(189,607)	(72,141)
Fixed rate financial liabilities		**(59,721)**	**(85,518)**
Accounts payable for land acquisition	29	(9,256)	(11,488)
Loans and borrowings	26	(36,502)	(67,406)
Long-term lease liabilities	21	**(13,963)**	**(6,624)**
		(190,877)	**(119,255)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for fixed rate financial assets and liabilities as instruments measured at fair value through profit or loss.

Cash flow sensitivity analysis for financial liabilities with interest rate depending on changes to the key rate of the Central Bank of the Russian Federation

As at 31 December 2020, a change in interest rates by 1 percentage point would result in an increase (a decrease) of interest expenses before capitalisation in inventories by RUB 1,456 million (31 December 2019: RUB 323 million).

(e) Fair values and carrying amounts

As at 31 December 2020 and 31 December 2019, the carrying amounts of the Group's financial assets and liabilities did not differ significantly from their fair values, except for bonds. As at 31 December 2020 the fair value of bonds, net of those purchased by the Group, exceeded their carrying amount by RUB 1 434 million (31 December 2019: RUB 1 272 million).

(f) Capital management

The Group's policy is to keep a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board of Directors monitors the capital structure, in particular the net debt to adjusted EBITDA ratio. The calculation of net debt and adjusted EBITDA is disclosed in note 39.

31 Contingencies

(a) Insurance

The insurance industry in the Russian Federation is still developing and many forms of insurance protection common in other parts of the world are not yet generally available.

The Group has insured its property and equipment to compensate for expenses arising from accidents. The Group has also insured certain professional risks relating to the quality of construction works and delays in construction. The Group does not have full coverage for business interruption, or third-party liability in respect of property or environmental damage arising from accidents on the Group's property or relating to Group's operations.

The Group does not have insurance in respect of any force majeure circumstances which may arise in respect of constructed buildings in the period from the recognition of revenues to the time when ownership rights are registered by a customer or an acceptance certificate is signed under share participation agreements. The risk of losses in case of force majeure circumstances in these periods is borne by the Group.

The Group makes mandatory insurance contributions to the fund of protection of the legitimate rights of citizens, who are parties to share participation agreements. Insurance events under the above agreements include enforcement of pledge, as well as bankruptcy of developers, failure to fulfill obligations to parties to share participation agreements regarding transfer of a property within the period stipulated by an agreement.

Until the Group obtains full insurance coverage, there is a risk that the loss of or damages to certain assets and other circumstances could have a material adverse effect on the Group's operations and financial position.

(b) Litigation

The Group is a defendant in a number of litigations. According to management, it is probable that the claims will be successfully challenged and that the Group will not incur significant losses in addition to those already recognised in the provisions for litigation (see note 28).

(c) Taxation contingencies

The taxation system

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 that have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years. Recent events within the Russian Federation demonstrate that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

The current transfer pricing legislation requires a price analysis of certain transactions between the Group's companies, as well as significant transactions between the Group's companies in the domestic market. Since 2019, transfer pricing control has been generally applied to transactions in the domestic market if two conditions are met simultaneously: the parties apply different income tax rates and the annual value of transactions between the parties exceeds RUB 1 billion. The number of such operations in 2020 and 2019 was insignificant.

Russian tax authorities may check the prices of transactions between the Group companies in addition to the transfer pricing checks. They may charge additional taxes if they conclude that the taxpayer has misrepresented information about taxable items to be reflected in tax and/or financial accounting or tax reporting. Besides, close attention is being paid by controlling and regulatory authorities to transactions with foreign companies and their activities. The practice of applying the concept of beneficial ownership of income, taxation of controlled foreign companies, and determining the rules of tax residence is only developing and may affect the tax position of the Group.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. The Group's 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, these interpretations by tax authorities and courts may be different, and this may affect these consolidated financial statements, if the tax authorities are successful in enforcing their interpretations.

In addition, the Group acquires works, services, raw and materials from various suppliers who are responsible for tax and financial reporting compliance. Meanwhile, if tax authorities prove that the Group did not exercise due care and diligence in selecting suppliers in accordance with the provisions of Article 54.1 of the Tax Code of the Russian Federation, this may lead to additional tax risks for the Group. Management has not provided for any amounts in respect of these tax liabilities in the consolidated financial statements because it believes that the risk of cash outflow to settle them exists, but is not high. According to the Group's management, it is impracticable to evaluate the financial implications of tax liabilities, though potentially material, that may arise as the result of transacting with such suppliers due to varying approaches to assessing the extent of a tax legislation violation.

32 Significant subsidiaries

As at 31 December 2020, the Group controlled 336 legal entities (31 December 2019: 312 legal entities). Their assets, liabilities, revenues and expenses are included in these consolidated financial statements. The significant subsidiaries include 86 real estate developers (31 December 2019: 62 real estate developers) in which the Group does not have a significant non-controlling interest, except for a real estate developer implementing a project in the Moscow Region in which the Group holds a 50.01% interest, as well as those listed in the table below:

		Effective ownership		Voting rights	
	Country of incorporation	31 December 2020	31 December 2019	31 December 2020	31 December 2019
JSC PIK-Industry	Russia	99%	99%	99%	99%
LLC GP-MFS	Russia	99%	99%	99%	99%
LLC GLOBALSTROYTECH	Russia	100%	100%	100%	100%
LLC PIK-Comfort	Russia	100%	100%	100%	100%
LLC PIK-Corporation	Russia	100%	100%	100%	100%
LLC PIK-Investproekt	Russia	100%	100%	100%	100%
LLC Inzhstroy-Innovatsii	Russia	70%	0%	70%	0%
LLC SPETSENERGOGRUP	Russia	70%	0%	70%	0%
LLC Lovitel	Russia	50%	50%	50%	50%
JSC MSK ENERGO	Russia	100%	100%	100%	100%
JSC MEL	Russia	99%	99%	99%	99%
LLC PIK-Profil	Russia	100%	100%	100%	100%

33 Related party transactions

(a) Control relationships

As at 31 December 2020 and 31 December 2019 there were no immediate or ultimate parent companies.

As at 31 December 2020, the Company is ultimately controlled by Mr. Sergey E. Gordeev, who owns 59.33% of the Company's ordinary shares (31 December 2019: 59.16%).

(b) Management remuneration

Key management remuneration accrued during the year is represented in the following table:

mln RUB	2020	2019
Salary and bonuses	1,043	1,952
Insurance premium	201	325
Total	**1,244**	**2,277**

(c) Related parties' balances

mln RUB	31 December 2020	31 December 2019
Advances issued	1,817	933
Loans issued	17	12
Accounts receivable	13	9
Advances received	-	(3)
Accounts payable	(69)	(13)
Total	**1,778**	**938**

(d) Transactions with related parties

mln RUB	2020
Contribution to the share capital of an associate	(300)
Purchase of non-controlling interest	(250)
Advances paid for acquisition of land	(1,560)
Advances to suppliers and contractors	(241)
Total	**(2,351)**

In 2020, the Group made a contribution to the authorised capital of an associated company in the amount of RUB 300 million. In 2019, there were no contributions to the authorised capital of associated companies.

(e) Other transactions with related parties

In 2020, executive directors of the Company purchased residential apartments in uncompleted buildings for the total amount of RUB 10 million (2019: RUB 18 million in uncompleted buildings and RUB 35 million in completed buildings).

34 Transactions with the government

(a) Control relationships

In July 2019, one of the largest Russian banks (“the Bank”) controlled by the government acquired the Group’s ordinary shares increasing its share to more than 20% of the Group’s share capital. At the same time, the Bank did not participate in the decision-making process by having representatives on the Board of Directors of the Company. Significant transactions with the Bank are provided below.

Balances with the Bank

mln RUB	31 December 2020	31 December 2019
Financial instruments measured at fair value	34,378	10,377
Advances issued	37	767
Accounts receivable	-	25
Cash in banks	66,956	30,485
Loans and borrowings	(125,452)	(60,557)
Interest payable	(3,576)	(967)
	(27,657)	**(19,870)**

Transactions with the Bank and its related companies

mln RUB	2020	2019
Acquisition of land	165	3,330
Revaluation of cash-settled financial instruments	21,840	3,138
Interest income	97	322
Interest expense before capitalisation	(6,011)	(1,285)
Commercial expenses	(639)	(361)
Quarterly interim payments under cash-settled financial instruments	(2,161) -	-
Other finance costs	(7)	(12)
Total	**13,284**	**5,132**

As at 31 December 2020, parties to share participation agreements placed RUB 69,676 million on escrow accounts with the Bank (31 December 2019: RUB 15,439 million).

During 2020, the Group received project financing from the Bank of RUB 71,437 million at the base rates based on the key rate of the Central Bank of the Russian Federation +2% to the key rate of the Central Bank of the Russian Federation +3.17% and repaid the debt related to project financing of RUB 3,878 million at the base rate of the key rate of the Central Bank of the Russian Federation+2% (2019: received project financing of RUB 39,625 million at the base rate of the key rate of the Central Bank of the Russian Federation +2%, there was no repayment of the debt).

The key terms for financial instruments are disclosed in notes 24 and 26.

(b) Transactions with the government

In addition, the Group conducts transactions with several entities under control or joint control of the Russian Federation. The Group applies an exemption provided by IAS 24 "Related Party Disclosures", which allows the disclosure of transactions with entities related to the government in a simplified manner.

The Group conducts operations with enterprises related to government, which are part of ordinary activities and are carried out on conditions comparable to the terms of activities with enterprises not related to government. Such operations include, but are not limited to, providing construction, design, general constructor and technical supervision services, the lease of land for development projects, purchasing the construction services, and contributions to the fund of protection of the rights of citizens participating in shared construction. Those transactions that exceeded RUB 1,000 million in 2020, according to management estimates, accounted for at least 53.57% of the revenues from the sale of construction services and about 0.5% of the costs for the construction of real estate properties. As at 31 December 2020, outstanding balances with government-related enterprises did not exceed RUB 29,039 million of assets and RUB 60,764 million of liabilities of the Group (31 December 2019: RUB 2,261 million of assets and RUB 12,405 million of liabilities of the Group).

As at 31 December 2020, parties to share participation agreements placed RUB 12,404 million in escrow accounts with the Bank associated with the government (31 December 2019: there was no similar placement). In 2020, the Group received loan financing from the banks associated with the government in the amount of RUB 25,777 million (2019: RUB 5,004 million).

35 Subsequent events

In order to comply with the legislation of the Russian Federation, on 4 March 2021, the Extraordinary General Meeting of Shareholders of PJSC Group of Companies PIK approved the change of its name from PJSC Group of Companies PIK to Public Joint Stock Company PIK-specialized homebuilder.

36 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the items that are disclosed in note 5 Measurement of Fair Values of these consolidated financial statements and have been measured on an alternative basis on each reporting date.

37 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (note 37a (iii)). To determine whether a particular set of activities and assets is a business, the Group assesses whether the acquired set of assets and activities includes input and substantive process as a minimum and whether the acquired set can produce outputs.

The Group applies an optional concentration test that permits a simplified assessment of whether the acquired set of activities and assets is not a business: if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the transaction is classified as an acquisition of an asset.

Business combinations are accounted for 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 recognised 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 acquire; less
- the net recognised amount (generally, fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, 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.

Any contingent consideration is measured at fair value at the date of acquisition. If the contingent consideration is classified as equity, then it is not remeasured and the settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Non-controlling interests

Non-controlling interests are measured as a proportionate share of the acquire’s net identifiable assets at the acquisition date.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interest in subsidiaries registered in the form of limited liability companies, whose charters provide for the option for one participant to withdraw at their request and for payment of the value of its interest, is recognised in other payables. Where the net assets of subsidiaries in the form of limited liability companies are negative, no non-controlling interest is not recognised. The result of attributable to non-controlling interests in subsidiaries incorporated as limited liability companies is recognised as finance costs.

Losses attributable to a non-controlling interest in a subsidiary incorporated as a joint-stock company are allocated in full to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iii) Subsidiaries

Subsidiaries are companies controlled by the Group. The Group controls a company when it is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. 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 have been changed when necessary to align them with the policies adopted by the Group.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those companies in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another company. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method and are recognised initially at cost. 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, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that 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 an obligation or has made payments on behalf of the investee.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in an investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Revenue from contracts with customers

The Group recognises revenue from contracts with customers when or over time when identifiable goods and/or services are transferred to the customer and the contract with the customer exists if promised consideration is probable. An asset is transferred to the customer when (or as) the customer gains control of the asset. In assessing the likelihood of collecting of consideration, the Group considers solely the customer's ability and intention to pay the consideration when the payment is due.

The Group combines two or more contracts concluded simultaneously or almost simultaneously with the same customer (or customers belonging to the same group of companies), if one or more of the criteria below are met:

- the contracts were negotiated as a package with a single commercial objective;
- the amount of consideration payable under one contract depends on the price or performance of the other contract; or

- the goods or services promised under the contracts (or some goods or services promised under each contract) constitute a single performance obligation.

The contract price is the amount of consideration that the Group expects to be entitled to in exchange for the transfer of promised goods or services to a customer, excluding amounts received on behalf of third parties. The consideration promised under the contract with a customer may include fixed amounts, variable amounts, or both.

To calculate the transaction price, the amount of consideration promised under the contract is adjusted to the time value of money to recognise the revenue in the amount that the customer would have paid for the real estate if they had paid in cash when (or as) the obligation under the contract is fulfilled. A significant financing component is recorded separately in the consolidated statement of profit or loss and other comprehensive income.

(i) Revenue from the sale of real estate properties

A major part of the Group's revenue is recognised under share participation agreements (SPA) executed following the requirements of Federal Law No.214-FZ. The developer is entitled to the consideration under a contract if construction is completed without breach of SPA terms, and the customer has no right to waive the contract obligations unilaterally out of court. Thus, SPA is considered non-cancelable in due course (except that the termination clause is included directly in the SPA), and the revenue is recognised over time according to progress towards complete satisfaction of the performance obligations under the contract.

The Group applies the resource method to assess progress towards complete satisfaction of the performance obligation based on a proportion of actual costs incurred to the total expected costs. At the same time, the cost of construction of social and cultural facilities and infrastructure that are not transferred to the joint ownership, and the cost of land plots and right-of-use assets are recognised in the cost of sales as control over real estate properties is transferred to customers as the percentage of completion of these properties increases.

If the contract for real estate purchase is executed without the use of escrow accounts, the consideration provided for in the contract is usually adjusted for a significant financing component. The Group does not apply a practical expedient that allows not to adjust the contract consideration if the period between payment and performance of the obligation or part of it does not exceed 12 months.

The Group estimates the significant financing component at the time of contract inception using the discount rate based on the loan portfolio of individual developers within the Group, considering the construction terms.

The transaction price for SPA using escrow accounts, when funds from the customer are transferred to a special account with an authorised bank, is determined taking into account the savings on interest expenses resulting from a reduction of interest at the base interest rate on project financing, depending on the amount of funds placed on escrow accounts. On initial recognition, project financing received by the Group at a preferential rate because of cash on escrow accounts is recognised at fair value.

As funds from customers are placed on the escrow accounts with an authorised bank, the average rate under the loan agreement is reduced and the resulting interest savings are recognised as part of the transaction price. When registering the SPA, the Group calculates the savings over the contract period usually up to the date when the cash from the escrow accounts is released as the difference between the base rate and the preferential rate under the credit facility agreement on the amount of accumulated payments under contracts with customers. The calculation is based on payments under the SPA, limited by the amount of credit funds planned for the drawdown in each forecast period (month).

When the loan drawdown schedules and/or SPA payments change, as well as interest rates, the savings (financial asset) are adjusted through financial income or expenses in the consolidated statement of profit or loss and other comprehensive income in the period when the change occurs.

The Group recognizes a financial asset for the interest savings on project financing based on the expected loan drawdowns, as part of the transaction prices in contracts with customers who have deposited funds on escrow accounts, even if project financing has not yet been received. This financial asset is accounted for at amortised cost.

When the balances on escrow accounts with an authorised bank exceed the amount of the project financing received, an additional discount to the preferential rate is granted, which constitutes variable consideration. Variable consideration is not determined before additional interest savings are actually obtained and are recognised as changes in the transaction price in the period of their actual occurrence. At the same time, the savings are allocated to all the SPAs concluded at that time in proportion to the amounts placed on the escrow account.

When apartments are sold under a SPA using escrow accounts the Group does not recognise the customer's payment in its consolidated statement of financial position. Revenue is recognised based on the progress towards complete satisfaction of the performance obligation results in a contract asset. The contract asset is reclassified to accounts receivable when funds on escrow accounts are to be released. At the time of the release of the escrow accounts and receipt of funds to the Group's accounts, the accounts receivable are settled and the remaining transaction price not recorded as part of the revenue is accounted for as part of liabilities under contracts with customers.

Non-cash consideration is measured at a fair value of received goods or services.

The approach to determining the revenue under real estate sale contracts and other types of contracts for the purchase of completed properties in commissioned buildings is similar to the approach defined for SPA.

The Group may sell land plots prepared for development. If Group carries out preliminary development of the acquired land plot and decides to sell the plot to an external developer, the proceeds from such sale are recognised as other revenue from development.

(ii) Revenue from construction services

Revenue from construction services is mainly earned from construction and design services provided by the Group to third-party customers. The Group has determined that under construction contracts, the customer controls assets created during the construction process on the customer's land plot. Having analysed the terms of payments and termination of existing contracts, the Group also concluded that control over a product or service is transferred to the customer over time as the assets under construction cannot be used alternatively, and the Group obtains the right to receive consideration as the construction progresses. Contract revenue is recognised over time based on the progress towards complete satisfaction of the performance obligations, using the resource method.

The revenue of subsidiaries from construction services to third-party technical supervisors who render services of technical supervision to other entities of the Group – developers, is accounted for as intragroup sales and eliminated by reducing the total amount of revenue and the corresponding amount of cost of sales.

The Group usually combines contracts for design, construction and technical supervision services, if they are executed with the same developer.

Other revenue from construction services includes revenue from agency agreements to sell third-party real estate properties in projects where the Group is the general contractor.

The Group applies a practical expedient for construction services contracts, which allows not to recognise a significant financing component when the period between the payment and satisfaction of a performance obligation under the contract does not exceed 12 months.

(iii) Revenue from maintenance services

Revenue from maintenance services mainly includes provision of maintenance and management services for residential buildings and heating, water and energy supply, which are recognised in the statement of profit or loss and other comprehensive income on monthly basis.

In cases where the Group provides intermediary services, the revenue is recognised to the extent of remuneration charged by the Group. To determine whether the Group is as an agent and or a principal, the management considers the following:

- the Group does not transfer ownership of the goods/services and is not responsible for their quality;
- credit risks are taken by the supplier of the goods/services despite that the Group collects payments from customers;
- the Group cannot alter the sale price of goods/services.

The Group applies practical expedient for maintenance services, which allows not to recognise a significant financing component when the period between the payment and satisfaction of a performance obligation under the contracts does not exceed 12 months.

(iv) Other revenue

Other revenue generally consists of revenue from the sale of construction materials and is recognised in the consolidated statement of profit or loss and other comprehensive income at the time of transfer of control to the customer, usually at the time of shipment from the warehouse.

In addition, the Group sells apartments on the secondary market, mainly acquired as a result of trade-in programs. Revenue is recognised in the amount of consideration according to the contract at the time when the performance obligation is satisfied usually at the time of state registration of the transaction.

Since the period between the payment and satisfying of a performance obligation under the contracts does not exceed 12 months, the Group applies a practical expedient, which allows not to recognize a significant financing component.

(c) Other expenses

(i) Social expenditure

The Group contributes to social programs and charity and recognises the respective costs in profit or loss as incurred.

(d) Finance income and costs

Finance income comprises dividends receivable, interest income on funds invested, gains on disposal of financial assets, remeasurement of cash-settled financial instruments at fair value through profit or loss, write-off of accounts payable, interest rate subsidy income, foreign exchange gains and unwinding of discount, accounted for on initial recognition of financial instrument. Interest income is recognised in profit or loss for the period as accrued using the effective interest method.

Finance costs comprise interest expense on loan and borrowings, lease liabilities, losses on disposal of financial assets, remeasurement of cash-settled financial instruments at fair value through profit or loss, dividends to non-controlling interest owners in the profits of the Group's companies registered in the form of limited liability companies, unwinding of discount, accounted for on the initial application, significant financing component for advances obtained from customers, and impairment losses recognised on financial assets.

Interest expenses directly attributable to the cost of inventory, namely land plots for the construction of properties, or other qualifying assets, which require considerable time to be prepared for planned use or sale, are included in the cost of such assets until they are recognised in cost of sales.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of a financial instrument to:

- the gross carrying amount of a financial asset; or

- the amortised cost of a financial liability.

Foreign exchange gain or loss is recognised on a net basis as financial income or financial expense, depending on whether they reflect the net profit or net loss.

(e) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies 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 denominated in functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost denominated in foreign currency translated at the exchange rate at the end of the reporting year.

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 the 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, if any.

(f) Employee benefits

(i) Contributions to state pension fund

Payments made by the Group to the Pension Fund of the Russian Federation in accordance with the legislation are classified as a defined contribution plan, which is a post-employment benefit plan under which a company pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay any additional amounts. Obligations for contributions to such pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided in accordance with labor agreements. 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 service provided by the employee, and this liability can be estimated reliably.

(g) 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 financial expense.

The consolidated statement of profit or loss and other comprehensive income recognises the result of insignificant changes in the terms of performance of obligations, payment schedules and discount rates used to calculate the provision at the reporting date.

(i) Provision for costs to complete

According to the development projects' terms, the Group commits to constructing social and cultural facilities and infrastructure to be transferred to authorities and governing agencies. During the construction of every building, the Group includes in its cost of construction the amount of construction costs related to such social and cultural facilities and infrastructure even if they are not incurred and recognises a provision for costs to complete. The cost of infrastructure and social and cultural objects is apportioned to properties being built and sold proportionally to the square meters and is recognised depending on a stage of completion of each house. The Group also creates reserves for the completion of acquisition of all land plots under the project. The Group is implementing a number of projects, the land plots for which are leased/owned, subject to the relocation of the defrauded shareholders. In case of obligations arising from entering a project, for example, the obligation to provide real estate properties in the Group's projects to defrauded shareholders from third-party projects, the provision is created in full at the time of the acquisition of the land plot for this project and/or the conclusion of an agreement with the municipal authorities.

(ii) Tax provision

The Group accrues provisions for the payment of taxes for tax exposures, including fines and penalties, when the position of the Group can be challenged with a high probability, based on the requirements of current legislation. Such provisions are maintained, and updated if necessary, for the period over which the respective tax positions remain subject to review by the tax authorities. Upon expiry of the review period the provisions are released. Provisions for the payment of taxes on income tax risks are reflected in the income tax expense, provisions for the payment of other taxes may be attributed to other items in the statement of financial performance, depending on the types of taxes in respect of which the risk arose.

(iii) Provision for litigation

A provision is recognised if it is probable that the Group will lose a litigation in which the Group is the defendant and the obligation will have to be settled.

(iv) Provision for warranty obligations

Under the terms of contracts and generally accepted practice, the Group recognises a provision for elimination of possible construction defects as soon as the related sales proceeds are recognised. The provision amount is calculated based on historical data on the work performed on warranty repairs, by multiplying the revenue for construction woks performed recognised in the reporting period by the ratio of the actual costs of eliminating defects and faults to the proceeds from the sale of the corresponding types of work/properties for the previous three years.

(v) Provision for 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.

(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.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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/other expenses in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) 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 asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is generally recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

- buildings 20-60 years;
- infrastructure facilities 20-60 years;
- plant and equipment 5-25 years;
- other 5-10 years;

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(i) Intangible assets and goodwill

(i) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

(ii) Client base

Client bases are recognised as a result of business combinations and are carried at fair value at the acquisition date. In cases where the term cannot be determined, intangible assets are not depreciated. The client base is tested for impairment at each reporting date.

(iii) Concession

The Group recognises the rights to use infrastructure constructed/renovated by it and owned by local authorities under concession agreements for which the Group is granted the right to provide heating and water services to the public. Such intangible assets are carried at cost less depreciation and possible impairment expenses.

(iv) Software

The software includes acquired rights and licenses for software products used, mobile applications, management programs, including Smart Home systems, as well as applications and developments for interacting with customers.

(v) Other intangible assets

Other intangible assets include research and development of design solutions for real estate development.

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(vi) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

(vii) Amortisation

Amortisation is calculated based on the actual cost of an asset, or another amount substituted for cost, less the residual value of the asset.

Each item of intangible assets except for goodwill and client base is amortised on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.

The average estimated useful lives for the current and comparative periods are shown below:

- concession 22-24 years;
- software 1-10 years;
- other intangible assets 1-15 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in construction or for administrative purposes.

Investment property comprises land plots with undetermined future use.

Investment property is initially measured at cost and subsequently measured at fair value through profit or loss.

When the use of a property changes such that it is reclassified to property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

The Group reclassifies land plots from investment property to inventories when such land plots are included in the two-year operational construction plan.

(k) Financial instruments

(i) Recognition and initial measurement

Trade accounts receivable and issued debt securities are recognised at the time of their origination. All other financial assets and liabilities are initially recognised when the Group enters into contractual relations regarding the instruments in question.

Financial assets (unless they are trade receivables without a significant financing component) or financial liabilities are initially recognised at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue. Trade receivables which do not contain a significant financing component are initially measured at transaction price.

(ii) Non-derivative financial assets – classification and measurement

At initial recognition, a financial asset is classified as an asset measured at amortised cost only if the asset meets both of the following conditions and is not designated as at FVTPL:

- an asset is held within a business model whose objective is to hold assets to collect contractual cash flow; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition of investments in equity instruments not held for trading, the Group may irrevocably elect to present subsequent changes in their fair value in other comprehensive income. This choice is made for each investment separately.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Business model assessment

The Group assesses the business model's objective in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to the 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 realizing 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;
- management compensation (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected);
- 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.

The assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, the principal is defined as the fair value of a financial asset on initial recognition. The interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs associated with lending (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest for the principal amount outstanding (SPPI criterion), the Group analyses the contractual terms of the financial instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows resulting in the financial asset not meeting the mentioned condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate under contract, including variable-rate terms;
- prepayment and extension terms; and
- terms that limit the Group's claim to the cash flows from specified assets (e.g. non-recourse financial assets).

The prepayment condition meets the SPPI criterion if the amount paid on prepayment represents essentially an outstanding portion of the principal and interest on the outstanding portion and may include reasonable additional compensation for early termination. In addition, the prepayment condition is considered to comply with this criterion if the financial asset is acquired or created at a premium or discount in relation to the nominal amount specified in the contract, the amount payable on early repayment is essentially the nominal amount specified in the contract plus accrued contractual interest (but unpaid) (and may also include reasonable additional compensation for early termination of the contract); and at the initial recognition of the financial asset, the fair value of its prepayment condition is insignificant.

Subsequent measurement of financial assets

Subsequent measurement of financial assets can be performed by following accounting methods:

- ***Financial assets at fair value through profit and loss*** are measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss for the period.
- ***Financial assets at amortised cost*** are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- ***Debt investments at fair value through other comprehensive income*** are measured at fair value. Interest income calculated using effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
- ***Equity investments at fair value through other comprehensive income*** are measured at fair value. Dividends are recognised as income in profit or loss unless the dividend represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Non-derivative financial liabilities – classification and measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iv) Modification of the terms of financial assets and liabilities

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified instrument are substantially different. If the cash flows are substantially different ("substantial modification"), then the original financial asset is derecognised and a new financial asset is recognised at fair value.

The result of the modification is reflected in the profit and/or loss of the current period.

If the cash flows of the instrument carried at amortised cost are not substantially different, then the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount using the original discount rate as a modification gain or loss in profit or loss. The 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/liability.

For the purpose of quantitative assessment, the terms of a financial asset/liability are substantially different if the present value of the cash flows under the new terms, including commissions paid net of commissions received, 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 instrument with another or modification of terms is accounted for as an extinguishment, the costs or commissions incurred are recognised as part of the gain or loss on the extinguishment of the related debt obligation. If the exchange of one debt instrument with another 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 – financial assets

The Group derecognises a financial asset when the contractual rights to 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 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 does not retain control of the financial asset.

(vi) Derecognition – financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(vii) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated 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 release the asset and settle the liability simultaneously.

(viii) Financial guarantee contracts

Financial guarantee contracts entered into by the Group to guarantee the indebtedness of third and related parties are accounted for in accordance with IFRS 4 "Insurance contracts".

(l) Equity

Share capital is reflected in the amount of the nominal value of all issued shares. Incremental costs directly attributable to issue ordinary shares and share options are recognised, net of any tax effects, as a deduction from the equity in additional paid-in capital.

(m) Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The lease contract portfolio of the Group consists mostly of leases of land plots for construction of residential property for sale, buildings, equipment and vehicles.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate, adjusted for the lease terms.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group applies the following principles in accounting for leases of land plots for the construction of real estate objects:

- lease agreements are concluded for a long term, and the Group determines the lease term under the contract based on the timing for completion of construction and transfer of the real estate to customers, which on average range from 2 to 8 years;

- contracts for which lease payments change unilaterally during the lease term and are independent of the index or rate, i.e. do not reflect changes in market rental rates, are not included in the calculation of the lease liability and are recognised as they become due. For leases of municipal (or federal) land where lease payments are based on the cadastral value of the land and do not change until the next potential revision of that value or payments (or both) by the authorities, the Group has determined that such lease payments are neither variable (which depend on any index or rate or reflect changes in market rental rates) nor substantially fixed, and therefore these payments are not included in the measurement of the lease liability;

- payments for change of authorised type of usage of land under lease agreement are accounted for as lease-related costs and are included in the calculation of lease assets and liabilities;
- in cases, when there is sufficient certainty that the Group will exercise the option to purchase the land provided in the lease agreement, the redemption amount is included in the lease payment schedule. At the same time, many agreements contain the obligation to buy the land plot, but the Group can default it without a significant impact on its financial results and without incurring material expenses. Under such agreements the Group considers that sufficient certainty arises only if the decision to construct the residential property on the land plot has been made.

Land plots in the form of right-of-use assets where the construction is underway are included in the cost of construction, depending on the percentage of completion of each building. Amortisation of other lease assets is carried out on a straight-line basis commencing from the start date of the lease till the end of the lease term and is recognised in administrative expenses when the asset is used for administrative purposes, and as part of the cost when it is used for production purposes.

(n) Inventories

Inventories include construction-in-progress when the Group acts in the capacity of a developer and the real estate is intended for sale, as well as prepayments made to invest in the construction of properties for sale, raw materials, other work in progress and finished goods.

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of real estate properties under construction is determined based on direct costs of each building, general site costs, land and right-of-use asset acqusition costs, costs to construct infrastructure and social and cultural facilities, interest expense related to the qualifying asset, including a significant financing component, and also other expenses directly attributable to the development project allocated to real estate objects in proportion to their size.

Actual costs of acquiring land plots and right-of-use assets, social and cultural facilities, infrastructure facilities from the date of the commencement of active development up to the date of obtaining construction permit, to the extent that they are not included in the cost of sales, are recognised by the Group as a qualifying asset for capitalisation of interest purposes.

When performing construction of a residential real estate, the Group may assume additional obligations, including:

- delivery of certain properties to local authorities upon completion of construction, e.g., schools, kindergartens, etc, free of consideration receivable;
- construction of certain infrastructure facilities, e.g., electricity, sewage systems, water supply and sanitation, roads;
- construction of certain objects for public use, where the expected compensation from customers will not completely reimburse the Group's costs incurred, e.g., certain parking spaces;
- entering into agreements with local authorities to complete construction of certain residential properties where apartments were pre-sold by a predecessor developer, however, construction was subsequently suspended due to insolvency of such predecessor developer or other similar reasons.

If the fulfillment of the terms of such obligations is directly related to the construction of the residential real estate by the Group, construction costs are included in the total cost of construction of the building that these obligations relate to.

The cost of inventories, except for construction-in-progress intended for sale and resources invested in the construction of property intended for sale, is calculated using weighted average costs formula and includes inventory purchase costs, manufacturing and conversion expenditures, and other costs of transporting inventories to their current location and bringing them to the current condition. The cost of manufactured inventories and work-in-progress includes the portion of overheads determined based on normal operating capacity. The cost of inventory presented by funds invested in the construction of real estate objects intended for sale is accounted for at the actual cost of each object.

The Group's normal operating cycle for a construction project may exceed 12 months. Inventories are classified as current assets even when they are not expected to be sold within 12 months after the reporting date.

(o) Impairment

Non-derivative financial assets

Financial instruments and contract assets

The Group recognizes loss allowances for expected credit losses (ECL) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for debt securities and bank account balances, which are measured at 12-month ECLs if it has been determined that as at the reporting date they have low credit risk, or credit risk (i.e., the risk of a default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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 30 days past due.

The Group considers a financial asset, except for financial assets under contracts for the provision of housing and utility services, to be default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

A default on financial assets relating to maintenance and utility services contracts occurs when the following conditions are met:

- the asset was recognised more than 36 months before the reporting date;
- no payments from customers are received during the entire term.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group allocates investments, receivables and contract assets to credit risk exposure categories using data projecting the risk of losses including, but not limited to, external ratings, financial statements, available public information, credit history and collateral. The Group calculates the expected credit losses based on a developed schedule where each category relates to risk magnitude and loss probability scales published by international and Russian rating agencies depending on the correlation of categories developed by the Group with the scale of credit ratings of such agencies.

In assessing the expected credit losses for individually insignificant balances of accounts receivable from the provision of utilities and other housing and utility services, the Group applies a simplified approach based on debt collection statistics for the last two years.

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due; for financial asset relating to maintenance and utility services contracts – more than 365 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For financial assets at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no expectations of recovering a financial asset in its entirety or a portion thereof. For enterprises, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written-off. However, financial assets that are written off could still be subject to enforcement activities to comply with the Group's procedures for recovery of amounts due.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each reporting date.

For impairment testing, assets that cannot be tested individually are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Income tax

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

The amount of current tax payable or receivable is calculated on the basis of the estimated taxable annual income or loss using the tax rates in effect or substantively enacted at the reporting date, including adjustments to income tax for previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

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

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be 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 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 taxpayer, or on different taxpayer companies, where they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

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 causing 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.

(q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(r) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Separate financial information is available for a segment, and the operating performance of such a component is regularly reviewed by the Management Board of the Group for the purposes of resource allocation and performance evaluation.

Those expenses and income that have not been attributed to the results of certain segments are disclosed in note 6 (c).

As a rule, inter-segment pricing is determined on an arm's length basis.

38 New Standards

A number of new requirements are effective for annual periods beginning after 1 January 2020 and early adoption is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

(a) Onerous contracts – Contract performance costs (Amendments to IAS 37 "Estimated Liabilities, Contingent Liabilities and Contingent Assets")

These amendments specify which costs an entity includes in determining the cost of fulfilling a contract to assess whether the contract is onerous. These amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Group is in the process of evaluating the terms of the contracts existing at 31 December 2020 to determine whether they will be completed before the amendments become effective, as well as to assess the potential effect.

(b) Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases")

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosure", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" relating to:

- changes in the basis for determining the cash flows provided for in the contract for financial assets, financial liabilities and lease obligations;
- hedge accounting.

The Group does not expect a material impact on the amounts reflected in the current consolidated financial statements.

(c) Other

The following amendments to the standards and clarifications are not expected to have a significant impact on the Group's consolidated financial statements:

- Amendments to the Reference to the Conceptual Framework of Financial Reporting in the IFRS standards;
- Definition of business (amendments to IFRS 3 "Business Combinations");
- Definition of Materiality (amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors");
- Extension of the temporary exemption from the application of IFRS 9 "Financial Instruments" (amendments to IFRS 4 "Insurance Contracts");
- COVID-19-Related Rent Concessions (amendment to IFRS 16 "Leases");
- Property, plant and equipment: Proceeds before intended use (Amendments to IAS 16 "Property, Plant and Equipment");
- Classification of liabilities as Current or Non-current (Amendments to IAS 1 "Presentation of Financial Statements");

- Definition of Significant (amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors");
- IFRS 17 "Insurance Contracts".

39 Non-IFRS measures

Net debt

mln RUB	Note	31 December 2020	31 December 2019
Loans and borrowings, excluding project financing	26	68,819	64,350
Project financing	26	163,276	75,197
Less: Cash and cash equivalents	22	(96,527)	(66,208)
Net debt		**135,568**	**73,339**

Net debt except for escrow accounts balances

mln RUB	Note	31 December 2020	31 December 2019
Loans and borrowings, excluding project financing	26	68,819	64,350
Project financing	26	163,276	75,197
Less: Cash and cash equivalents	22	(96,527)	(66,208)
Less: Escrow accounts balances	22	(90,303)	(16,061)
Net debt		**45,265**	**57,278**

Development capital expenditures (cash flows), except for cash paid for the acquisition of land plots/right-of-use assets

mln RUB	Note	2020	2019
Changes in:			
Construction-in-progress, intended for sale	18	23,468	53,186
Finished goods and goods for resale	18	1,720	(482)
Right-of-use asset	18, 21	8,208	1,912
Advances to suppliers and contractors in development projects	20	(4,341)	4,672
Advances issued for land plot acquisition	20	3,939	2,534
Accounts payable under development contracts and other trade payables	29	(3,440)	5,123
Accounts payable for acquisition of land plots, liabilities to transfer real estate objects in land plot acquisition transactions and long-term lease liabilities	21, 29	(1,648)	(3,157)
Provisions for costs to complete and provision for unprofitable contracts	28	(2,830)	(3,385)
Elimination of effect capitalisation of interest expense on construction-in-progress		(5,132)	(4,624)
Reclassification of investment property to inventories	17	-	(11,412)
Reclassification from inventories to property, plant and equipment and vice versa	15	933	3,937
		20,877	**48,304**
Cost of sales of real estate objects and development projects		215,647	167,846
Elimination of capitalised interest expense recognised in the cost of sale of real estate objects	10	(8,272)	(5,462)
Acquisition of land plots and lease rights, including acqusition of subsidiaries	18	(56,700)	(37,390)
Change in accounts payable for acquisition of land plots, liabilities to transfer real estate objects in land plot acqusition transactions and long-term lease liabilities	21, 29	1,648	4,645
Change in advances issued under land plot/right-of-use asset acquisition contracts	20	(3,939)	(6,044)
Development capital expenditures, except for cash paid for the acquisition of land plots/right-of-use assets		**169,261**	**171,899**

Proceeds from sales of real estate

mln RUB	Note	2020	2019
Revenue from sales of real estate objects	9	294,579	233,318
Less: Significant financing component and interest expense savings from project financing of construction of real estate sold through the use of escrow accounts recognised in revenue	9	(7,889)	(7,430)
Change in accounts receivable, including contract assets	9	(57,187)	(8,236)
Change in advances from customers	9	(30,188)	(6,767)
Less: Change in unrecognised economies from escrow contracts in accounts payable	9	(995)	-
Interest on mortgage loans subject to compensation to banks and recognised in revenue and advances from customers	9	2,673	-
Cash proceeds from sales of real estate objects		**200,993**	**210,885**
Proceeds from sales of real estate through escrow accounts	22	77,580	14,916
Cash proceeds from escrow accounts upon completion of real estate construction	22	(3,338)	-
Proceeds from sales of real estate, including proceeds to escrow accounts		**275,235**	**225,801**

Earnings before interest, taxes, depreciation and amortisation (EBITDA)

mln RUB	Note	2020	2019
Profit and total comprehensive income for the period		86,493	45,113
Plus: Depreciation of property, plant and equipment and amortisation of intangible assets	15, 16	3,479	3,024
Plus: Interest expense after capitalisation	10	4,753	2,837
Plus: Significant financing component on contracts with customers		2,568	5,166
Less: Interest income	10	(4,034)	(3,223)
Plus: Income tax expense	14	18,782	14,125
EBITDA		**112,041**	**67,042**

Adjusted earnings before interest, taxes, depreciation and amortisation (see above) as additionally adjusted (see below) (Adjusted EBITDA)

mln RUB	Note	2020	2019
EBITDA		**112,041**	**67,042**
Less: significant financing component and interest expense savings on from project financing of construction of real estate sold through the use of escrow accounts recognised in revenue	9	(7,889)	(7,430)
Gain on reversal of impairment losses on non-financial assets, net	23	(996)	(91)
Impairment loss included in cost of sales, net	23	380	324
(Profit)/loss from change in fair value of investment property	17	(480)	20
Negative goodwill from acquisition of subsidiaries	11	(120)	(4,719)
Impairment loss on financial assets, net	10	1,598	408
Reversal of write-off of accounts payable	10	(122)	(525)
Foreign exchange gain, net	10	(24)	(31)
Loss on disposal of property, plant and equipment	11	5	18
Gain on disposal of subsidiaries, associates and investment property, net	8	(620)	(668)
Penalties and fines, including provision for litigations	11	1,038	1,858
Write-off of other materials		208	194
Other finance income	10	(49)	(778)
Elimination of revaluation of cash-settled financial instruments and financial liability	10	(24,140)	(3,138)
Interest expense written off to cost of sales	10	8,496	5,762
Adjusted EBITDA		**89,326**	**58,246**

*****

Supplementary information not required by IFRS

Cash from operating activities before acquisition expenses and proceeds from the sale of land plots and right-of-use asset and advances issued for the acquisition of land plots and right-of-use assets

mln RUB	2020	2019
Cash flows from operating activities before changes in inventories, accounts receivable and payble and provision for costs to complete	**87,031**	**52,584**
Changes in:		
Inventories before acqusitions and sale of land plots/right-of-use asset	30,827	(5,910)
Receivables, including contract assets and excluding advances issued for the aqcuisition of land plots/right-of-use asset	(80,370)	(23,377)
Payables, including contract liabilities and changes in the provision for taxes, other than income tax	(15,823)	(7,228)
Provisions	2,086	(3,670)
Cash flows from operations before income taxes and interest paid and before acqusitions expenses and proceeds from sale of land plots/right-of-use asset and advances issued for the aqcuisition of land plots/right-of-use asset	**23,751**	**12,399**
Income taxes paid	(6,326)	(8,390)
Interest paid	(9,089)	(8,659)
Net cash flows from/(used in) operations before acquisitions expenses and proceeds from sale of land plots/right-of-use asset and advances issued for the aqcuisition of land plots/right-of-use asset	**8,336**	**(4,650)**
Acquisition of ownership and lease of project land plots, including acquisition of subsidiaries	(56,700)	(37,390)
Gain on sales of land plots/right-of-use asset	75	283
Changes in accounts payable for acquisition of land plots, liabilities to transfer real estate objects in land plot acquisition transactions and long-term lease liabilities	1,648	4,645
Change in advances issued for the acquisition of land plots/right-of-use asset	(3,939)	(6,044)
Net cash used in operating activities	**(50,580)**	**(43,156)**

KPMG

Independent Auditors' Report

To the Shareholders and the Board of Directors of

PUBLIC JOINT STOCK COMPANY "PIK-SPECIALIZED HOMEBUILDER"

(previously - PJSC Group of Companies PIK)

Opinion

We have audited the consolidated financial statements of PUBLIC JOINT STOCK COMPANY "PIK-SPECIALIZED HOMEBUILDER" (previously - PJSC Group of Companies PIK, "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 International Code of Ethics for Professional Accountants (including International Independence Standards) *(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.

Audited entity: PUBLIC JOINT STOCK COMPANY "PIK-SPECIALIZED HOMEBUILDER" (previously - PJSC Group of Companies PIK)

Registration No. in the Unified State Register of Legal Entities 1027739137084

Moscow, Russia

Independent auditor: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Registration number in the Unified State Register of Legal Entities No. 1027700125628

Member of the Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). Principal registration number of the entry in the Register of Auditors and Audit Organizations: No. 12006020351

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.

Revenue recognition

Please refer Note 9 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group recognizes revenue from contracts with customers in most cases over time based on progress towards complete satisfaction of the performance obligation determined using the input method. The forecast of total construction costs serving as the basis for the Group's estimation of progress towards satisfaction of the performance obligation involves the use of significant professional judgment and certain assumptions. Uncertainty is inherent in estimation of costs to complete due to the volatility of the economic environment, possible changes in project parameters and the duration of the operating cycle. In addition, the transaction price in contracts with customers is determined taking into account a significant financing component or savings on interest expense, and certain other variable components, which requires calculations that are technically complex and carries a risk of material misstatement. In the reporting period the Group started a number of projects, where sales are conducted using escrow accounts, which significantly increased the complexity of calculations for revenue recognition.	Our audit procedures included: — We analyzed the Group's accounting policy for revenue recognition from contracts with different types of customers and the methodology applied to determine the amount of revenue in the reporting period. — On a sample basis, we compared components of the budgets used to determine progress towards complete satisfaction of the performance obligation with the parameters of construction projects specified in respective construction permit documentation. We compared the expected cost of construction per square meter in the budgets of selected projects to the cost of construction per square meter in similar completed projects and critically assessed comments obtained on significant deviations identified. — Among other procedures, we agreed on a sample basis costs incurred to the supporting documentation. — We tested the arithmetical accuracy of calculations of progress towards complete satisfaction of the performance obligation for selected groups of contracts.

	— We agreed, on a sample basis, input data used in revenue calculations to contracts with customers. — We compared the applied discount rates to the interest rates which, in our view, were available to the parties receiving financing. On a sample basis we recalculated the significant financing component and savings on interest expense as part of the transaction price. — On a sample basis, we tested whether contracts with customers were registered with the Rosreestr.

Provision for costs to complete

Please refer Note 28 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Due to a long operating cycle of the development project, a significant share of general project costs forming the full cost of construction may be incurred subsequent to the satisfaction of a performance obligation under contracts with customers and corresponding revenue recognition. As construction of real estate properties progresses, the Group includes in construction costs expenditures to construct social and cultural facilities and other infrastructure not to be transferred to joint ownership of customers, using the stage of completion of the respective real estate properties, and recognizes respective provision for costs to complete, if they are incurred later. The amount of the provision is assessed at each reporting date based on the construction permits' requirements for social and cultural facilities and infrastructure in every project, the expected costs of their construction, the stage of completion of the respective real estate	Our audit procedures included: — We analyzed the Group's budgeting procedures to forecast costs to complete and the approach used to allocate general costs to real estate properties constructed for sale by the Group. — On a sample basis, we compared the components of the budgets with respect to social and cultural facilities and infrastructure with the parameters of the projects as set out in the relevant construction permit documentation, as well as to the data from the budgets used in the calculations at the previous reporting date, and critically assessed the explanations received on the significant deviations identified. — We compared the calculation of the expected costs to construct the selected social and cultural facilities and infrastructure with the actual costs incurred to construct similar facilities in the completed projects of the Group.

properties, to the cost of which the provision is allocated, and the time value of money. The estimates may vary significantly as a result of changes in project parameters, prices for materials and labor, timeline of projects, therefore the calculations involve the risk of material misstatement.	— On a sample basis, we reconciled the costs incurred to the supporting documents. — For selected properties, we agreed whether the same percentages of completion were used in the calculations of provision and revenue recognition from contracts with customers for a property. — For selected properties, we recalculated the amounts of provision based on the budgets prepared by the Group's management.

Other matter

The supplementary information accompanying the consolidated financial statements on page 84 is presented solely for the convenience of users, does not form part of the consolidated financial statements and is unaudited.

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 or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. 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:

Svetlana Fonareva

JSC "KPMG"
Moscow, Russia

19 March 2021

PJSC Group of Companies PIK

Consolidated Financial Statements

for 2019

and Independent Auditors' Report

Contents

Consolidated Financial Statements

Consolidated Statement of Financial Position	3
Consolidated Statement of Profit or Loss and Other Comprehensive Income	5
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	11-70
Supplementary information not required by IFRS	71
Independent Auditors' Report	72

Consolidated Statement of Financial Position

In million RUB	Note	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	16	34 453	26 189	23 696
Intangible assets	17	13 454	1 881	779
Investment property	18	6 626	18 086	23 690
Equity accounted investees	8 (c)	703	-	496
Other investments	20	263	378	301
Accounts receivable	21	1 774	1 597	1 347
Financial instruments measured at fair value through profit and loss	25	10 377	4 434	-
Deferred tax assets	15	593	7 660	7 504
Total non-current assets		**68 243**	**60 225**	**57 813**
Current assets				
Inventories	19	270 967	214 794	202 362
Other investments	20	217	340	342
Income tax receivable		1 475	1 479	1 160
Accounts receivable, including contract assets	21	64 130	30 052	32 385
Cash and cash equivalents	23	66 208	58 601	45 452
Other current assets		763	847	-
Total current assets		**403 760**	**306 113**	**281 701**
Total assets		**472 003**	**366 338**	**339 514**

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 70.

Consolidated Statement of Financial Position

In million RUB	Note	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
EQUITY AND LIABILITIES				
Equity	26			
Share capital		41 295	41 295	41 295
Additional paid-in capital		(8 470)	(8 470)	(8 470)
Retained earnings		75 962	45 370	34 255
Total equity attributable to owners of the Company		**108 787**	**78 195**	**67 080**
Non-controlling interests	28	1 501	1 868	599
Total equity		**110 288**	**80 063**	**67 679**
Non-current liabilities				
Loans and borrowings	27	109 608	41 527	44 702
Financial instruments measured at fair value through profit and loss	25	-	-	997
Accounts payable	30	9 807	7 390	10 160
Liabilities from long-term lease contracts	22	4 601	1 611	2 601
Deferred tax liabilities	15	19 856	19 852	16 553
Total non-current liabilities		**143 872**	**70 380**	**75 013**
Current liabilities				
Loans and borrowings	27	29 939	20 719	15 784
Accounts payable, including contract liabilities	30	159 738	162 514	147 250
Liabilities from long-term lease contracts	22	2 023	2 164	2 327
Provisions	29	23 802	28 037	29 885
Income tax payable		2 341	2 461	1 576
Total current liabilities		**217 843**	**215 895**	**196 822**
Total liabilities		**361 715**	**286 275**	**271 835**
Total equity and liabilities		**472 003**	**366 338**	**339 514**

These consolidated financial statements were approved by the Board of Directors on 22 March 2020 and were signed on its behalf by:

Sergey E. Gordeev
President

Elena S. Smakovskaya
Vice-President, Economics and Finance

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 70.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

In million RUB	Note	2019	2018 (restated)
Revenue from sales of real estate objects accounted for at historical cost		170 054	154 992
Revenue from sales of real estate objects acquired through business combinations and recognized at fair value on initial recognition		63 264	80 799
Other revenue		47 317	9 966
Revenue	10	**280 635**	**245 757**
Cost of sales of real estate objects accounted for at historical cost		(113 913)	(107 959)
Cost of sales of real estate objects acquired through business combinations and recognized at fair value on initial recognition		(53 933)	(77 255)
Cost of other sales		(37 082)	(6 314)
Cost of sales		**(204 928)**	**(191 528)**
Gross profit from sales of real estate objects accounted for at historical cost		56 141	47 033
Gross profit from sales of real estate objects acquired through business combinations and recognized at fair value on initial recognition		9 331	3 544
Gross profit from other sales		10 235	3 652
Gross profit		**75 707**	**54 229**
Gain/(loss) on disposal of subsidiaries, development rights and investment property, net	9	668	(30)
Distribution expenses		(8 125)	(5 844)
Administrative expenses	13	(10 631)	(9 423)
Loss from change in fair value of investment property	18	(20)	(70)
Impairment profit/(loss) on non-financial assets, net	24	91	(180)
Other income/(expenses), net	12	2 865	(2 049)
Profit from operating activities		**60 555**	**36 633**

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 70.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

In million RUB	Note	2019	2018 (restated)
Finance income	11	7 695	6 489
Finance costs	11	(3 701)	(3 569)
Significant financing component from contracts with customers		(5 166)	(3 910)
Loss from financial activities		**(1 172)**	**(990)**
Share in losses of equity-accounted investees, net of income tax	8 (c)	(145)	(11)
Profit before income tax		**59 238**	**35 632**
Income tax expense	15	(14 125)	(8 739)
Profit and total comprehensive income		**45 113**	**26 893**
Attributable to:			
Owners of the Company		44 900	26 115
Non-controlling interests	28	213	778
Profit and total comprehensive income for the period		**45 113**	**26 893**
Basic and diluted earnings per share, RUB	26 (b)	**67,98**	**39,54**

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 70.

In million RUB	Note	Attributable to equity holders of the Company: Share capital	Additional paid-in-capital	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 1 January 2018 before changes in accounting policies		**41 295**	**(8 470)**	**28 004**	**60 829**	**599**	**61 428**
Effect of changes in accounting policies	5	-	-	**6 251**	**6 251**	-	**6 251**
Balance as at 1 January 2018 (restated)		**41 295**	**(8 470)**	**34 255**	**67 080**	**599**	**67 679**
Profit for the period (restated)		-	-	26 115	**26 115**	778	**26 893**
Total comprehensive income for the period (restated)		-	-	**26 115**	**26 115**	**778**	**26 893**
Transactions with owners of the Company							
Acquisition of non-controlling interests	8 (d)	-	-	-	-	(212)	**(212)**
Acquisition of subsidiaries, net		-	-	-	-	703	**703**
Dividends	26 (a)	-	-	(15 000)	**(15 000)**	-	**(15 000)**
Total transactions with owners of the Company		-	-	**(15 000)**	**(15 000)**	**491**	**(14 509)**
Balance as at 31 December 2018 (restated)		**41 295**	**(8 470)**	**45 370**	**78 195**	**1 868**	**80 063**
Balance as at 1 January 2019		**41 295**	**(8 470)**	**45 370**	**78 195**	**1 868**	**80 063**
Profit for the period		-	-	44 900	**44 900**	213	**45 113**
Total comprehensive income for the period		-	-	**44 900**	**44 900**	**213**	**45 113**
Transactions with owners of the Company							
Acquisition of non-controlling interests	8 (d)	-	-	-	-	(22)	**(22)**
Decrease of non-controlling interest due to the restructuring of subsidiaries	28	-	-	692	**692**	(692)	-
Acquisition of subsidiaries, net	8 (a)	-	-	-	-	271	**271**
Disposal of subsidiaries, net	9	-	-	-	-	(137)	**(137)**
Dividends	26 (a)	-	-	(15 000)	**(15 000)**	-	**(15 000)**
Total transactions with owners of the Company		-	-	**(14 308)**	**(14 308)**	**(580)**	**(14 888)**
Balance as at 31 December 2019		**41 295**	**(8 470)**	**75 962**	**108 787**	**1 501**	**110 288**

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 10 to 70.

Consolidated Statement of Cash Flows

In million RUB	**Note**	**2019**	**2018 (restated)**
Cash flows from operating activities			
Profit for the period		**45 113**	**26 893**
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	16, 17	3 024	2 237
Gain from reversal of impairment losses on non-financial assets, including amounts recognised in cost of sales, net	19, 24	(415)	(1 018)
(Gain)/loss from disposal of property, plant and equipment and other assets	12	(47)	279
Loss from change in fair value of investment property	18	20	70
Gain/(loss) from disposal of subsidiaries, development rights and investment property, net	9	(668)	30
Share in loss of equity accounted investees, net of income tax	8 (c)	145	11
Finance income	11	(7 695)	(6 489)
Finance costs	11	3 701	3 569
Income tax expense	15	14 125	8 739
Gain on bargain purchase of subsidiaries	8 (a)	(4 719)	(1 298)
		52 584	**33 023**
Changes in:			
Inventories		(43 017)	3 065
Accounts receivable, including contract assets from contracts with customers*		(29 421)	5 467
Accounts payable, including contract liabilities and changes in provision for taxes, other than income tax		(2 583)	7 574
Provisions		(3 670)	(1 860)
Cash flows (used in)/from operations before income taxes and interest paid**		**(26 107)**	**47 269**
Income taxes paid		(8 390)	(5 446)
Interest paid		(8 070)	(8 861)
Net cash (used in)/from operating activities		**(42 567)**	**32 962**

*Changes in accounts receivable, including contract assets and advances for the land plots acquisition in the amount of RUB 6 044 million paid in 2019 (2018: RUB 1 562 million).

** Cash flows from operating activities do not include the funds received by the authorised bank from account holders (real estate customers) as a consideration paid under share participation agreements of RUB 14 916 million (2018: RUB 1 145 million).

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 10 to 70.

Consolidated Statement of Cash Flows

In million RUB	Note	2019	2018 (restated)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		241	28
Interest received		2 981	2 462
Acquisition of property, plant and equipment and other intangible assets		(4 150)	(3 882)
Acquisition of subsidiaries, net of cash acquired		(1 437)	(528)
Acquisition of equity accounted investees	8 (c)	(740)	-
Proceeds from disposal of subsidiaries, net of cash		45	(5)
Acquisition of other investments		-	(94)
Proceeds from disposal of investment property		-	573
Loans issued		(221)	(356)
Repayment of loans issued		268	25
Net cash used in investing activities		**(3 013)**	**(1 777)**
Cash flows from financing activities			
Payments for cash-settled financial instruments	27	(2 805)	(2 248)
Payments for lease liabilities	22	(3 010)	(1 853)
Proceeds from borrowings	27	81 750	6 721
Repayment of borrowings	27	(4 082)	(1 527)
Proceeds from issuance of bonds	27	21 636	17 219
Repurchase of bonds	27	(25 271)	(21 206)
Acquisition of non-controlling interests	8 (d)	(22)	(162)
Payment of dividends	26 (a)	(15 000)	(15 000)
Net cash from /(used in) financing activities		**53 196**	**(18 056)**
Increase in cash and cash equivalents, net		7 616	13 129
Effect of exchange rate fluctuations on cash and cash equivalents		(9)	20
Cash and cash equivalents at the beginning of the period		58 601	45 452
Cash and cash equivalents at the end of the period		**66 208**	**58 601**

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 10 to 70.

	Note	**Page**
1	General information	11
2	Basis of accounting	11
3	Functional and presentation currency of consolidated financial statements	11
4	Use of estimates and judgments	12
5	Changes in accounting policies	12
6	Measurement of fair values	15
7	Operating segments	16
8	Acquisition of subsidiaries, associates and non-controlling interests	18
9	Disposals of subsidiaries	22
10	Revenue	22
11	Finance income and costs	24
12	Other expenses, net	24
13	Administrative expenses	25
14	Personnel costs	25
15	Income taxes	25
16	Property, plant and equipment	28
17	Intangible assets	29
18	Investment property	30
19	Inventories	31
20	Other investments	32
21	Trade and other receivable including contract assets	32
22	Leases	32
23	Cash and cash equivalents	34
24	Impairment loss on non-financial assets	34
25	Financial instruments measured at fair value through profit and loss	36
26	Equity	37
27	Loans and borrowings	37
28	Non-controlling interest	43
29	Provisions	43
30	Accounts payable, including contract liabilities	44
31	Financial instruments	44
32	Contingent liabilities	50
33	Significant subsidiaries	52
34	Related party transactions	52
35	Transactions with the State	53
36	Subsequent events	54
37	Significant accounting policies	54
38	New standards	68
39	Non-IFRS measures	69

1 General information

(a) Organisation and operations

PJSC Group of Companies PIK (the "Company") and its subsidiaries (together referred to as the "Group") comprise mostly closed and open joint stock companies and limited liability companies incorporated under the requirements of the Civil Law of the Russian Federation and companies registered in Cyprus. The Company was established as a privately owned enterprise in 1994. The Company's shares are traded on the Moscow Exchange.

The Company's registered office is 19 Barrikadnaya Str., Moscow, 123242, Russian Federation.

The primary activities of the Group are investing in development projects for construction of residential buildings and areas, sales of real estate properties; construction services; production of construction materials, including concrete panels, window frames and other construction elements, consumed mostly by the Group internally, electricity, water and heating supply, maintenance of apartment services. During 2019 and 2018 the Group primarily operated in Moscow, Moscow region and other regions of Russia.

As at 31 December 2019 the Company is ultimately controlled by Mr. Sergey E. Gordeev.

(b) Business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by companies operating in the Russian Federation.

Starting from 2014 the United States of America, the European Union and some other countries imposed and gradually tighten economic sanctions on Russian individuals and legal companies. The imposition of economic sanctions has resulted in 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. The longer-term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation of consolidated financial statements

Statement of compliance with IFRS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 Functional and presentation currency of consolidated financial statements

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the Company's and its subsidiaries 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 million.

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 5 "Changes in accounting policies";
- note 8 "Acquisition of subsidiaries, associates and non-controlling interests";
- note 10 "Revenue";
- note 18 "Investment property";
- note 24 "Impairment loss on non-financial assets";
- note 29 "Provisions".

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 8 "Acquisition of subsidiaries, associates and non-controlling interests";
- note 18 "Investment property";
- note 19 "Inventories";
- note 24 "Impairment loss on non-financial assets";
- note 25 "Financial instruments measured at fair value through profit and loss"
- note 29 "Provisions";
- note 32 "Contingent liabilities".

5 Changes in accounting policies

The accounting policies set out in Note 37 have been applied consistently by Group companies to all periods presented in these consolidated financial statements except for changes described below.

Capitalisation of interest expenses

In 2019 the Group changed its accounting policy regarding the capitalisation of interest expenses.

Previously, the Group used the exemption from IAS 23 "Borrowing costs, which allows under certain conditions to exclude from qualified assets inventories constructed over a long period of time and in large quantities on a regular basis. Interest expenses were not included in the cost of construction objects and were expensed as incurred.

Due to recent amendments in the share participation construction legislation and the transition to escrow accounts scheme for projects under development the Group extends project financing. Bank financing is used to purchase land plots and to pay construction expenses. These circumstances have significant impact on the cost of construction. As a result, the Group decided to amend its accounting policy and to capitalise interest expenses into inventory balance as qualifying assets which represent assets that take a substantial period to get ready for their intended use or sale. Such assets include land plots, infrastructure and social facilities, as well as right-of-use assets. The Group believes the amended approach provides for a more balanced proportion of interest expenses in the cost of construction for which bank financing has been obtained.

The changes in accounting policy has been applied retrospectively by restating comparative information in consolidated statements of financial position as at January 1, 2018 and December 31, 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for 2018.

The effect of changes in accounting policies regarding capitalization of interest expenses is presented below:

Consolidated Statement of Financial Position as at 31 December 2019:

	As at 31 December 2019		
mln RUB	**Before adjustment**	**Adjustment**	**After adjustment**
Deferred tax assets	593	-	593
Inventories	251 478	19 489	270 967
Retained earnings	**60 371**	**15 591**	**75 962**
Non-controlling interests	**1 501**	**-**	**1 501**
Deferred tax liabilities	15 958	3 898	19 856

Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2019:

	2019		
mln RUB	**Before adjustment**	**Adjustment**	**After adjustment**
Revenue	280 635	-	280 635
Cost of sales	(199 466)	(5 462)	(204 928)
Gross profit	**81 169**	**(5 462)**	**75 707**
Profit from operating activities	**66 017**	**(5 462)**	**60 555**
Finance income	7 695	-	7 695
Finance costs	(11 442)	7 741	(3 701)
Significant financing component from contracts with customers	(7 511)	2 345	(5 166)
Profit before income tax	**54 614**	**4 624**	**59 238**
Income tax expense	(13 200)	(925)	(14 125)
Profit/total comprehensive income	**41 414**	**3 699**	**45 113**
Attributable to:			
Owners of the Company	41 201	3 699	44 900
Non-controlling interests	213	-	213
Basic and diluted earnings per share, RUB	62,38	5,60	67,98

Consolidated Statement of Cash Flows of 2019:

	2019		
mln RUB	**Before adjustment**	**Adjustment**	**After adjustment**
Profit for the period	**41 414**	**3 699**	**45 113**
Finance costs	11 442	(7 741)	3 701
Income tax expense	13 200	925	14 125
Changes in:			
Inventories	(46 134)	3 117	(43 017)

Consolidated Statement of Financial Position as at 31 December 2018:

	As at 31 December 2018		
mln RUB	**Before adjustment**	**Adjustment**	**After adjustment**
Deferred tax assets	7 660	-	7 660
Inventories	199 929	14 865	214 794
Retained earnings	**33 478**	**11 892**	**45 370**
Non-controlling interests	**1 868**	**-**	**1 868**
Deferred tax liabilities	16 879	2 973	19 852

Consolidated Statement of Financial Position as at 1 January 2018:

	As at 1 January 2018		
mln RUB	**Before adjustment**	**Adjustment**	**After adjustment**
Deferred tax assets	7 504	-	7 504
Inventories	194 548	7 814	202 362
Retained earnings	**28 004**	**6 251**	**34 255**
Non-controlling interests	**599**	**-**	**599**
Deferred tax liabilities	14 990	1 563	16 553

Consolidated Statement of Profit or Loss and Other Comprehensive Income of 2018:

	2018		
mln RUB	**Before adjustment**	**Adjustment**	**After adjustment**
Revenue	245 757	-	245 757
Cost of sales	(190 656)	(872)	(191 528)
Gross profit	**55 101**	**(872)**	**54 229**
Profit from operating activities	**37 505**	**(872)**	**36 633**
Finance income	6 489	-	6 489
Finance costs	(10 041)	6 472	(3 569)
Significant financing component from contracts with customers	(5 361)	1 451	(3 910)
Profit before income tax	**28 581**	**7 051**	**35 632**
Income tax expense	(7 329)	(1 410)	(8 739)
Profit/total comprehensive income	**21 252**	**5 641**	**26 893**
Attributable to:			
Owners of the Company	20 474	5 641	26 115
Non-controlling interests	778	-	778
Basic and diluted earnings per share, RUB	31,00	8,54	39,54

Consolidated Statement of Cash Flows of 2018:

	2018		
mln RUB	**Before adjustment**	**Adjustment**	**After adjustment**
Profit for the period	**21 252**	**5 641**	**26 893**
Finance costs	10 041	(6 472)	3 569
Income tax expense	7 329	1 410	8 739
Changes in:			
Inventories	2 446	619	3 065

6 Measurement of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of business combinations was based on market values. The market value of property was the estimated amount for which a property could be exchanged on the date of valuation between market participants in an orderly transaction. The fair value of items of plant, equipment, fixtures and fittings was based on the market approach and cost approach, using quoted market prices for similar items when available and replacement cost when appropriate.

When no quoted market prices were available, the fair value of property, plant and equipment were primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation (via application of discounted cash flow method), and obsolescence.

Investment property

The fair value of investment property is based on valuations, performed by external independent appraisers, who hold recognised, recent and relevant professional qualifications. The fair value of investment property is determined by using income or market equivalent approaches selected individually for each specific investment property being valued.

The market equivalent approach is generally used in the assessment of land plots intended for development where construction plans have not been developed. The income approach is applied to the valuation of properties for rent or intended for rental, as well as to land plots on which construction plans have been already developed.

Intangible assets

The fair value of client lists (client base) acquired through business combination was determined by the income approach using the multi-period excess earnings method, which estimates client base as the net present value of cash flows after deducting all other assets and liabilities of the business.

The fair value of other intangible assets, including those acquired in business combinations was based on the discounted cash flows expected to be derived from the use and eventual sale of these assets.

Inventories

The fair value of inventories acquired in business combinations was based on its estimated present selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete construction and sell the inventories.

Non-derivative financial liabilities

Fair value, which was determined for disclosure purposes, was calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Financial instruments measured at fair value through profit and loss

Fair value of financial instruments measured at fair value through profit and loss, was determined on the basis of discounted cash flows expected to be received at the end of financial instruments contracts.

7 Operating segments

Before 31 December 2018 the management of the Group analysed its operations on the basis of five reportable segments: development and real estate, construction services, industrial segment, construction and maintenance of utility systems, other segment.

According to the Group's strategic growth directions, management structure and reporting in the second half of 2019, the Management reconsidered the composition of reportable segments, analysed regularly. Comparative information for 2018 was recalculated in accordance with the updated composition of reportable segments.

As at 31 December 2019 the Group distinguishes six reporting segments which are its strategic business units:

- "Development": development projects planned and undertaken by the Group, including identification of investment opportunities, the performance of technical and economical feasibility studies, obtaining the necessary construction permits, project management and sale of real estate.
- "Commercial construction": development of construction projects for third-party developers, general contractor's activities, technical supervision and granting rights to use the Group's trademark.
- "Maintenance": maintenance and technical support of residential buildings and other properties, technical maintenance of utility systems and rendering heating, water supply, water discharge and electricity services, provision of internet access services.
- "Industrial segment": production and assembly of prefabricated panel buildings and other related activities, including construction materials and components, production and sale of IoT-devices.
- "Proptech": rent of apartment services, buy and sell real estate in the secondary housing market, repair of premises, agency services for the sale of residential apartments, implementation of IT solutions.
- "Others" segment: rental services and other activities.

The financial results of companies providing maintenance, acquired in July 2019 are included in the "Maintenance" segment, see note 8 (a).

(a) Profit and loss of segments

	Development		Commercial construction		Maintenance		Industrial segment		Proptech		Other		Total	
mln RUB	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
External revenues*	233 478	236 302	26 644	2 600	16 192	4 317	2 376	1 605	963	17	982	916	**280 635**	**245 757**
Inter-segment revenue	1 396	1 145	12 620	934	2 205	2 247	37 290	23 132	17	-	154	163	**53 682**	**27 621**
Total revenue for reportable segments	**234 874**	**237 447**	**39 264**	**3 534**	**18 397**	**6 564**	**39 666**	**24 737**	**980**	**17**	**1 136**	**1 079**	**334 317**	**273 378**
Gross profit/(loss) for reportable segment	**65 620**	**50 989**	**4 730**	**1 658**	**4 588**	**1 347**	**406**	**275**	**55**	-	**308**	**(40)**	**75 707**	**54 229**
Gross margin	**28%**	**22%**	**18%**	**64%**	**28%**	**31%**	**17%**	**17%**	**6%**	**0%**	**31%**	**(4)%**	**27%**	**22%**
Segment assets after elimination of inter-segment assets	380 559	307 181	15 324	16 370	41 847	15 567	26 514	21 422	2 780	59	4 979	5 739	472 003	366 338
Segment liabilities after elimination of inter-segment liabilities	(328 594)	(262 999)	(1 276)	(2 759)	(16 974)	(1 917)	(12 618)	(17 135)	(1 222)	(38)	(1 031)	(1 427)	(361 715)	(286 275)
Net intragroup assets / (liabilities)	37 452	19 319	(4 445)	(5 942)	(16 294)	(6 362)	(13 311)	(5 375)	(1 482)	(68)	(1 920)	(1 572)	-	-
Net segment assets / (liabilities)	**89 417**	**63 501**	**9 603**	**7 669**	**8 579**	**7 288**	**585**	**(1 088)**	**76**	**(47)**	**2 028**	**2 740**	**110 288**	**80 063**

* External revenue from "Development" segment includes:

- revenue from sales of residential property recognised over time in the amount of RUB 215 885 million (2018: RUB 219 105 million);
- revenue from sales of non-residential property and parking spaces recognised over time in the amount of RUB 17 433 million (2018: RUB 16 686 million);
- other development revenue in the amount of RUB 160 million (2018: RUB 511 million).

(b) Geographical information

Activities of reportable segments are conducted mainly in three geographical areas, which are named "Moscow", "Moscow Region" and "Other Regions of Russia" for these consolidated financial statements.

Segment revenues are presented based on the geographical location of the respective segment's assets:

mln RUB	2019	2018
Moscow	177 082	155 303
Moscow Region	85 650	79 753
Other regions of Russia	17 903	10 701
	280 635	**245 757**

(c) Reconciliations of reportable segments' revenues and profit or loss

mln RUB	2019	2018 (restated)
Reconciliation of revenue		
Total revenue of reportable segments	334 317	273 378
Elimination of reportable inter-segment's revenue	(53 682)	(27 621)
Consolidated revenue	**280 635**	**245 757**
Reconciliation of gross profit to profit before tax		
Adjusted reportable segment's profit	75 707	54 229
Consolidated gross profit	**75 707**	**54 229**
Unallocated amounts		
Gain/(loss) from disposal of subsidiarie and investment property, net	668	(30)
Distribution expenses	(8 125)	(5 844)
Administrative expenses	(10 631)	(9 423)
Loss from change in fair value of investment property	(20)	(70)
Gains/(losses) from impairment of non-financial assets, net	91	(180)
Other income/(expenses), net	2 865	(2 049)
Finance income	7 695	6 489
Finance costs	(3 701)	(3 569)
Significant financing component from contracts with customers	(5 166)	(3 910)
Share of loss of equity accounted investees, net of income tax	(145)	(11)
Consolidated profit before income tax	**59 238**	**35 632**

8 Acquisition of subsidiaries, associates and non-controlling interests

(a) Acquisition of subsidiaries in 2019

Acquisition of companies providing residential buildings' maintenance services

In the second half of 2019, the Group and its controlling shareholder entered into several related agreements with a third party to acquire a business providing residential building maintenance services. As a result, the Group obtained control over a 99.9% interest in the parent company and its subsidiaries of the specified business. The transaction also included agreements on the acquisition and subsequent sale of 17 companies in December 2019 providing housing and utilities services. These companies were acquired exclusively for resale and were recognised as assets held for sale upon acquisition. Total acquisition cost amounted to RUB 3 779 million, of which RUB 2 006 million were paid in cash, and the amount of RUB 1 773 million was settled against accounts receivables recognised as a result of transaction when some of acquired companies were sold by the Group in 2017.

The Group's revenue and profit increased by RUB 10 882 million and RUB 951 million for the period from the acquisition date to 31 December 2019 due to business combination, If the business combination was carried out on 1 January 2019, the revenue growth estimated by the Group's management would have amounted to RUB 19 893 million, and profit for the year would have increased to RUB 1 386 million. When determining these indicators, management used the assumptions that fair value adjustments that were made at the date the acquisitions, would be the same if the acquisition took place on 1 January 2019.

Acquisition of the company that provides rental services of residential real estate

In 2019 the Group acquired an additional 31.01% interest in the company that provides rental services for residential real estate. As a result, the Group's share in the company increased to 51%. The total consideration amounted to RUB 360 million, including RUB 30 million, that were paid in 2018, and RUB 330 million were paid in 2019.

The following table summarizes the result of subsidiaries acquisition:

mln RUB	31 December 2019	Apartment buildings maintenance	Apartment rental service
Property, plant and equipment	739	738	1
Intangible assets	11 124	10 742	382
Deferred tax assets	318	318	-
Inventories	194	188	6
Other investment	178	178	-
Accounts receivable	11 859	11 806	53
Loans issued and bank deposits recognised in other investments	899	721	178
Assets held for sale	2 911	2 911	-
Deferred tax liabilities	(2 093)	(2 029)	(64)
Loans and borrowings	(2 822)	(2 822)	-
Accounts payable	(13 893)	(13 880)	(13)
Provisions	(285)	(285)	-
Net identifiable assets, liabilities and contingent liabilities	**9 129**	**8 586**	**543**
Income from profitable acquisition of subsidiaries	(4 719)	(4 719)	-
Non-controlling interests	(271)	(88)	(183)
Total amount of consideration	**4 139**	**3 779**	**360**
Settled against accouts receivable; investments made in previous periods	1 803	1 773	30
Consideration paid	2 336	2 006	330
Cash acquired	(899)	(721)	(178)
Acquisition of subsidiaries, net of cash acquired (included in cash flow from investing activities)	**1 437**	**1 285**	**152**

As a result of the acquisition, the Group recognised income in the amount of RUB 4 719 million since the transaction was completed in a short period under the current market conditions.

As part of the business combination for companies providing maintenance services, the Group recognised Client base as an identifiable intangible asset and property, plant and equipment at their fair values, which were determined by an independent appraiser engaged by the Group's Management.

Fair values of assets held for sale was determined based on sale value less costs to sell, which were known at the date of acquisition.

Measurement of fair values and its allocation to identifiable net assets is based on the following assumptions and valuation techniques:

- all acquired companies are going-concern and will continue their activities in the future;
- as part of the income approach the Multi-Period Excess Earnings (MPEEM) method was used to determine the fair value of the Client base:

- The revenue forecast was based on the tariffs effective in 2019, adjusted for the changes in the consumer price index and the volume of areas under maintenance;
- The average EBITDA margin was set up to 8.7% for existing client base taking into account the Management's expectations;
- The Client base disposal ratio was set at 1.5% per year;
- The discount rate that was applied equals cost of equity of 15.3%;
- The tax rate applied is the Russian statutory income tax rate of 20%.

Property, plant and equipment identified by the Group in the business combinations mainly include land, non-residential buildings and premises and fair values were determined by a market equivalent approach.

The cost of movable assets (machinery and equipment, transport and tools) was determined by market equivalent and cost approaches. As part of the market equivalent approach, the sales comparative method was used which analyses the prices of equipment offers in the secondary market. The cost method included the coefficient of appreciation and direct recalculation based on the price of the manufacturer. The fair value of other objects of property, plant and equipment was assigned equal to their book value as they were purchased recently and potential adjustments were immaterial.

Sensitivity analysis

The management has determined the expected EBITDA margin and the discount rate as key assumptions subject to reasonable change.

The decrease in EBITDA margin by 1 percentage point would result in a decrease in the fair value of the client base by RUB 960 million. The increase in EBITDA margin by 1 percentage point would have the opposite effect of RUB 980 million.

The increase in the discount rate by 1 percentage point would result in a decrease in the cost of the recognised intangible asset by RUB 720 million. The decrease in the discount rate by 1 percentage point would have the opposite effect of RUB 840 million.

(b) Acquisition of subsidiaries in 2018

In May 2018 the Group purchased 100% interest in the utility system company for RUB 1 220 million, of which RUB 1 132 million were paid in cash. The company renders heating, water supply, water discharge and electricity services to commercial and residential customers in the Moscow region. The outstanding balance payable as at 31 December 2018 was RUB 88 million. During 2019, RUB 21 million were paid in cash, and the amount of RUB 67 million was offset.

In October 2018 the Group purchased an additional 5.89% interest in the associated company which provides internet access and construction and installation of low-voltage communication networks services. Consequently, the Group increased its share in the internet access provider company to 50.01%. Consideration was partially paid during previous reporting periods and the amount related to the current period was offset.

In December 2018, the Group purchased 100% interest in general contractor, for immaterial consideration. As a result of this acquisition, the Group recognised income of RUB 1 168 million.

In December 2018, the Group purchased 100% interest in two utility system companies which render heating services for RUB 155 million which were paid in January 2019.

(c) Acquisition of associates

In 2019 the Group acquired non-controlling interests in two companies in the service sector and obtained a significant influence. The consideration paid amounted to RUB 840 million, of which RUB 740 million were paid in 2019 and RUB 100 million in 2018. The Group's share in the fair value of net assets of acquired companies approximates the amount of consideration paid.

(d) Acquisition of non-controlling interests

In May 2019 the Group purchased an additional 1.01% in the leading Russian developer of "Smart house" systems for consideration of RUB 22 million and increased its share to 65.01%. The transaction was recognised directly in the equity.

In February 2018 the Group purchased an additional 26.69% interest in the manufacturer of elevator and electronic equipment for RUB 84 million and increased its share to 87.14%. The transaction was recognised directly in equity.

In February and July 2018 the Group purchased an additional 4.4% in the leading Russian developer of "Smart house" systems for the consideration of RUB 80 million and increased its share to 64%. The transaction was recognised directly in equity.

The total effect from acquisition of non-controlling interests for 2018 amounted to RUB 212 million was attributed directly to equity as a decrease of non-controlling interests and amounted to RUB 48 million was attributed to the other income.

9 Disposals of subsidiaries

In 2019 and 2018, after completion of some construction projects, the Group sold companies included in "Development" and "Other" segments for legal restructuring purposes. The Group also sold assets held for sale, (note 8(a)). The following table summarizes the result of their disposal:

mln RUB	2019	2018
Property, plant and equipment	(21)	-
Intangible assets	(2)	(3)
Investment property	(23)	(127)
Equity accounted investees	-	(1)
Inventories	(96)	(29)
Other investments	(729)	-
Income tax receivable	(389)	-
Accounts receivable, including assets under contracts with customers	(8 368)	(7 738)
Assets held for sale	(2 911)	-
Deferred tax assets	(897)	(269)
Deffered tax liabilities	1 038	89
Loans and borrowings	12	-
Trade and other payables	8 154	7 930
Provisions	1 241	-
Income tax payable	251	-
Net assets	**(2 740)**	**(148)**
Non-controlling interest	137	-
Long-term receivables for the sale of subsidiaries	**3 226**	16
Consideration received by cash	**141**	
Cash and cash equivalents of disposed subsidiaries	(96)	(6)
Gain/(loss) on disposal of subsidiaries, net	**668**	**(138)**
Gain on disposal of development rights, net	-	108
Gain/(loss) on disposal of subsidiaries, development rights and investment property, net	**668**	**(30)**

10 Revenue

(a) Disaggregation of revenue by the timing of revenue recognition

mln RUB	2019	2018
Revenue from sales of real estate anf other development revenue	**233 478**	**236 302**
Revenue from sales of residential property recognised over time	215 885	219 105
Revenue from the sale of non-residential premises and parking spaces recognized over time	17 433	16 686
Other development revenue	160	511
Revenue from other sales	**47 157**	**9 455**
Revenue from other sales of goods and services recognized at a point in time	4 321	2 538
Revenue from construction services recognized over time	26 644	2 600
Revenue from segment "Maintenance", which is recognized over time	16 192	4 317
Total revenue from contracts with customers	**280 635**	**245 757**

Significant financing component recognised in revenue for 2019 amounted to RUB 7 170 million (2018: RUB 10 069 million).

In 2019, revenue from the sale of real estate related to share participation agreements to settle accounts payable for acquired land plots amounted to RUB 210 million (in 2018: RUB 1 344 million).

During the reporting period, the Group revised some construction project budgets, as a result, the percentage of completion of performance obligations under contracts with customers has changed 1% on average, compared with that used in consolidated financial statements for 2018.

In 2019, the Group terminated several real estate sales contracts of RUB 1 064 million (in 2018: 789 million rubles). The revenue for these contracts was reversed in the corresponding reporting periods.

(b) Contract assets and liabilities from contracts of real estate sales

mln RUB	31 December 2019	31 December 2018
Contract assets	10 145	1 997
Trade receivables	581	493
Contract liabilities, including	(93 740)	(100 507)
– liabilities from contracts with revenue recognised at a point in time	(300)	(539)
– liabilities from contracts with revenue recognised over time	(93 440)	(99 968)

Contract assets are the Group rights for consideration to be received from the contracts with customers of real estate, which contain terms of payment in installment and pace of construction exceeds the payment schedule, or escrow accounts sales scheme were used. Contract liabilities are payments made in advance by customers according to share participant agreements and accrued significant financing component recognised in accounts payable. As at 31 December 2019 the net amount of significant financing component as part of contract liabilities equaled RUB 624 million (31 December 2018: RUB 517 million).

The transaction price was determined considering the significant financing component calculated at the rate from 8% to 9,6% under contracts with customers concluded in 2019 (2018: from 8.5% to 9.5%).

The total amount of performance obligation outstanding at the end of the reporting period is expected to be recognised in revenue over the next three years. As at 31 December 2019 advances received from customers of RUB 81 541 million are expected to be recognised in revenue during the next 12 months (as of 31 December 2018: RUB 83 241 million).

In 2019 the Group recognised revenue of RUB 75 932 million included in obligations under contracts with customers as at 1 January 2019 (2018: RUB 95 568 million).

(c) Contract assets and liabilities from sale of other products and services

Performance obligations and contract assets for other services mainly relate to the services where Group acts as a general contractor, technical supervisor, etc., and presented below:

mln RUB	31 December 2019	31 December 2018
Trade receivables	12 729	6 350
Contract liabilities, including	(9 322)	(11 744)
– liabilities from contracts with revenue recognised at a point in time	(814)	(1 928)
– liabilities from contracts with revenue recognised over time	(8 508)	(9 816)

11 Finance income and costs

mln RUB	2019	2018 (restated)
Revaluation of cash-settled financial instruments (note 25)	3 138	3 183
Interest income	3 223	2 749
Foreign exchange gains, net	31	264
Write-off of accounts payable	525	114
Other financial income	778	179
Finance income	**7 695**	**6 489**
Interest expense before capitalisation in the cost of real estate objects*	(10 578)	(9 373)
Capitalised interest expense**	7 741	6 472
Total interest expense after capitalization	**(2 837)**	**(2 901)**
Loss on impairment of financial assets	(408)	(668)
Non-controlling interest in profit of the Group's limited liability	(346)	-
Other finance costs	(110)	-
Finance costs	**(3 701)**	**(3 569)**
Net finance costs for the period	**3 994**	**2 920**

* In 2019 interest expenses before capitalization included RUB 8 575 million of interest accrued on bank loans and bonds (2018: RUB 7 608 million).

** In 2019, the amount of interest expenses capitalised to real estate objects under construction amounted to RUB 7 741 million (2018: RUB 6 472 million). The weighted average capitalization rate in 2019 was 9.4% (in 2018: 13.2%).

In 2019 interest expense capitalised in inventories recognised in costs of sales in the amount of RUB 5 762 million rubles (2018: RUB 3 127 million).

12 Other income/expenses, net

mln RUB	2019	2018
Penalties and fines, including provision for litigation and claims	(1 858)	(1 787)
Charity	(66)	(434)
Loss from disposal of property, plant and equipment	(18)	(200)
Tax expenses	(443)	(686)
Result from sale and write-off of other assets	65	(79)
Other income/(expenses), net	466	(161)
Income from profitable acquisition of subsidiaries	4 719	1 298
	2 865	**(2 049)**

13 Administrative expenses

mln RUB	2019	2018
Personnel costs	6 181	6 185
Professional and other services	1 157	711
Research and development	640	612
Taxes	484	458
Depreciation of property, plant and equipment, amortisation of intangible assets and right-of-use assets	533	566
Rent	237	93
Material costs	536	339
Other administrative expenses	863	459
	10 631	**9 423**

14 Personnel costs

mln RUB	2019	2018
Salaries and wages		
Cost of sales	20 191	10 942
Administrative expenses	5 197	4 982
Distribution expenses	1 525	1 387
	26 913	**17 311**
Social payments and social charges		
Cost of sales	4 767	2 766
Administrative expenses	984	1 203
Distribution expenses	409	320
	6 160	**4 289**
Total	**33 073**	**21 600**

15 Income taxes

(a) Amounts recognised in profit and loss

The Group's applicable tax rate is the income tax rate of 20% for Russian companies (2018: 20%). The subsidiaries domiciled in Cyprus were taxed at a rate of 12.5%.

The income tax expense consists of the following:

mln RUB	2019	2018 (restated)
Current tax expense		
Current income tax for the period	(8 065)	(5 828)
Underprovided in previous periods	(92)	(38)
Accrual of tax provision	(391)	(12)
	(8 548)	**(5 878)**
Deferred income tax expense		
Origination and reversal of temporary differences	(5 577)	(2 861)
	(5 577)	**(2 861)**
Total income tax expense	**(14 125)**	**(8 739)**

(b) Reconciliation of effective tax rate

mln RUB	2019	%	2018 (restated)	%
Profit before income tax	59 238	100	35 632	100
Income tax expense at applicable tax rate	(11 847)	(20)	(7 126)	(20)
Unrecognized tax assets	(715)	(1)	(788)	(3)
Underprovided in previous periods	(92)	-	(38)	-
Non-deductible expenses	(1 700)	(3)	(1 119)	(3)
Gain on bargain purchase of subsidiaries	609	1	260	1
Effect of tax rates in foreign jurisdictions	11	-	84	-
Accrual of tax provision	(391)	(1)	(12)	-
	(14 125)	**(24)**	**(8 739)**	**(25)**

(c) Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
mln RUB	**31 December 2019**	**31 December 2018 (restated)**	**31 December 2019**	**31 December (restated)**	**31 December 2019**	**31 December (restated)**
Property, plant and equipment	1 919	1 931	(1 546)	(1 113)	373	818
Investment property	7	325	(1 125)	(2 640)	(1 118)	(2 315)
Financial instruments at fair value through profit and loss	-	-	(2 075)	(887)	(2 075)	(887)
Investments	138	515	(64)	(9)	74	506
Intangible assets	7	-	(2 441)	(53)	(2 434)	(53)
Inventories	5 465	5 535	(23 665)	(20 214)	(18 200)	(14 679)
Trade and other receivables	1 002	361	(983)	51	19	412
Trade and other payables	1 093	576	(871)	(125)	222	451
Loans and borrowings	-	-	(65)	(64)	(65)	(64)
Tax loss carry-forwards	3 941	3 619	-	-	3 941	3 619
Tax assets/(liabilities)	13 572	12 862	(32 835)	(25 054)	(19 263)	(12 192)
Set-off of tax	(12 979)	(5 202)	12 979	5 202	-	-
Net tax assets/(liabilities)	**593**	**7 660**	**(19 856)**	**(19 852)**	**(19 263)**	**(12 192)**

(d) Movement in deferred tax balances

mln RUB	1 January 2019 (restated)	Recognised in profit or loss	Reclassification	Effect of disposal	Effect of acquisition*	31 December 2019
Property, plant and equipment	818	(329)	-	(85)	(31)	373
Investment property	(2 315)	(339)	1 528	8	-	(1 118)
Financial instruments at fair value through profit or loss	(887)	(1 188)	-	-	-	(2 075)
Investments	506	(212)	-	(225)	5	74
Intangible assets	(53)	(223)	-	-	(2 158)	(2 434)
Inventories	(14 679)	(2 348)	(1 528)	355	-	(18 200)
Trade and other receivables	412	(661)	-	248	20	19
Trade and other payables	451	(464)	-	(21)	256	222
Loans and borrowings	(64)	-	-	-	(1)	(65)
Tax loss carry-forwards	3 619	187	-	(139)	274	3 941
	(12 192)	**(5 577)**	**-**	**141**	**(1 635)**	**(19 263)**

mln RUB	1 January 2018 (restated)	Recognised in profit or loss	Effect of disposal	Effect of acquisition*	31 December 2018 (restated)
Property, plant and equipment	323	616	(82)	(39)	818
Investment property	(2 754)	439	-	-	(2 315)
Financial instruments at fair value through profit or loss	-	(887)	-	-	(887)
Investments	202	304	-	-	506
Intangible assets	59	51	-	(163)	(53)
Inventories	(13 561)	(1 174)	36	20	(14 679)
Trade and other receivables	2 120	(1 658)	(1)	(49)	412
Trade and other payables	1 275	(822)	(130)	128	451
Loans and borrowings	(92)	28	-	-	(64)
Tax loss carry-forwards	3 379	242	(2)	-	3 619
	(9 049)	**(1 974)**	**(179)**	**(103)**	**(12 192)**

* Including deferred taxes recognised on the acquisition of companies that own land plots.

(e) Unrecognised deferred tax assets

As at 31 December 2019, deferred tax assets of RUB 8 400 million (31 December 2018: RUB 7 685 million) have not been recognised in respect of the deductible temporary differences and tax losses carried forward because it is not probable that future taxable profits will be available against which the Group can utilize the benefits.

(f) Unrecognised deferred tax liabilities related to investments in subsidiaries

As at 31 December 2019, the Group did not recognize a deferred tax liability related to temporary differences of RUB 216 525 million (31 December 2018: RUB 205 254 million) because the Group can control the dividend policy of subsidiaries and the timing of the reversal of temporary differences, or due to the zero rate of the applicable dividend tax.

16 Property, plant and equipment

mln RUB	Buildings	Plant and equipment	Other fixed assets	Construction in progress	Total
Cost / Deemed cost					
As at 1 January 2018	**21 110**	**6 292**	**989**	**2 329**	**30 720**
Acquisitions through business combinations	722	315	50	145	1 232
Additions	-	-	-	4 089	4 089
Disposals	(249)	(252)	(77)	(273)	(851)
Reclassification to inventories	(700)	(40)	-	-	(740)
Reclassification between groups	7	(7)	-	-	-
Transfers	2 025	1 381	349	(3 755)	-
As at 31 December 2018	**22 915**	**7 689**	**1 311**	**2 535**	**34 450**
Acquisitions through business combinations	504	126	92	17	739
Additions	2 570	128	25	3 228	5 951
Additions from inventories	-	-	-	3 937	3 937
Disposals	(375)	(252)	(80)	(103)	(810)
Disposal of subsidiaries	(17)	(4)	(2)	(1)	(24)
Reclassification to inventories	(80)	(6)	(17)	-	(103)
Reclassification between groups	145	(145)	-	-	-
Transfers	3 402	596	371	(4 369)	-
As at 31 December 2019	**29 064**	**8 132**	**1 700**	**5 244**	**44 140**
Accumulated depreciation and impairment losses					
As at 1 January 2018	**(4 462)**	**(1 970)**	**(518)**	**(74)**	**(7 024)**
Depreciation charge	(1 052)	(560)	(195)	-	(1 807)
Disposals	83	142	50	-	275
Reclassification to inventories	255	40	-	-	295
Reclassification between groups	(4)	4	-	-	-
As at 31 December 2018	**(5 180)**	**(2 344)**	**(663)**	**(74)**	**(8 261)**
Depreciation charge	(1 598)	(723)	(330)	-	(2 651)
Reversal of impairment (note 24 (a))	689	-	-	-	689
Disposals	176	280	49	-	505
Disposal of subsidiaries	1	1	1	-	3
Reclassification to inventories	17	1	10	-	28
As at 31 December 2019	**(5 895)**	**(2 785)**	**(933)**	**(74)**	**(9 687)**
Net book value					
As at 1 January 2018	**16 648**	**4 322**	**471**	**2 255**	**23 696**
As at 31 December 2018	**17 735**	**5 345**	**648**	**2 461**	**26 189**
As at 31 December 2019	**23 169**	**5 347**	**767**	**5 170**	**34 453**

(a) Depreciation expense

Depreciation expense of RUB 2 048 million was charged to cost of sales, RUB 112 million to distribution expenses, RUB 491 million to administrative expenses (31 December 2018: RUB 1 275 million, RUB 129 million, RUB 403 million, respectively).

(b) Right-of-use assets

As at 31 December 2019, the net book value of leased property, plant and equipment was RUB 2 540 million (31 December 2018: RUB 96 million).

The information on lease is disclosed in note 22.

(c) Transfer from inventories

In 2019, the Group revised its expectations for the further use of certain engineering infrastructure facilities and plans to utilize them in the "Maintenance" segment. These assets in the amount of RUB 3 715 million were transferred to property, plant and equipment from inventories (2018: RUB 3 million).

17 Intangible assets

mln RUB	Client base	Goodwill	Concession	Software	Other	Total
Cost / Deemed cost						
Balance at 1 January 2018	-	197	-	286	600	1 083
Acquisitions through business combinations	539	-	367	40	7	953
Additions	-	-	-	174	446	620
Disposals	-	-	-	(7)	(381)	(388)
Disposal of subsidiaries	-	-	-	-	(3)	(3)
Balance at 31 December 2018	**539**	**197**	**367**	**493**	**669**	**2 265**
Acquisitions through business combinations	11 102	-	-	-	22	11 124
Additions	-	-	253	266	374	893
Disposals	-	-	-	(50)	(407)	(457)
Disposal of subsidiaries	(2)	-	-	-	-	(2)
Reclassification between groups	(306)	-	-	-	306	-
Balance at 31 December 2019	**11 333**	**197**	**620**	**709**	**964**	**13 823**
Accumulated amortisation and impairment losses						
Balance at 1 January 2018	-	-	-	(36)	(268)	(304)
Amortisation charge	-	-	-	(11)	(419)	(430)
Disposals	-	-	-	-	350	350
Balance at 31 December 2018	-	-	-	**(47)**	**(337)**	**(384)**
Amortisation charge	-	-	(23)	(48)	(302)	(373)
Disposals	-	-	-	**3**	**385**	**388**
Balance at 31 December 2019	-	-	**(23)**	**(92)**	**(254)**	**(369)**
Net book value						
As at 1 January 2018	-	**197**	-	**250**	**332**	**779**
As at 31 December 2018	**539**	**197**	**367**	**446**	**332**	**1 881**
As at 31 December 2019	**11 333**	**197**	**597**	**617**	**710**	**13 454**

The client base was acquired in 2019 as a part of business combinations. Client base mainly represented by contracts with apartment owners in the subsidiaries providing maintenance services to customers in completed residential properties and services for the rental of apartments. The Group considers it is highly probable that these contracts are to be prolonged, and it is difficult to determine when the Group will no longer receive economic benefits from this asset. As a result, the client base is recognised as an intangible asset with an indefinite useful life, and amortisation is not accrued.

The customer base acquired in 2018 is mainly represented by contracts with subscribers for the Internet and cable television connection, as well as by contracts on construction and installation works.

18 Investment property

(a) Reconciliation of carrying amount

mln RUB	2019	2018
As at 1 January	18 086	23 690
Reclassification to inventories	(11 412)	(5 407)
Change in fair value	(20)	(70)
Disposal	(28)	(127)
As at 31 December	**6 626**	**18 086**

Investment property consists of land plots with undetermined use. A negative change in the fair value of these land plots during 2019 amounted to RUB 20 million (2018: negative change – RUB 70 million).

(b) Measurement of fair value

The fair value of investment property was determined by external, independent real estate appraisers who have the appropriate recognised professional qualifications and recent experience in evaluating this type of real estate at that location.

To determine the fair value of land plots in 2019 the Group applied a market equivalent approach based on an analysis of all available information on sales of similar objects, while adjustments were made to reflect differences between market equivalent and the evaluated object. Under this approach, current bids for land plots similar to those under valuation were analysed. Sales prices were adjusted for differences in characteristics between the valuation item and comparable land plots. As at 31 December 2019, the fair value of these land plots was RUB 6 626 million (31 December 2018: RUB 6 674 million). The fair value measurement of investment property was classified to Level 3 of the fair value hierarchy based on input data for the valuation methods used and the level of adjustments applied to market equivalents.

In 2018 investment property included land plots, that were ready for project implementation. The Group used the discounted cash flow method. The fair value of their valuation as at 31 December 2018 was RUB 11 412 million. The Group applied the following assumptions:

- Prices for residential real estate were forecasted based on market prices for similar properties in December of each reporting year;
- In determining value in use of the projects, Ruble based cash flows were discounted at an actual pre-tax rates of 13-18 %;
- The growth rates for prices and investment costs were determined in accordance with forecasted level of inflation;
- The volume of future sales corresponds to sales volumes achieved by the Group on similar projects;
- The forecasted density of land plot corresponds to the average index for similar projects of the Group.

In 2019 the balance of these land plots was transferred to inventories.

Sensitivity analysis

A decrease in the basic selling price by 5 percentage points in the comparative method measurement would decrease in the fair value of investment property by RUB 331 million (31 December 2018: a decrease in the fair value of investment property by RUB 334 million). A decrease of selling price by 5 percentage points would lead to decrease in fair value of investment property, determined using the income method by RUB 1 600 million as at 31 December 2018. An increase of selling price by 5 percentage points would have equal but opposite effect on the fair value of investment property.

In 2019, management has determined the discount rate and the basic selling price as key assumptions subject to reasonable changes.

An increase of the discount rate by 1 percentage point would result in a decrease in the fair value of investment property as at 31 December 2018, measured using the discounted cash flow method, by RUB 695 million. A decrease in the discount rate by 1 percentage point would have equal but opposite effect on the fair value of the investment property.

19 Inventories

mln RUB	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
Construction in progress, intended for sale, recognised at historical cost	162 887	107 441	103 471
Construction in progress, intended for sale, acquired through business acquisition	74 960	77 220	79 408
Finished goods and goods for resale	20 523	21 005	16 667
Raw materials and consumables	7 735	5 787	2 816
Right-of-use asset	4 862	3 341	-
	270 967	**214 794**	**202 362**
Write down	(3 059)	(3 351)	(4 828)

Construction in progress intended for sale and finished goods mostly consist of apartments, non-residential properties and parking spaces, the costs of land, construction of infrastructure and social facilities related to objects which were not sold to customers and those sold to customers but costs were not fully recognised in cost of sales based on percentage of complete method.

During the reporting period, the Group bought certain land plots for development projects in Moscow, Moscow region and other regions for the total amount of RUB 37 390 million mostly through the acquisition of control in companies which own that land plots. The companies had no other significant assets, liabilities and financial results as at the date of acquisition. Respectively, the consideration paid by the Group for the acquisition of subsidiaries was recognised in construction progress intended for sale. The payment was made partly by cash and the outstanding balance of RUB 4 645 million will be paid within six months after the reporting date.

There were no new contracts for the acquisition of land (lease rights) payable by the execution of share participation agreements in 2019 (2018: RUB 3 980 million). Information on leases is disclosed in note 22.

Construction in progress of RUB 159 769 million relates to construction objects that will be completed in more than twelve months after the reporting date (31 December 2018: RUB 135 859 million).

The capitalization of interest expenses due to the change in the accounting policy increased the initial cost of construction in progress and finished goods. As a result of impairment testing of these assets, the Group reversed impairment of RUB 324 million (31 December 2018: RUB 1 198 million), see note 24.

20 Other investments

mln RUB	31 December 2019	31 December 2018
Non-current *		
Loans issued to third parties in RUB at fixed rates of 9,0%-17,5%	68	72
Other investments	2	33
Bank deposits	193	273
	263	**378**
Impairment losses	(101)	(201)
Current		
Loans issued to third parties in RUB at fixed rates of 9,0%-17,0%	124	340
Banks deposits	93	-
	217	**340**
Impairment losses	(229)	(119)

* As at 31 December 2019 and 31 December 2018 Other investments are recognised at amortised cost.

21 Trade and other receivables, including contract assets

mln RUB	31 December 2019	31 December 2018
Non-current		
Consideration receivable for the sale of subsidiaries	1 774	1 597
	1 774	**1 597**
Impairment losses	(54)	(197)
Current		
Trade accounts receivable	15 678	7 593
Trade receivables of "Maintenance" segment	9 731	1 474
Advances to suppliers and contractors	14 012	9 340
Advances for acquisition of land plots/lease rights, including acquisition of subsidiaries	6 451	3 917
Advances to other suppliers and contractors	6 322	1 599
Taxes receivable	6 567	4 842
Other receivables	5 369	1 287
	64 130	**30 052**
Impairment losses	(3 503)	(2 660)

22 Leases

The contract portfolio of the Group mostly consists of leases of land plots for construction of residential property for sale.

The change in lease liabilities during 2019 is presented in the table below:

mln RUB	Land plots	Buildings and constructions	Equipment	Other	Total
As at 1 January 2019	**3 687**	**88**	**-**	**-**	**3 775**
New leases	1 843	2 211	198	93	4 345
Lease modifications	2 220	38	-	-	2 258
Acquired in business combinations	-	218	-	-	218
Interest expense on lease	434	140	10	5	589
Lease payments, including offsets	(4 006)	(491)	(47)	(17)	(4 561)
As at 31 December 2019	**4 178**	**2 204**	**161**	**81**	**6 624**

The change in lease liabilities during 2018 is presented in the table below:

mln RUB	Land plots	Buildings and constructions	Equipment	Other	Total
As at 1 January 2018	**4 773**	**155**	**-**	**-**	**4 928**
New leases	357	23	-	-	380
Interest expense on lease	400	11	-	-	411
Lease payments, including offsets	(1 843)	(101)	-	-	(1 944)
As at 31 December 2018	**3 687**	**88**	**-**	**-**	**3 775**

The change in right-of-use asset during 2019 is presented in the table below:

mln RUB	Land plots	Buildings and constructions	Equipment	Other	Total
As at 1 January 2019	**3 341**	**84**	**-**	**-**	**3 425**
New leases	1 882	2 382	220	93	4 577
Lease modifications	2 220	38	-	-	2 258
Acquired in business combinations	-	205	-	-	205
Write-off to cost of sales of real estate	(2 190)	(222)	(30)	(6)	(2 448)
Amortisation recognised in administrative expenses	-	(282)	-	(6)	(288)
Transfer to construction in progress	(391)	-	-	-	(391)
As at 31 December 2019	**4 862**	**2 205**	**190**	**81**	**7 338**

The change in right-of-use asset during 2018 is presented in the table below:

mln RUB	Land plots	Buildings and constructions	Equipment	Other	Total
As at 1 January 2018	**4 830**	**172**	**-**	**-**	**5 002**
New leases	357	23	-	-	380
Write-off to cost of sales of real estate	(1 846)	-	-	-	(1 846)
Amortisation recognised in administrative expenses	-	(111)	-	-	(111)
As at 31 December 2018	**3 341**	**84**	**-**	**-**	**3 425**

Significant factors for the modification of right-of-use assets and lease liabilities in 2019 were the execution of additional agreements to lease contracts to purchase land plots and/or alteration of the purchase price.

23 Cash and cash equivalents

mln RUB	31 December 2019	31 December 2018
Cash on hand	1	1
Cash in banks	65 862	58 600
Restricted cash	345	-
Cash and cash equivalents	**66 208**	**58 601**

Cash balance on escrow accounts (additional reference information)

mln RUB	31 December 2019	31 December 2018
Escrow accounts	16 061	1 145

Cash, placed on escrow accounts and not recognised in the Group's statement of financial position, represents the amounts deposited by the owners of the accounts in authorised banks (customers of real estate objects) to settle the payment for acquired property under share participation agreements.

As at 31 December 2019 cash amounting to RUB 24 572 million was placed on special bank accounts, which are subject to special banking control (31 December 2018: RUB 15 179 million) under requirements of Federal Law No. 214-FZ.

24 Impairment loss on non-financial assets

At each reporting date the Group reviews impairment indicators for the following assets:

- property, plant and equipment;
- intangible assets;
- inventories;
- advances paid for construction work and other advances.

(a) Property, plant and equipment

The Group analysed carrying amount of property, plant and equipment and analysed it for impairment as at 31 December 2019 and as at 31 December 2018 and did not identify any evidence of impairment at both reporting dates.

Also, in 2019 the Group analysed the carrying value of the administrative building used as Group's headquarters, which was previously impaired. The Group engaged an independent appraiser to determine the fair value of the building at the reporting date. Fair value was determined based on the weighted percentage of the results obtained by the market equivalent approach and the discounted cash flow method within the income approach. As the fair value of the building exceeded the carrying amount, the Group reversed a previously recognised impairment loss of RUB 689 million.

(b) Inventories

In most cases, the Group used discounted cash flows and engaged an independent appraiser to estimate net realizable value of the Group's construction work in progress as at the reporting dates.

The following key assumptions of the discounted cash flow method were used in determining net realizable value:

- Cash flows were projected for each individually significant project;
- Selling prices for the apartments were based on market prices effective in December 2019 for similar real estate;
- Cost of construction was forecasted based on cost per square meter and construction pace in December 2019 for similar real estate;
- An average pre-tax discount rates of 12 -14% was applied to cash flows in determining the recoverable amount of projects.

As a result of testing the impairment of inventories as at 31 December, 2019 amounted to RUB 3 059 million (31 December 2018: RUB 3 351 million).

Sensitivity analysis

The management has determined the discount rate and the selling prices as key assumptions subject to reasonable change.

A reduction in the selling price by 5% would lead to additional impairment of construction work in progress amounted to RUB 350 million as at 31 December 2019 (31 December 2018: RUB 1 200 million).

An increase in the discount rate by 1 percentage point would lead to additional impairment of construction work in progress amounted to RUB 34 million as at 31 December 2019 (31 December 2018: RUB 121 million).

(c) Intangible assets

The Group used the discounted cash flow method to assess the fair value of intangible assets, which mostly consists of the client base of companies providing housing and utilities services. The fair value measurement was based on the following assumptions:

- The revenue forecast is based on the tariffs and the cost of sales in 2019, taking into account the growth of the consumer price index and the volume of serviced areas by as at the date of assessment;
- The EBITDA forecast has not changed significantly since the date of acquisition of companies (see note 8 (a));
- The client base retirement rate was recognised as 1.5% per year;
- A discount rate of 15.3% was applied;
- The applicable income tax rate was equaled to the statutory rate of 20%.

Sensitivity analysis

The sensitivity analysis does not differ significantly from the information disclosed in Note 8 (a) in the acquisition of companies.

(d) Impairment testing results and write down

		31 December 2019			31 December 2018 (restated)		
mln RUB	**Note**	**Gross carrying value**	**Impairment/ write down**	**Carrying value after impairment**	**Gross carrying value**	**Impairment/ write down**	**Carrying value after impairment**
Property, plant and equipment	16	35 304	(851)	34 453	27 894	(1 705)	26 189
Intangible assets	17	13 454	-	13 454	1 881	-	1 881
Inventories	19	274 026	(3 059)	270 967	218 145	(3 351)	214 794
Advances paid	21	28 302	(1 517)	26 785	15 890	(1 034)	14 856
Total		**351 086**	**(5 427)**	**345 659**	**263 810**	**(6 090)**	**257 720**

(e) Impairment losses and reversal of impairment losses

mln RUB	2019	2018
Impairment losses		
Property, plant and equipment	-	(147)
Inventories	(62)	-
Advances paid	(966)	(434)
	(1 028)	**(581)**
Reversal of impairment losses		
Property, plant and equipment	689	-
Advances paid	400	122
Inventories	30	279
	1 119	**401**
	91	**(180)**

In 2019 impairment losses on property, plant and equipment in the amount of RUB 165 million and advances issued in the amount of RUB 83 million were written off against the disposal of related assets. (2018: RUB 149 million and RUB 450 million accordingly).

25 Financial instruments measured at fair value through profit and loss

As at reporting date Group's assets include two cash-settled financial instruments with a total book value of RUB 10 377 million:

- in June 2017 the Group entered into the agreement with the Bank (information about the Bank is disclosed in note 35) with the simultaneous sale of 49 990 198 Group's global depositary which were previously repurchased from the market. During the period of the agreement, the Group is obligated to make quarterly interim payments to the Bank calculated at the key rate of the Central Bank of the Russian Federation + 2.2% of the GDR's sale price. The agreement expires on 29 June 2020 and could be extended every 6 months with notification of one of the parties, but no later than 31 January 2023. The quarterly interim payments in 2019 amounted to RUB 1 113 million (2018: RUB 1 313 million). On initial recognition, the Group recognised the fair value of a cash-settled financial instrument in equity since it was a part of the transaction to sell the GDR to the Bank.
- Under the agreement with the Bank concluded in May 2018, the Group has not repurchased its shares from the open market to deliver them to the bank. The number of shares in the agreement amounted to 60 137 070, and the mandatory monthly prepayments' rate was set equal to the key rate of the Central Bank of the Russian Federation + 1.8%. The contract expires on 31 May 2021, and could be extended every 6 months by notification one of the parties to the transaction, but no later than 31 January 2023. The amount of quarterly interim payments in 2019 amounted to RUB 1 692 million (2018: RUB 935 million). Additionally, the Bank entered into forward transactions with final sellers (hedging counterparties) for the required number of shares. When making the valuation of the cash-settled financial instrument the Group used some unobservable inputs, for example, the Group's cost of debt range and dividend forecast and thus classified cash-settled financial instrument as "synthetic". As a result the fair value of a cash-settled financial instrument on initial recognition was included in the consolidated statement of financial position as deferred charges on financial instruments. During 2019, income from changes in the fair value of cash-settled financial instruments amounted to RUB 3 138 million (for 2018: RUB 3 183 million).

As at 31 December 2019, the fair value of the cash-settled financial instrument under an agreement with the Bank concluded in June 2017 was determined using the following key assumptions:

- The risk-free rate for the remaining contractual term from the reporting date is 5.8% (31 December 2018: 8.8%);
- The annual discount rate was 7.8% (31 December 2018: 9.9%).

As at 31 December 2019, the fair value of the cash-settled financial instrument under an agreement with the Bank concluded in May 2018 was determined using the following key assumptions:

- The risk-free rate for the remaining contractual term from the reporting date is 5.9% (31 December 2018: 8.9%);
- The annual discount rate was 8.1% (31 December 2018: 10.1%).

Sensitivity analysis

A decrease in the forecast selling price by 5 percentage points would result in a decrease in the fair value of cash-settled financial instruments as follows:

- For the agreement concluded in June 2017 by RUB 972 million (31 December 2018: by RUB 869 million);
- For the agreement concluded in May 2018 by RUB 1 114 million (31 December 2018: by RUB 1 023 million).

26 Equity

(a) Dividends

Under the Russian legislation, the Company's reserves to be distributed are limited to the balance of retained earnings as recognised in the Company's statutory financial statements prepared in accordance with the Russian Accounting Principles.

In May 2019 dividends of RUB 15 000 million (RUB 22,71 per share) were declared and approved. The declared dividends were paid in full in June 2019.

In August 2018 dividends in the amount of RUB15 000 million (RUB 22,71 per share) were declared and approved. Declared dividends were paid in full in September 2018.

(b) Weighted average number of shares and earnings per share

The calculation of earnings per share is based on the profit for the year attributable to the ordinary shareholders of the Company and the weighted average number of ordinary shares that were in circulation during the year, amounted to 660 497 344 shares (2018: 660 497 344 shares). The Company has no ordinary shares with a potential dilutive effect.

27 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk refer to note 31.

mln RUB	31 December 2019	31 December 2018
Non-current		
Bonds, net of those purchased by the Group	39 850	35 172
Unsecured bank loans	17	4 484
Project financing	62 000	1 871
Secured bank loans	6 996	-
Interest payable	745	-
	109 608	**41 527**
Current		
Bonds, net of those purchased by the Group	9 902	18 180
Unsecured bank loans	4 508	9
Project financing	13 197	1 215
Secured bank loans	1 208	-
Interest payable	1 124	1 315
	29 939	**20 719**
	139 547	**62 246**

As at 31 December 2019 and 31 December, 2018 bank loans and project financing were secured with:

- lease rights/ownership rights of land plots with total area of 844,4 ha (31 December 2018: 21,8 ha); carrying amount of RUB 57 832 million (31 December 2018: RUB 6 593 million);
- shares of certain subsidiaries of the Group;

As at 31 December 2019, the terms of financial liabilities did not significantly change compared to those that were disclosed as at 31 December 2018 except for the terms of new loans and borrowings as indicated below.

Project loans

As at 31 December 2019, the Group received additional project financing, which included project loans for acquisition of land plots in the amount of RUB 32 212 million at the rate from 9.75% to 12%, matured on 14 May 2025.

In September 2019 the Group received project financing from the Bank of RUB 11 500 million at the key interest rate of the Central Bank of the Russian Federation + 2%. The loan matures on 10 September 2024.

During 2019 the Group actively used open credit lines to finance the construction of residential properties and opened new credit lines to finance the construction of residential buildings at a variable interest rate, adjusted depending on escrow accounts balances. As at 31 December 2019, the outstanding amount of these credit lines was RUB 31 660 million, of which RUB 29 789 million were received in 2019, including RUB 28 124 million received from the Bank. Loans mature in 2026.

During 2019 the Group repaid project finance loan of RUB 1 215 million. As at 31 December 2019, the Group's project financing balance amounted to RUB 75 197 million.

General purposes loans

In May 2019 the Group received a secured loan from the Bank of RUB 3 000 million at the key rate of the Central Bank of the Russian Federation + 1.95%. The loan matures on 25 May 2026. The funds were used to finance operating activities.

In July 2019 the Group obtained control in companies providing maintenance services for apartments and other real estate. One of the acquired companies has outstanding secured Bank loan (see note 35) in the amount of RUB 2 822 million for a period until 25 December 2022. The loan rate was set at a key rate of the Central Bank of the Russian Federation + 3.25%. As at 31 December 2019, this loan was repaid in full.

In the fourth quarter of 2019, the Group received a secured loan from the Bank of RUB 4 333 million at the key rate of the Central Bank of the Russian Federation + 2.2%. Loan matures on 30 September 2024.

In the fourth quarter of 2019, the Group entered into a revolving credit facility agreement with a limit of RUB 5 000 million at the key rate of the Central Bank of the Russian Federation + 2.2% maturing in December 2023, of which RUB 915 million were received in 2019. As at 31 December 2019, the outstanding loan balance amounted to RUB 906 million.

As at 31 December 2019, the Group repaid secured bank loans of RUB 45 million, including RUB 36 million to the Bank (in 2018: RUB 1 300 million).

Issue and redemption of bonds

In the first half of 2019, the Group sold previously purchased bonds with a nominal value of RUB 13 136 million with an effective yield of 8.27% to 11.05%.

In August 2019 the Group redeemed bonds of RUB 6 755 million at the market through an early offer (in 2018 the Group redeemed bonds of RUB 3 877 million through an early offer).

In September 2019 the Group redeemed previously placed bonds in the amount of RUB 8 966 million, and Group companies early repurchased bonds of RUB 7 950 million (in 2018 the Group fully redeemed bonds of RUB 9 340 million).

During 2019 the Group redeemed bonds of RUB 1 600 million by repayment of a part of the par value.

In the fourth quarter of 2019, the Group placed two bond issues in the amount of RUB 1 500 and RUB 7 000 million with the maturity on 12 April 2023 and 11 December 2024, respectively. The coupon rate for the issue of RUB 1 500 million is set at the key rate of the Central Bank of the Russian Federation + 1.5%. The coupon rate for the issue of RUB 7 000 million is set at 8.25%. The frequency of coupon payment for the first issue is once every six months, for the second issue is once a quarter.

Terms and conditions of outstanding loans and borrowings

Terms and conditions of outstanding loans and borrowings were as follows:

mln RUB	31 December	31 December 2018
Project finance		
RUB - fixed at 9.75%-12.00%	32 037	-
RUB - key interest rate + 2.00%	11 500	-
RUB - variable interest rate*	31 660	3 086
Secured bank loans		
RUB - key interest rate + 1.95%	2 965	-
RUB - key interest rate + 2.20%	5 239	-
Unsecured bank loans		
RUB - key interest rate + 1.45%	4 525	4 493
Bonds		
RUB - fixed at 8.25%-13.00%	35 369	40 468
RUB - key interest rate + 0.50%	6 999	6 999
RUB - key interest rate + 1.45%	5 884	5 885
RUB - key interest rate + 1.50%	1 500	-
Interest payable	1 869	1 315
	139 547	**62 246**

* the rate is set at the key rate of the Central Bank of the Russian Federation + 2% with capitalization up to a rate of 9.9%, with no payments of both interest and loan till maturity (31 December 2018: key rate of the

Central Bank of the Russian Federation + 2.27% to key rate of the Central Bank of the Russian Federation + 3,25%, adjusted depending on cash balances places by customers on the escrow accounts).

The fair value of bonds is disclosed in Note 31 (e).

Reconciliation of changes of liabilities and cash flows arising from financing activities

mln RUB	Bonds, net of those purchased by the Group	Loans and borrowings	Lease liabilities	Financial instruments measured at fair value through profit and loss	Non-controlling interest	Dividends	Total
As at 31 December 2018	**54 645**	**7 601**	**3 775**	**(4 434)**	**1 868**	**-**	**63 455**
Proceeds	21 636	81 750	-	-	-	-	103 386
Cash payments	(25 271)	(4 082)	(3 010)	(2 805)	(22)	(15 000)	(50 190)
Net cash from financing activities	**(3 635)**	**77 668**	**(3 010)**	**(2 805)**	**(22)**	**(15 000)**	**53 196**
Interest payable	5 696	2 964	589	-	-	-	9 249
Interest paid	(6 173)	(1 897)	-	-	-	-	(8 070)
Effect of transaction costs	-	(144)	-	-	-	-	(144)
New leases or lease modifications	-	-	6 821	-	-	-	6 821
Lease offsets	-	-	(1 551)	-	-	-	(1 551)
Revaluation of cash-settled financial instruments	-	-	-	(3 138)	-	-	(3 138)
Dividends	-	-	-	-	-	15 000	15 000
Acquisition of subsidiaries	-	2 822	-	-	271	-	3 093
Profit for the reporting period	-	-	-	-	213	-	213
Change in non-controlling interests due to the restructuring	-	-	-	-	(692)	-	(692)
Disposal of subsidiaries	-	-	-	-	(137)	-	(137)
As at 31 December 2019	**50 533**	**89 014**	**6 624**	**(10 377)**	**1 501**	**-**	**137 295**

mln RUB	Bonds, net of those purchased by the Group	Loans and borrowings	Lease liabilities	Financial instruments measured at fair value through profit and loss	Non-controlling interest	Dividends	Total
As at 1 January 2018	**59 789**	**697**	**4 928**	**997**	**599**	**-**	**67 010**
Proceeds	17 219	6 721	-	-	-	-	23 940
Cash payments	(21 206)	(1 527)	(1 853)	(2 248)	(162)	(15 000)	(41 996)
Net cash from financing activities	**(3 987)**	**5 194**	**(1 853)**	**(2 248)**	**(162)**	**(15 000)**	**(18 056)**
Interest payable	7 485	83	411	-	-	-	7 979
Interest paid	(8 152)	(84)	-	-	-	-	(8 236)
Effect of transaction costs	(490)	26	-	-	-	-	(464)
New leases or lease modifications	-	-	380	-	-	-	380
Lease offsets	-	-	(91)	-	-	-	(91)
Revaluation of cash-settled financial instruments	-	-	-	(3 183)	-	-	(3 183)
Accrual of dividends	-	-	-	-	-	15 000	15 000
Acquisition of subsidiaries	-	1 685	-	-	703	-	2 388
Profit for the reporting period	-	-	-	-	778	-	778
Acquisition and change in non-controlling interests	-	-	-	-	(50)	-	(50)
As at 31 December 2018	**54 645**	**7 601**	**3 775**	**(4 434)**	**1 868**	**-**	**63 455**

28 Non-controlling interest

	Developer	Internet provider	Manufacturer of elevator equipment	Other	Total
Balance as at 1 January 2019	736	661	136	335	1 868
(Loss)/profit for the period	-	(47)	208	52	213
Acquisition and change in non-controlling interests	-	-	-	(22)	(22)
Acquisition of subsidiaries, net	-	-	-	271	271
Change in non-controlling interests due to restructuring of subsidiaries	(692)	-	-	-	(692)
Disposal of subsidiaries	(44)	-	-	(93)	(137)
Balance as at 31 December 2019	**-**	**614**	**344**	**543**	**1 501**

	Developer	Internet provider	Manufacturer of elevator equipment	Other	Total
Balance as at 1 January 2018	78	-	365	156	599
(Loss)/profit for the period	658	-	(17)	137	778
Acquisition and change in non-controlling interests	-	-	(212)	-	(212)
Acquisition of subsidiaries, net	-	661	-	42	703
Balance as at 31 December 2018	**736**	**661**	**136**	**335**	**1 868**

29 Provisions

mln RUB	Provision for cost to complete	Provision for unprofitable contracts	Provision for taxes	Total
As at 1 January 2019	**24 744**	**881**	**2 412**	**28 037**
Additional provisions	10 429	2 861	1 090	14 380
Releases of provisions	(3 315)	(1 765)	(699)	(5 779)
Utilisation	(9 963)	(1 632)	-	(11 595)
Disposal through disposal of subsidiaries	-	-	(1 241)	(1 241)
As at 31 December 2019	**21 895**	**345**	**1 562**	**23 802**

	Provision for cost to complete	Provision for unprofitable contracts	Provision for taxes	Total
As at 1 January 2018	**26 947**	**538**	**2 400**	**29 885**
Additional provisions	17 504	881	591	18 976
Releases of provisions	(129)	(144)	(579)	(852)
Utilisation	(19 578)	(394)	-	(19 972)
As at 31 December 2018	**24 744**	**881**	**2 412**	**28 037**

The Group used assumptions, which are subject to uncertainty and judgments in calculation of provisions. Estimated costs to complete represent the Group's future costs forecasts, which are expected to be incurred by the Group in the course of the construction of infrastructure facilities and other local amenities, such as schools, parking places, commercial real estate etc., which the Group is obliged to build as part of projects.

The estimate depends on changes in the rules and standards of urban development, which can result in adjustments to construction projects' parameters, as well as changes in construction materials and labor force prices.

The provision for cost to complete includes amounts the Group should spend to construct infrastructure facilities and other local amenities which would not be transferred into joint ownership of customers, in proportion to constructed meters of apartment buildings, where the sales are open, to finalize the construction of objects obtained in transactions related to purchase of land plots or right-of-use assets.

As at 31 December 2019 the tax provision is mostly related to deductibility of certain expenses for tax purposes and intercompany transactions and includes provision for income tax of RUB 1 562 million including related penalties (31 December 2018: provision for income tax of RUB 2 283 million and other taxes of RUB 129 million).

30 Accounts payable, including contract liabilities

mln RUB	31 December 2019	31 December 2018
Non-current		
Accounts payable for land acquisition	8 469	6 607
Amounts due to customers under construction contracts	348	-
Other advances received	495	660
Other liabilities	495	123
	9 807	**7 390**
Current		
Advances received from buyers and customers	93 441	104 553
Liabilities on real estate transfer within acquisition of land plots	8 639	5 931
Other advances received	8 954	12 498
Accounts payable for construction works and other trade payables	14 000	19 123
Trade payables of "Maintenance" segment	10 038	742
Accounts payable for land acquisition	3 019	4 573
Amounts due to customers under construction contracts	266	81
Payables to employees	6 382	5 405
Other taxes payable	9 325	5 915
Other payables	5 674	3 693
	159 738	**162 514**

Other non-current liabilities include non-controlling interest in limited liability companies registered in the Russian Federation in the amount of RUB 408 million (31 December 2018: RUB 123 million).

The information about the Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 31.

31 Financial instruments

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors 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 limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's financial assets measured at amortised cost, which include cash and cash equivalents, receivables and other investments. During the reporting period, there were no significant changes in the structure of financial assets, their credit quality and valuation methods.

(i) Sale of apartments to individuals

The Group is not significantly exposed to credit risk in connection with sales of apartments to individuals as such sales are mostly arranged on a prepayment basis or using escrow accounts.

(ii) Accounts receivable from organisations

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The management of the Group analyses accounts receivable depending on the category of customers.

For the purpose of effective control over credit risk levels, customers are grouped according to their credit characteristics, including the type of contract, aging profile, maturity and credit history. The structure of the analysed receivables is as follows:

- Accounts receivable from construction services contracts and the sales of real estate, including contract assets;
- Accounts receivable from customers of services provided by the "Maintenance" segment;
- Other receivables.

The management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. These terms also specify certain penalties in the event of late payment.

The Group generally provides services such as construction services if a warranty or a bank guarantee is provided.

(iii) Guarantees

The Group's policy is to provide financial guarantees only to the Group's subsidiaries.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

mln RUB	31 December 2019	31 December 2018
Loans issued and bank deposits recognised in other investments	480	685
Accounts receivable, including contractual assets	32 552	11 951
Cash and cash equivalents	66 208	58 601
	99 240	**71 237**

Impairment losses

The change in impairment loss allowance (expected credit losses) in respect of financial assets of the Group measured at amortised cost during the year was as follows:

	Other investments	Accounts receivable, including contract assets	Total
Impairment loss allowance as at 1 January 2019	**320**	**1 824**	**2 144**
Increase of expected credit losses for the period, net	10	216	226
Impairment loss allowance as at 31 December 2019	**330**	**2 040**	**2 370**

	Other investments	Accounts receivable, including contract assets	Total
Impairment loss allowance as at 1 January 2018	**295**	**1 257**	**1 552**
Increase of expected credit losses for the period, net	25	567	592
Impairment loss allowance as at 31 December 2018	**320**	**1 824**	**2 144**

During the reporting period, there were no cases of downward movement of credit rating.

The following table provides information about accounts receivable and other investments, measured at amortised cost, grouped by assets and their credit rating:

(i) Accounts receivable, including contract assets

Group's internal credit rating	Gross carrying amount as at 31 December 2019	Impairment loss as at 31 December 2019	Gross carrying amount as at 31 December 2018	Impairment loss as at 31 December 2018
A- to A++	11 593	(1)	3 584	(1)
B- to B++	7 430	(239)	4 914	(27)
C- to C++	5 331	(315)	3 588	(257)
D- to D++	-	-	3	-
E- to E++	2	(1)	16	(8)
Default	1 071	(929)	1 670	(1 531)
Total	**25 427**	**(1 485)**	**13 775**	**(1 824)**

The probability of credit losses on receivables from individuals or contract assets in the total amount of RUB 10 724 million as at 31 December 2019 (31 December 2018: RUB 2 490 million) is estimated to be low since the collection rate of payments is high, and the receivables are secured by assets and cash on escrow accounts.

(ii) Accounts receivable from customers of housing and utilities services

As at 31 December 2019	Weighted average loss rate	Gross carrying amount	Impairment loss as at 31 December 2019
ths RUB			
0-30 days	2.86%	3 779	(108)
31-90 days	2.88%	2 017	(58)
90-180 days	2.91%	721	(21)
180-360 days	2.87%	767	(22)
more than 360 days	18.39%	1 881	(346)
Total		**9 165**	**(555)**

(iii) Other investments

Credit rating	Gross carrying amount as at 31 December 2019	Impairment loss as at 31 December 2019	Gross carrying amount as at 31 December 2018	Impairment loss as at 31 December 2018
A- to A++	104	-	155	(17)
B- to B++	16	-	12	(2)
C- to C++	207	(58)	255	(19)
D- to D++	274	(73)	436	(106)
E- to E++	51	(41)	-	-
Default	158	(158)	180	(176)
Total	**810**	**(330)**	**1 038**	**(320)**

(iv) Cash and cash equivalents

Cash and cash equivalents are placed in banks and financial institutions, rated not lower than B+ based on classification of international rating agencies "S&P Global Ratings", "Fitch" and "Moody's". The Group assesses the expected credit losses as not significant.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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.

Group's financial department carries out liquidity risk management (including risks which the Group would face in the long-, medium- and short-term periods) under governance approved and provided by the Board of Directors that is reviewed regularly to reflect changes in the market conditions.

The liquidity position is centrally managed for all subsidiaries of the Group to control cash balances available at any time.

Covenant compliance risk

The Group actively monitors compliance with all debt covenants and, in case of the risk of default, initiates negotiations with the lenders to amend the respective facility agreement, before any event of default occurs.

The following are the contractual maturities of the financial liabilities, including estimate interest payments, except for quarterly interim payments to bank disclosed in note 31 (e).

31 December 2019		**Contractual cash flows**						
mln RUB	**Carrying amount**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-5 yrs**	**5-10 yrs**	**Total**
Bank loans	87 926	12 539	6 486	9 288	19 653	32 150	8 000	88 116
Bonds	49 752	8 135	1 770	12 810	12 845	7 479	7 000	50 039
Interest payable	1 869	4 442	3 773	4 943	3 974	4 332	9 108	30 572
Trade and other payables	58 016	48 166	1 882	3 878	2 330	2 501	3 218	61 975
Lease liabilities	6 624	1 023	1 482	2 201	1 365	1 511	509	8 091
	204 187	**74 305**	**15 393**	**33 120**	**40 167**	**47 973**	**27 835**	**238 793**

31 December 2018		**Contractual cash flows**						
mln RUB	**Carrying amount**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-5 yrs**	**5-10 yrs**	**Total**
Bank loans	7 579	3	1 220	4 509	357	1 517	-	7 606
Bonds	53 352	-	18 323	4 583	12 420	11 345	7 000	53 671
Interest payable	1 315	3 461	3 121	3 644	2 043	1 979	2 172	16 420
Trade and other payables	46 262	39 025	897	1 569	1 482	2 581	4 245	49 799
Finance lease liabilities	3 775	1 848	385	587	493	346	105	3 764
	112 283	**44 337**	**23 946**	**14 892**	**16 795**	**17 768**	**13 522**	**131 260**

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not settled on a net basis.

(i) Currency risk

The Group is exposed to currency risk on purchases and cash balances that are denominated in a currency other than the Russian Rouble (RUB). These transactions, which could be exposed to foreign currency risks are typically denominated in U.S. Dollars (USD).

Borrowings and arising interest payments are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily in RUB. This provides a natural economic hedge and no currency derivatives are used by the Group.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

Exposure to currency risk of the group determined from the nominal value of financial instruments was immaterial in 2019 and 2018.

(ii) 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 attributed to fixed or variable rates. However, at the time of obtaining new loans or borrowings management uses its 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.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

mln RUB	Note	31 December 2019	31 December 2018
Financial assets with variable rate		**10 377**	**4 434**
Financial instruments at fair value through profit or loss	25	10 377	4 434
Financial assets with fixed rate		**28 027**	**26 439**
Bank deposits included in cash and cash equivalents		25 775	24 157
Long-term receivables	21	1 774	1 597
Loans issued and bank deposits included in other investments	20	478	685
Financial liabilities with variable rate		**(72 141)**	**(21 778)**
Loans and borrowings	27	(72 141)	(21 778)
Financial liabilities with fixed rate		**(85 518)**	**(55 423)**
Accounts payable for land acquisition	30	(11 488)	(11 180)
Loans and borrowings	27	(67 406)	(40 468)
Lease liabilities	22	(6 624)	(3 775)
		(119 255)	**(46 328)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis of financial liabilities with variable interest rate

As at 31 December 2019, the change in interest rates by 1 percentage point would result in an increase (a decrease) of the interest expenses before capitalization in the inventory balance by RUB 323 million (31 December 2018: RUB 79 million).

(e) Fair values and carrying amounts

As at 31 December 2019 and 31 December 2018 the carrying amounts of the Group's financial assets and liabilities did not differ significantly from their fair values, except for bonds. As at 31 December 2019 the fair value of bonds, net of those purchased by the Group, exceeded their carrying amount by RUB 1 272 million (31 December 2018: RUB 1 413 million).

(f) Capital management

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board of Directors monitors capital structure goal defined as net debt divided by Earnings before interest, income taxes, depreciation and amortisation (EBITDA). The calculation of net debt and EBITDA is disclosed in note 39.

32 Contingent liabilities

(a) Insurance

The insurance industry in the Russian Federation is in a developing stage and many forms of insurance protection common in other parts of the world are not yet generally available.

The Group has insured its property and equipment to compensate for expenses arising from accidents. The Group has also insured certain professional and financial risks in relation to the quality of construction works. The Group does not have full coverage for business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group's property or relating to Group's operations.

The Group does not have insurance in respect of any "force majeure" circumstances, which may arise in relation to constructed buildings in the period after the sales have been recognised until the time when ownership rights are registered with the customer or acceptance act is signed in respect of share participation agreements. The risk of damage in case of "force majeure" circumstances in these periods is borne by the Group.

The Group transfers funds under obligatory insurance contributions to the fund of defense of the legitimate rights of citizens, who are participants of shared participation agreements. Insurance cases under the above agreements include those subject of pledge, as well as bankruptcy of developers, failure to fulfill obligations to participants of shared participation agreements on transfer of the item to them as established in the agreement. The minimum established insurance amount under these insurance contracts is equal to the sum of concluded shared participation agreements.

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 involved in various claims and legal proceedings relating to contracts with customers to supply properties, construction materials and construction services. As at 31 December 2019 the Group made a provision for litigation claims, which have a high probability of funds outflows amounted RUB 2 169 million and included these liabilities in accounts payable (as of 31 December 2018: RUB 1 382 million). Also, Management believes that an additional outflow of economic benefits of RUB 467 million is possible, but unlikely (as at 31 December 2018: RUB 654 million). The legal claims are expected to be settled in the next reporting period.

(c) Taxation contingencies

Taxation system

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 remains open for review by the tax authorities during the three subsequent calendar years. Recent events within the Russian Federation demonstrate that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

In addition, a number of new laws introducing changes to the Russian tax legislation have been recently adopted. In particular, starting from 1 January 2015 changes aimed at regulating tax consequences of transactions with foreign companies and their activities were introduced, such as the concept of beneficial ownership of income, taxation of controlled foreign companies, tax residency rules, etc. These changes may potentially impact the Group's tax position and create additional tax risks going forward. This legislation and practice of its application is still evolving and the impact of legislative changes should be considered based on the actual circumstances.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Group's 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, these interpretations by the tax authorities and courts could be different, especially considering the recent reform of the higher courts, responsible for arbitration of tax disputes, and the effect on these consolidated financial statements, if the tax authorities will be successful in enforcing their interpretations, could be significant.

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 although the management of such suppliers is fully responsible for completeness and timelessness of tax payments. Management has not recognised any provisions for such liabilities in these consolidated financial statements, since the risk estimate of cash outflow related to the settlement of these liabilities is assessed as possible but not high. 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, but they can be significant.

(d) Warranties for work performed

According to the Russian legislation, the Group is 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 three years from the date of the sale. Based on prior experience with warranty claims, which have not been significant, no contingent liabilities have been recognised in these consolidated financial statements in relation to warranties for work performed.

33 Significant subsidiaries

As at 31 December 2019, the Group controlled 312 legal entities (31 December 2018: 202). Their assets, liabilities, revenues and expenses are included in these consolidated financial statements.

The most significant subsidiaries are listed below:

		Effective ownership		Voting rights	
	Country of incorporation	31 December 2019	31 December 2018	31 December 2019	31 December 2018
JSC "Pervaya Ipotechnaya Kompanya-Region" ("PIK-Region")	Russia	100%	100%	100%	100%
JSC "PIK-Industry"	Russia	99%	99%	99%	99%
LLC "GP-MFS"	Russia	100%	100%	100%	100%
LLC "Tyrone"	Russia	100%	100%	100%	100%
LLC "Lotan"	Russia	100%	100%	100%	100%
CJSC " Spetsialyzirovany Zastroyschik Mone	Russia	100%	100%	100%	100%
LLC "Zagorodnaya usadba"	Russia	100%	100%	100%	100%
LLC "RegionInvest"	Russia	100%	100%	100%	100%
LLC "GP-MSK"	Russia	100%	100%	100%	100%
LLC "PIK-Comfort" (note 8(a))	Russia	100%	-	100%	-

34 Related party transactions

(a) Parent and ultimate controlling party

As at 31 December 2019 and 31 December 2018 there were no immediate or ultimate parent companies.

As at 31 December 2019, the Company is ultimately controlled by Mr. Sergey E. Gordeev, who owns 59.16% of the Group's ordinary shares (31 December 2018: 74.81%).

(b) Key management personnel remuneration

Key management remuneration accrued during the year is represented in following table:

mln RUB	**2019**	**2018**
Salary and bonuses	1 952	1 524
Insurance premium	325	248
Total	**2 277**	**1 772**

(c) Transactions with related parties

Related parties' balances

mln RUB	31 December 2019	31 December 2018
Advances issued	933	99
Loans issued	12	-
Accounts receivable	9	339
Advances received	(3)	(14)
Accounts payable	(13)	(372)
Total	**938**	**52**

(d) Transactions with other related parties

During 2019 executive directors of the Company purchased residential apartments in uncompleted buildings for the total amount of RUB 18 million and apartments in completed buildings of RUB 35 million from the Group (in 2018: RUB 4 million in buildings under construction).

35 Transactions with the Government

(a) Control relationship

In July 2019 one of the largest Russian banks ("the Bank"), controlled by the government, acquired Group's ordinary shares increasing its share up to 23.05% of Group's share capital. At the same time, the Bank did not participate in the decision-making process by having representatives in the Board of Directors of the Company. Significant transactions with the Bank are provided below.

Balances with the Bank

mln RUB	31 December 2019
Financial instruments measured at fair value through profit or loss	10 377
Advances issued	767
Receivables	25
Loans and borrowings	(60 557)
Interest payable	(967)
	(50 355)

Transactions with the Bank

mln RUB	2019
Acquisition of land plots	3 330
Revaluation of cash-settled financial instruments	3 138
Interest income	322
Interest expense	(1 285)
Commercial expenses	(361)
Other finance costs	(12)
Total	**5 132**

The key terms for financial instruments are disclosed in notes 25 and 27.

(b) Transactions with the State

In addition, the Group conducts transactions with a number of entities under control or joint control of the Russian Federation. The Group applies an exemption provided by IAS 24 "Related Party Disclosures", which allows the disclosure of transactions with entities related to the Government in a simplified manner.

The Group conducts operations with enterprises related to Government, which are part of ordinary activities and are carried out on conditions comparable to the terms of activities with enterprises not related to Government. Such operations include, but are not limited to, providing the construction, general constructor's and technical customer services, the lease of land for development projects, purchasing the construction services, and contributions to the fund of the protection of the rights of citizens participating in shared construction. Those transactions that exceeded RUB 1 000 million in 2019, according to management estimates, amounted to at least 55.77% of the revenues from sale of construction services and about 5.3% of the costs of sales in the second half of 2019. As at 31 December 2019, outstanding balances with government-related enterprises do not exceed RUB 2 261 million of assets and RUB 12 405 million of liabilities of the Group.

36 Subsequent events

In the first quarter of 2020, there were significant shocks on the world markets caused by the outbreak of coronavirus and a sharp decline in oil prices affected stock indices, a drop in the prices of most stocks exchange and financial instruments, as well as decline in value of Ruble against other currencies. These events increase the uncertainty in operating activities in the Russian Federation and affect the accuracy of the assumptions made in many of the estimates used in these consolidated financial statements. The Group is in the process of assessing the impact of the described circumstances on the consolidated financial statements.

37 Significant accounting policies

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group (note 8).

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised 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 acquire; less
- the net recognised amount (generally, fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, 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.

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

(ii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interest in subsidiaries registered in the form of limited liability companies, whose charters provide for the option for one participant to withdraw at their request and for payment of the value of its interest, is recognised in other payables. When the net assets of subsidiaries in the form of limited liability companies are negative, no non-controlling interest is recognised.

(iii) Subsidiaries

Subsidiaries are companies controlled by the Group. The Group controls a company when it is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. 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 have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those companies in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another company. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method and are recognised initially at cost. 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, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that 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 an obligation or has made payments on behalf of the investee.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Revenue

(i) Revenue from sale of real estate objects

Revenue from the sale of real estate property is measured at the consideration received or receivable, net of allowances and trade discounts, if any, and includes significant financing component that reflects the price that a customer would have paid for real estate objects if the customer had paid cash when (or as) performance obligations is satisfied. Non-cash consideration is measured at the fair value of transferred goods or services.

The revenue is recognised at a point in time or over time when the control is being transferred to the customer.

The transfer of control or the time of performance obligation satisfaction depends on individual terms of a contract with a customer. The major part of the Group's revenue is represented by share participation agreements.

In cases when the sale of real estate is performed in accordance with requirements of the Federal Law No.214-FZ, according to which the developer is entitled to the full amount of consideration under the contract if the construction of an object is completed without violation of terms of the share participation agreement, and the customer has no right to waive the contract obligations unilaterally on the pre-trial basis, the revenue is recognised "over time" according to the stage of completion.

The Group uses the input method to measure the progress towards satisfaction of the performance obligation, based on the ratio of costs actually incurred to total planned costs.

The stage of completion of the contract is measured monthly as the proportion of actual costs to budgeted costs. Herewith, the costs to acquire or rent land plots and the construction of social and cultural infrastructure are excluded from actual and budgeted costs and are recognised in the cost of sales for the period when control for real estate properties passed to the buyers.

The Group measures a significant financing component at the date of agreement registration using incremental borrowing rate for the Group as a discount rate and taking into account the term of construction. For payments in installments, the Group uses the borrowing rate available to individuals for purchase of real estate. A significant financing component is included in the total transaction price and is recognised for in revenue for the period according to the stage of completion.

The approach for determining revenue from sales contracts is similar to the approach defined for shared-participation agreements.

The transaction price in sales to customers using the escrow accounts is determined taking into the account the economy from decrease in interest base rates on project financing depending on cash places by customers on escrow accounts. Any change in initial estimate of such savings is recognized at the time when such change takes place.

(ii) Revenue from construction services and designing

Income and expenses from construction contracts are recognised in profit or loss and other comprehensive income over time using the input method for measuring the stage of completion.

Costs related to contracts are recognised as soon as they are incurred. Anticipated loss from the contract is immediately accounted for in the consolidated statement of profit and loss and other comprehensive income.

The revenue of subsidiaries from construction services to a third-party technical supervisor who renders services of technical supervision to other entities of the Group are classified as intragroup sales and eliminated by reducing the total amount of revenue and the corresponding amount of cost of sales.

(iii) Revenue from maintenance services

Such revenues mainly include provision of maintenance and management services for residential buildings and heating, water and energy supply, which are recognised in the statement of profit or loss and other comprehensive income over time. Contract costs are recognised as incurred.

(iv) Other revenue

Other revenue generally consists of revenue from the sale of construction materials and is recognised in profit or loss as exercised.

(c) Other expenses

(i) Social expenditure

The Group contributes to social programs and charity, and recognizes the respective costs in the profit or loss as incurred.

(d) Finance income and costs

Finance income comprises interest income on funds invested, gains on disposal of financial assets, foreign exchange gains, unwinding of discount, accounted for on initial recognition of financial instrument, and significant financing component for installment payments from customers. Interest income is recognised using the effective interest method.

Finance costs comprise interest expense on borrowings, lease liabilities, losses on disposal of financial assets, unwinding of discount, accounted for on the initial application, significant financing component for advances obtained from customers, and impairment losses recognised on financial assets.

Such categories as foreign exchange differences and significant financing component are presented in net amounts.

Interest expenses directly attributable to the cost of land plots, the construction of social infrastructure, or other qualifying assets, which require considerable time to be prepared for planned use or sale, are included in the cost of such assets until they will be recognised as cost of sales.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign exchange gain or loss is are recognised as net financial income or financial expense, depending on whether they reflect the net profit or net loss.

(e) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies 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 denominated in functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost denominated 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.

(f) Employee benefits

(i) Contributions to state pension fund

A defined contribution plan is a post-employment benefit plan under which a company pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay any additional amounts. Obligations for contributions to defined contribution pension plans, including Russia's State Pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan, which are due more than 12 months after the end of the reporting period in which the employees render services under labor agreements, are discounted to their present value.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided in accordance with labor agreements. 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 service provided by the employee, and the this liability can be estimated reliably.

(g) 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) Provision for costs to complete

According to the development projects' terms, the Group commits to construct social and cultural infrastructure which will be transferred to authorities and governing bodies. During the construction, the Group includes in its cost of construction all expenditures for such objects even if they are not incurred and recognises a provision for the cost to complete. The estimated future costs are apportioned to properties being built and sold proportionally to the square meters and are recognised with reference to the stage of completion of each property. In the event of costs being related to acquisition of a new project, the provision is created in full amount.

(ii) Tax provisions

The Group provides for tax exposures, including interest and penalties, when the tax becomes payable according to the effective laws and regulations. Such provisions are maintained, and updated if necessary, for the period over which the respective tax positions remain subject to review by the tax authorities. Upon expiry of the review period the provisions are released. Tax provisions are recognised as part of income tax expense or cost of sales.

(iii) Legal costs

A provision is recognised if it is probable that the Group will lose the litigation in which the Group is the respondent and the need arises to settle the obligation.

(iv) 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.

(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.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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/other expenses in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

- buildings 20-60 years;
- plant and equipment 5-25 years;
- fixtures and fittings 5-10 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(i) Intangible assets

(i) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

(ii) Customer base

Customer bases are recognised as a result of business combinations and are carried at fair value at the acquisition date. In cases where the term cannot be determined, intangible assets are not depreciated. The customer base is tested for impairment at each reporting date.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

(v) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are 3 to 10 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in construction or for administrative purposes.

Investment property comprises land plots with undetermined future use.

Investment property is initially measured at cost and subsequently measured at fair value with any change therein recognised in profit or loss.

When the use of a property changes such that it is reclassified to property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

The Group reclassifies land plots from investment property to inventories when such land plots are included in the two-year operational construction plan.

(k) Financial instruments

(i) Recognition and initial measurement

Trade accounts receivable and issued debt securities are recognised at the moment of origin. All other financial assets and liabilities initially recognised when the Group becomes a party to the contractual provision of the mentioned instruments.

Financial assets (unless they are trade receivables without a significant financing component) or financial liabilities are initially recognised at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue. Trade receivables which do not contain significant financing component are initially measured at transaction price.

(ii) Non-derivative financial assets – classification and measurement

Financial assets are reclassified subsequently to initial recognition only when the Group changes its business model for managing financial assets. In this case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Financial assets are measured at amortised costs only if the assets meet both of the following conditions and are not designated as at FVTPL:

- asset is held within a business model whose objective is to hold assets to collect contractual cash flow; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to the 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 realizing 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 effects the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- management compensation (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected);
- 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.

Subsequent measurement of financial assets can be performed by following accounting methods:

- ***Financial assets at fair value through profit and loss*** are measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss for the period.
- ***Financial assets at amortised cost*** are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- ***Debt investments at fair value through other comprehensive income*** are measured at fair value. Interest income calculated using effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
- ***Equity investments at fair value through other comprehensive income*** are measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Non-derivative financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Cash from from contracts with customers placed accrued on escrow accounts are not recognised in the Group's accounting until the time when conditions are satisfied for cash to be transferred to the Group. Project financing obtained by the Group on reduced rate due to escrow accounts are measured at fair value on initial recognition.

(iv) Derecognition – financial liabilities

The Group derecognised financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

The Group derecognised financial liability when its terms are modified so that cash flows on the modified liability change significantly. In this case new financial liability with modified terms is recognised at fair value. The difference between carrying value of the previous financial liability and fair value of new financial liability with modified terms is recognised in profit or loss.

If a modification of terms (or replacement of a financial liability) does not lead to derecognition of a financial liability, the Group uses accounting policy and adjusts gross carrying amount of a financial asset in cases when a modification of terms does not lead to derecognition of a financial asset, that means the Group recognizes any adjustment of amortised cost of a financial liability arised due to such modification (or replacement of a financial liability) in profit or loss at the date of modification of terms (or replacement of a financial liability).

Changes in contractual cash flows of a financial liability are not considered as a modification of terms if they result from current terms of a contract, for example, change of interest rates due to change of a key rate of CBRF if a respective borrowing contract allows banks to change interest rates and the Group has the right of anticipated repayment on nominal value without any substantial penalties. Changes of interest rates to market value due to changes in market conditions are accounted by the Group similarly to financial instruments with floating rate, that means the interest rate is reviewed perspectively.

(v) Derecognition – financial assets

The Group derecognised a financial asset when the contractual rights to cash flows from the financial asset expire, or it transfer the rights to receive the contractual cash flows in a transaction in which substantially all of 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 does not retain control of the financial asset.

(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 release the asset and settle the liability simultaneously.

(vii) Financial guarantee agreements

The financial guarantee contracts entered into to guarantee the indebtedness of third and related parties are accounted for in accordance with IFRS 4 "Insurance contracts".

(l) Share 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.

(m) Right-of-use assets and lease liabilities

The contract portfolio of the Group consists mostly of leases of land plots for construction of residential property for sale, buildings, equipment, vehicles.

The Group applies the following principles in accounting for land lease agreements:

- agreements where lease payments are assumed to grow annually according to base rates and rates and/or depend on the cadastral value, so they could be changed on a unilateral basis by the lessor, are considered as unpredictable and variable and recognised when incurred;
- payments for change of authorised type of usage under the lease agreement are accounted for as lease payments and are included in the calculation of lease assets and liabilities;
- in cases, when there is a reasonable assurance that the Group will exercise the option to purchase the land, provided in the lease agreement, the redemption amount is included in the lease payment schedule. At the same time, many agreements contain the obligation to buy the land plot, but the Group can default it without a significant impact on its financial results and without incurring material expenses. Under such agreements the Group considers that a reasonable assurance arises only if the decision to construct the residential property on the land plot has been made;
- the lease term which used in the calculations equals the period when the agreement could not be canceled unilaterally.
- the Group also takes into account the right to extend or early terminate the lease which can be used by the Group under reasonable assurance. Herewith the term of construction of residential property on relevant leased land plots and investment strategy of the Group are taken into account.

The lease liability is accounted for as the present value of future lease payments. Lease payments are discounted using the incremental borrowing rate of the Group. The land plots in the form of right-of-use assets where the construction is underway are included in the cost of construction, depending on the percentage of completion of each building. Amortisation of other lease assets is carried out on a straight-line basis over the useful life of the asset and is recognised in administrative expenses when the asset is used for administrative purposes, and as part of the cost when it is used for production purposes. Amortisation of right-of-use assets on those land plots where active construction has not yet begun, is included in other expenses, and right-of-use assets for office premises are included in administrative expenses.

(n) Inventories

Inventories include construction in progress when the Group acts in the capacity of a developer and the real estate is intended for sale, as well as prepayments made to invest in the construction of properties for sale, raw materials, other work in progress and finished goods.

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of real estate properties under construction is determined based on direct costs of each building, general construction costs, land acquisition costs, rights-of-use assets and costs to construct infrastructure and social facilites, etc., allocated to individual apartments on a pro-rata basis relative to their size. The costs of real estate property comprise costs of construction and other expenditure directly attributable to a particular development project.

When performing construction of the residential real estate, the Group may assume additional obligations, including:

- delivery of certain properties to the local authorities upon completion of the construction, e.g., schools, kindergartens, etc, free of consideration receivable;

- construction of certain infrastructure facilities, e.g., electricity, sewage systems, roads;
- construction of certain objects for public use, where the expected compensation from the buyers will not completely reimburse the Group's the costs incurred, e.g., certain parking spaces;
- entering into agreements with local authorities to complete construction of certain residential properties where apartments were pre-sold by a predecessor developer to the general public, however, the construction was subsequently stopped due to insolvency of such predecessor developer or other similar reasons.

If the fulfillment of the terms of such obligations is directly related to the construction of the residential real estate by the Group, such costs are included in the total costs of construction of properties that these obligations relate to.

The total cost of construction includes direct and indirect construction and installation expenses, acquisition of land plots/rights-of-use assets, site improvements, construction costs of social and cultural infrastructure and interest expenses related to qualified assets. At the same time, only those costs of construction that are transferred to customers or in their common ownership after the completion of a project are included in calculation of construction completion. A qualified asset for interest capitalization purposes is the actual cost of land plots, right-of-use assets, social and infrastructure facilities from the date of their active development until obtaining a permission for beginning of their operation.

General, indirect and similar costs directly related to the development project are allocated between constructed properties proportionally to square meters, being sold.

The cost of inventories except for construction in progress, intended for sale, and resources invested in construction of property, intended for sale, is calculated using weighted average costs and includes purchase costs, production and processing expenditures, and other expenses on the transportation to the current location and bringing to the current condition. The cost of manufactured inventories and work in progress includes the proportion of overheads based on standard production capacity.

The Group's normal operating cycle for a construction project may exceed twelve months. Inventories are classified as current assets even when they are not expected to be sold within twelve months after the reporting date.

(o) Impairment

Non-derivative financial assets

Financial instruments and contract assets

The Group recognizes loss allowances for expected credit losses (ECL) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for debt securities and bank account balances, which are measured at 12-month ECLs if it has been determined that as at the reporting date they have low credit risk, or credit risk (i.e., the risk of a default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group allocates investments and significant receivables, measured at amortised cost, contract assets to credit risk exposure categories using data projecting the risk of losses including, but not limited to, external ratings, financial statements, available public information, credit history and collateral. The Group calculates the expected credit losses based on a developed schedule where each category relates to risk magnitude and losses probability scales published by international and Russian rating agencies.

Expected credit losses on receivables of services rendered by the "Maintenance" segment are calculated based on the payment delay period and the actual credit losses over the past two years.

Generally, an impairment allowance on accounts receivable is subsequently may be utilised against losses except for cases when the Group is definite in non-repayment and recognizes the loss directly as a reduction of a financial asset.

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 30 days past due.

The Group considers a financial asset to be 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 90 days past due.

A default on financial assets relating to maintenance and utility services contracts occurs when the following conditions are met:

- the asset was recognised more than twelve months before the reporting date;
- no payments from customers are received for twelve months before the reporting date.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- the significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due; for financial assets relating to maintenance and utility services contracts more than 365 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

- the borrower will probably enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the asset.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portioned thereof. For corporate customers, the Group individually assesses concerning the timing and amount of write-off based on weather there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each reporting date.

For impairment testing, assets that cannot be tested individually are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

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

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be 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 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 company, or on different tax companies, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax measurement is affected by the tax consequences of the method the Group intends to recover the carrying amount of assets and or to settle liabilities at the end of the reporting period.

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.

(q) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(r) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group`s other components. Operating results of the segments are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

38 New Standards

Two new standards become effective for annual periods beginning after 1 January 2019 with earlier adoption permitted. However, the Group did not make an early transition to new and amended standards in preparing these consolidated financial statements.

The following amendments to Standards and interpretations are not expected to have a material impact on the Group's consolidated financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of "business" (amendments to IFRS 3 "Business combinations")
- Determination of materiality (amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors")
- IFRS 17 "Insurance Contracts"
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures).

39 Non-IFRS measures

Net debt

mln RUB	Note	31 December 2019	31 December 2018
Loans and borrowings, excluding project financing	27	64 350	59 160
Project financing	27	75 197	3 086
Less: Cash and cash equivalents	23	(66 208)	(58 601)
Net debt		**73 339**	**3 645**

Net debt, less cash placed on escrow account

mln RUB	Note	31 December 2019	31 December 2018
Loans and borrowings, excluding project financing	27	64 350	59 160
Project financing	27	75 197	3 086
Less: Cash and cash equivalents	23	(66 208)	(58 601)
Less: Escrow accounts balances	23	(16 061)	(1 145)
Net debt		**57 278**	**2 500**

Development capital expenditures except for cash paid for the acquisition of land plots/right-of-use assets

mln RUB	Note	2019	2018 (restated)
Change in:			
Construction in progress, intended for sale	19	53 186	1 782
Finished goods and goods for resale	19	(482)	4 338
Right-of-use assets	19, 22	1 912	(1 489)
Advances to suppliers and contractors	21	4 672	(813)
Advances issued for land plots acquisition	21	2 534	(4 908)
Accounts payable related to development contracts and other trade payables	30	5 123	(4 318)
Accounts payable for acquisition of land plots/lease rights	22, 30	(3 157)	67
Provisions for cost to complete and provision for onerous contract	29	(3 385)	1 860
Exclusion of the impact of capitalization of interest expenses on construction in progress	5	(4 624)	(7 051)
Reclassification of investment property	18	(11 412)	(5 407)
Transfer from inventories to property, plant and equipment	16	3 937	3
		48 304	**(15 936)**
Cost of sales of real estate objects		167 846	185 214
Exclusion of the impact of capitalization of interest expenses on construction cost	5	(5 462)	(872)
Acquisition of land plots for development, including purchase of subsidiaries	19	(37 390)	(21 490)
Payment of accounts payable for the acquisition of land plots/right-of-use asset		4 645	2 474
Advances issued for purchase of land plots/right-of-use asset		(6 044)	(1 562)
Development capital expenditure except for cash paid for the acquisition of land plots/lease rights		**171 899**	**147 828**

Proceeds from sales of real estate

mln RUB	Note	2019	2018 (restated)
Revenue from sales of real estate objects	10	233 318	235 791
Proceeds from sales of real estate with the use of escrow accounts	23	14 916	1 145
Less: Significant financing component recognised in revenue	10	(7 170)	(10 069)
Change in accounts receivable including contract assets	10	(8 236)	588
Change in advances received from customers	10	(6 767)	(3 436)
Cash collections from sales of real estate objects		**226 061**	**224 019**

Earnings before interest, taxes, depreciation and amortisation (EBITDA)

mln RUB	Note	2019	2018 (restated)
Profit and total comprehensive income for the period		45 113	26 893
Plus: Depreciation of property, plant and equipment and amortisation of intangible assets	16, 17	3 024	2 237
Plus: Interest expense	11	2 837	2 901
Plus: Significant financing component on contracts with customers		5 166	3 910
Less: Interest income	11	(3 223)	(2 749)
Plus: Income tax expense	15	14 125	8 739
EBITDA		**67 042**	**41 931**

Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA)

mln RUB	Note	2019	2018 (restated)
EBITDA		**67 042**	**41 931**
Less: Significant financing component recognised in revenue	10	(7 170)	(10 069)
Impairment (gain)/loss on non-financial assets, net	24	(91)	180
Profit from reversal of impairment included in cost of sales, net	19	(324)	(1 198)
Change in fair value of investment property	18	20	70
Income from profitable acquisition of subsidiaries	12	(4 719)	(1 298)
Impairment loss on financial assets	11	408	668
Reversal of write-off of accounts payable	11	(525)	(114)
Foreign exchange gain, net	11	(31)	(264)
Loss on disposal of property, plant and equipment	12	18	200
(Gain)/Loss from disposal of development rights and subsidiaries	9	(668)	30
Penalties and fines, including provisions for legal disputes, net	12	1 858	1 787
Write-off of other materials	12	194	79
Other finance income	11	(778)	(179)
Exclusion of revaluation of cash-settled financial instruments	11	(3 138)	(3 183)
Interest expense written off against cost of sales	11	5 762	3 127
Adjusted EBITDA		**57 858**	**31 767**

*****

Supplementary information not required by IFRS

Adjusted EBITDA excluding cost of land plots

mln RUB	2019	2018
Adjusted EBITDA	57 858	31 767
Cost of land plots included in the cost of sales	8 413	8 875
Cost of acquisition of projects recorded at fair value included in the cost of sales	8 515	12 231
Adjusted EBITDA excluding cost of land	**74 786**	**52 873**

Net cash from operating activities before acquisition and sale of land plots/right-of-use assets and prepayments for land plots right-of-use assets

mln RUB	2019	2018
Net cash from operating activities before changes in inventories, trade and other receivables and paybles and provision for cost to complete	**52 584**	**33 023**
Changes in:		
Inventories before acqusitions and sale of land plots/right-of-use assets	(5 910)	23 357
Trade and other receivables, including contract assets and excluding prepayments for land plots/right-of-use assets	(23 377)	5 693
Trade and other payables, including contract liabilities and changes in the provision for taxes, except for income tax	(7 228)	5 202
Provisions	(3 670)	1 952
Cash flows from operations before income taxes and interest paid and before acqusitions and sale of land plots/right-of-use assets and prepayments for land plots/right-of-use assets	**12 399**	**69 227**
Income taxes paid	(8 390)	(5 446)
Interest paid	(8 070)	(8 861)
Net cash flows from operations before acquisitions and sale of land plots/right-of-use assets and prepayments for land plots/right-of-use assets	**(4 061)**	**54 920**
Acquisition of land plots/right-of-use assets for the future development, including acquisition of subsidiaries	(37 390)	(21 490)
Income from sales of land plots/right-of-use assets	283	(1 380)
Accounts payable for acquisition of land plots/right-of-use assets	4 645	2 474
Prepayments for land plots/right-of-use assets	(6 044)	(1 562)
Net cash (used in)/from operating activities	**(42 567)**	**32 962**

KPMG

Independent Auditors' Report

To the Shareholders of PJSC Group of Companies PIK

Opinion

We have audited the consolidated financial statements of PJSC Group of Companies PIK (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 materials 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.

Audited entity: PJSC Group of Companies PIK

Registration No. in the Unified State Register of Legal Entities 1027739137084

Moscow, Russia

Independent auditor: 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 Organizations: No. 12006020351

Acquisition of subsidiaries	
Please refer Note 8(a) to the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
In July 2019, the Group acquired control over companies engaged in provision of services to and management of residential buildings and other real estate properties. As a result of the business combination, the Group recognized income in the amount of RUB 4,719 million. For the purposes of the purchase price allocation to identifiable assets and liabilities, the Group determined their fair values as at the acquisition date. Intangible assets, in particular the client bases, represent significant part of the acquired identifiable assets. Fair values of the client bases were determined using the discounted cash flow models. This approach involves usage of assumptions regarding future tariffs, period of services provision, margins earned and discount rates. Fair value measurement requires professional judgment and is subjected to significant uncertainty due to material volatility of the economic environment.	We analyzed documents provided by the management to confirm the moment of control transfer over the acquired companies to the Group. We determined whether management judgments related to the identification of assets and liabilities acquired by the Group as a result of business combination are reasonable. We involved our own valuation specialists to analyze the selected fair value models of acquired intangible assets, prepared by the independent appraiser, including the methodology used in the calculations, projected changes in tariffs and discount rates. We compared expectations applied in the models to historical information and critically assessed comments on deviations identified, and compared, on a sample basis, amount of service areas by the companies to the publicly available information.

Accuracy and completeness of revenue recognition	
Please refer Note 10 to the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The Group applies IFRS 15 *Revenue from Contracts with Customers* from 2018, which in most cases shall mean that revenue from contracts with customers should be recognised over time taking into account the significant financing component.	We analyzed the Group's accounting policy on revenue recognition and the methodology applied by the management to calculate revenue, cost of sales and significant financing component. On a sample basis, we compared components of the budgets used to

Revenue is recognised over time measuring the progress towards complete satisfaction of the performance obligation using the input method. Budgeting the construction costs necessary to assess the stage of completion, involves high level of professional judgment and assumptions and is also subject to uncertainty due to economic environment's volatility, changes in legislation and length of operating cycle. Moreover, revenue and significant financing component calculations, as well as allocation of general costs to the cost of real estate properties are complex and have material impact on the consolidated financial statements.	determine progress towards complete satisfaction of the performance obligation with the parameters of construction projects 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 completed projects and critically assessed comments obtained on significant deviations identified. We tested controls over recognition of actual construction costs incurred. Among other procedures, we agreed on a sample basis costs incurred to the supporting documentation. We recalculated progress towards complete satisfaction of the performance obligation for selected groups of contracts in buildings of different projects. We agreed, on a sample basis, input data used in revenue calculations to contracts with customers. We ensured that applied discount rates reconcile in general to interest rates available to obtain financing checked, on a sample basis, the mathematical accuracy of significant financing component calculation and amount of interest expense included in the cost of construction. We tested the formation of transaction price and the amount recognized in revenue from sale of real estate properties during the reporting period for selected groups of contracts in buildings of different projects.

Accuracy and completeness of inventory impairment recognition

Please refer Note 19 to 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 270,967 million as at 31 December 2019 and mostly comprise unsold properties in real estate	We analyzed financial models of development projects used to identify projects wherein properties may be sold with

development projects, as well as land plots, right-of-use assets and infrastructure construction costs attributable to sold properties not recognized in cost of sales. Besides, construction in progress acquired through the business combination in 2016 and accounted for at fair value on initial recognition significantly expanded the Group's operations and are particularly sensitive to changes in market conditions. While preparing the consolidated financial statements, the Group analyzed construction in progress in order to identify properties with carrying amounts in excess of their net realizable value as at the reporting date. For the purpose of this analysis, financial models for development project were prepared with assistance of the independent appraiser. As a result of this analysis, impairment of inventories amounted to RUB 3,059 million as at 31 December 2019. The identification of impairment and its assessment require significant efforts and professional judgment. The analysis is based on forecasts and assumptions, which are subject to significant uncertainty.	a negative or low margin and for the assessment of net realizable value. We compared total costs per financial models of development projects to the costs in other projects with similar characteristics and critically assessed significant inconsistencies identified. We involved our own valuation specialists and tested, on a sample basis, the financial models of development project prepared by the independent appraiser and critically assessed the key inputs, including the following: ▪ on a sample basis, we compared components of costs to complete the development projects in the models to the characteristics of the projects as set out in the respective construction permit documentation and actualised budgets; ▪ we compared on a sample basis actualised budgets to their previous versions at prior reporting dates and critically assessed explanations of significant changes obtained from management; ▪ we compared on a sample basis forecasted selling prices in on-going projects to actual prices, available in open sources, offered by the Group and its competitors in similar projects. We used our own models to test the accuracy of the models prepared by the independent appraiser.

Accuracy and completeness of provision for costs to complete

Please refer Note 29 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Due to a long operating cycle of the development project, a significant share of general project costs forming the full cost of construction may be incurred subsequent to the satisfaction of a performance obligation under contracts with customers and corresponding revenue recognition. As construction of real estate properties progresses, the Group includes in construction costs expenditures incurred to construct engineering networks, roads, social and other infrastructure not subject to be transfered to joint ownership of customers, based on the stage of completion, and recognizes respective provision for costs to complete if such costs are incurred later. As at 31 December 2019, the provision for costs to complete amounts to RUB 21,895 million. Such provision is assessed at each reporting date using actualised budgets and depends on the individual characteristics of the properties to be constructed and estimation of their costs and construction timeline, which are exposed to significant uncertainty.	We analyzed the Group's budgeting procedures to forecast costs to complete and the approach used to allocate general costs to real estate properties constructed and being sold by the Group. On a sample basis, we compared the components of the budgets with characteristics of the projects as set out in the relevant construction permit documentation as well as to the corresponding decisions made at the Group's investment committees. On a sample basis, we compared the actualised budgets with their previous versions, which were used to calculate the provisions for costs to complete at the previous reporting date, obtained and critically assessed management's explanations for significant changes. We compared the cost of construction of a square meter in projects where the provision for costs to complete was recognised as at 31 December 2019, with the cost of construction of a square meter in comparable other projects, which were completed in the current and prior reporting periods, and critically assessed explanations obtained for significant deviations identified. We compared the budgeted cost to construct the significant social and other infrastructure objects with the actual cost of construction of similar objects in other projects of the Group.

Emphasis of matter – comparative information

We draw attention to Note 5 to the consolidated financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2018 has been restated due to the change in the accounting policy regarding capitalization of interest expenses. Our opinion is not modified in respect of this matter.

Other matter relating to comparative information

As part of our audit of the consolidated financial statements as at and for the year ended 31 December 2019, we audited the adjustments described in Note 5 that were applied to restate the comparative information presented as at and for the year ended 31 December 2018 and the consolidated statement of financial position as at 1 January 2018. In our opinion, the adjustments described in Note 5 are appropriate and have been properly applied.

Other matter relating to supplementary information

The supplementary information accompanying the consolidated financial statements on page 71 is presented solely for the convenience of users, does not form part of the consolidated financial statements and is unaudited.

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 do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 statement, 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:

Svetlana Fonareva

JSC "KPMG"
Moscow, Russia

22 March 2020

The Issuer

Public Joint Stock Company "PIK-specialized homebuilder"
19, Barrikadnaya str. Building 1,
Moscow, 123242,
Russian Federation

Joint Global Coordinators and Joint Bookrunners

VTB Capital plc
14 Cornhill
London EC3V 3ND
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Morgan Stanley & Co. International plc
25 Cabot Square,
Canary Wharf
London E14 4QA
United Kingdom

JSC "Sberbank CIB"
19, Vavilova Street
Moscow, 117312
Russia

Sberbank CIB (UK) Limited
85 Fleet Street
London EC4Y 1AE
United Kingdom

Joint Bookrunners

Alfa Capital Markets Ltd
5 Themistokli Dervi Street
Elenion Building
1066 Nicosia
Cyprus

Limited Liability Company "ATON"
office No. 39, floor 11, Bldg. 1
20 Ovchinnikovskaya embankment
115035 Moscow
Russia

Credit Suisse International
One Cabot Square
London E14 4QJ
United Kingdom

Bank GPB International S.A. (member of Gazprombank group)
15, rue Bender
L-1229 Luxembourg
Luxembourg

Sova Capital Limited
12th floor, 88 Wood Street
EC2V 7RS London
United Kingdom

Legal Advisors

To the Issuer

as to U.S. and English law
Latham & Watkins (London) LLP
99 Bishopsgate
London EC2M 3XF
United Kingdom

as to Russian law
Latham & Watkins LLP
Ulitsa Gasheka 6
Ducat III, Office 510
Moscow 125047
Russian Federation

To the Joint Global Coordinators and Joint Bookrunners

as to U.S. and English law
Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

as to Russian law
Linklaters CIS
Paveletskaya Sq. 2, bld 2
Moscow 115054
Russian Federation

Auditors to the Group
JSC KPMG
10, Presnenskaya Naberezhnaya
Moscow 123112
Russian Federation