

PJSC Group of Companies PIK
Consolidated Interim Condensed
Financial Statements
as at and for the six-month period ended
30 June 2020

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	7
Consolidated Interim Condensed Statement of Cash Flows	9
Notes to the Consolidated Interim Condensed Financial Statements	11-35
Supplementary information not required by IFRS	36
Independent Auditors' Report on Review of Consolidated Interim Condensed Financial Statements	37

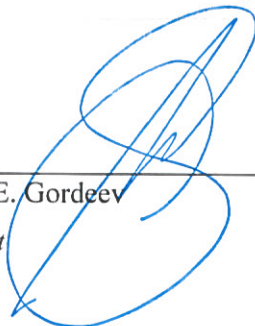
Consolidated Interim Condensed Statement of Financial Position

In million RUB	Note	30 June 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	12	35 171	34 453
Intangible assets	13	13 354	13 454
Investment property	14	6 400	6 626
Equity accounted investees		10	703
Other investments		330	263
Accounts receivable	16	1 242	1 774
Financial instruments measured at fair value through profit and loss	20	12 432	10 377
Deferred tax assets		1 500	593
Total non-current assets		70 439	68 243
Current assets			
Inventories	15	295 108	270 967
Other investments		1 058	217
Income tax receivable		1 852	1 475
Accounts receivable, including contract assets	16	87 085	64 130
Cash and cash equivalents	19	78 051	66 208
Other current assets		1 357	763
Total current assets		464 511	403 760
Total assets		534 950	472 003

Consolidated Interim Condensed Statement of Financial Position

In million RUB	Note	30 June 2020	31 December 2019
EQUITY AND LIABILITIES			
Equity	21		
Share capital		41 295	41 295
Additional paid-in capital		(8 470)	(8 470)
Retained earnings		94 163	75 962
Total equity attributable to owners of the Company		126 988	108 787
Non-controlling interests	24	1 216	1 501
Total equity		128 204	110 288
Non-current liabilities			
Loans and borrowings	23	145 192	109 608
Accounts payable	22	5 226	9 807
Liabilities from long-term lease contracts	17	4 871	4 601
Deferred tax liabilities		24 920	19 856
Total non-current liabilities		180 209	143 872
Current liabilities			
Loans and borrowings	23	30 627	29 939
Accounts payable, including contract liabilities	22	160 697	157 569
Liabilities from long-term lease contracts	17	2 668	2 023
Provisions	26	30 561	25 971
Income tax payable		1 984	2 341
Total current liabilities		226 537	217 843
Total liabilities		406 746	361 715
Total equity and liabilities		534 950	472 003

These consolidated interim condensed financial statements were approved by the Board of Directors on 28 August 2020 and were signed on its behalf by:


Sergey E. Gordcev
President


Elena S. Smakovskaya
Vice-President, Economics and Finance

Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income

In million RUB	Note	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019 (restated)
Revenue from sales of real estate objects accounted for at historical cost		79 816	62 258
Revenue from sales of real estate objects acquired through business combinations and recognized at fair value on initial recognition		27 151	27 863
Other revenue		31 562	13 462
Revenue	7	138 529	103 583
Cost of sales of real estate objects accounted for at historical cost		(55 837)	(45 332)
Cost of sales of real estate objects acquired through business combinations and recognized at fair value on initial recognition		(22 524)	(26 440)
Cost of other sales		(25 292)	(11 064)
Cost of sales		(103 653)	(82 836)
Gross profit from sales of real estate objects accounted for at historical cost		23 979	16 926
Gross profit from sales of real estate objects acquired through business combinations and recognized at fair value on initial recognition		4 627	1 423
Gross profit from other sales		6 270	2 398
Gross profit		34 876	20 747
Gain on disposal of subsidiaries, associates and investment property, net		10	328
Distribution expenses		(3 604)	(3 453)
Administrative expenses	9	(6 284)	(4 993)
Impairment loss on non-financial assets, net	18	(116)	(48)
Other expenses, net	10	(1 309)	(67)
Profit from operating activities		23 573	12 514

Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income

In million RUB	Note	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019 (restated)
Finance income	8	5 300	3 184
Finance costs	8	(3 149)	(1 408)
Significant financing component from contracts with customers		(1 870)	(2 313)
Profit/(loss) from financial activities		281	(537)
Share in losses of equity-accounted investees, net of income tax		(114)	(45)
Profit before income tax		23 740	11 932
Income tax expense	11	(5 754)	(2 317)
Profit and total comprehensive income		17 986	9 615
<i>Attributable to:</i>			
Owners of the Company		18 201	9 663
Non-controlling interests	24	(215)	(48)
Profit and total comprehensive income for the period		17 986	9 615
Basic and diluted profit per share, RUB	21 (b)	27,56	14,63

7

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 11 to 35.

Consolidated Interim Condensed Statement of Changes in Equity

In million RUB

Balance as at 1 January 2020

Profit for the period

Total comprehensive income for the period

Transactions with owners of the Company

Change in non-controlling interest due to restructuring of subsidiaries

Total transactions with owners of the Company

Balance as at 30 June 2020

Note	Attributable to equity holders of the Company				Non-controlling interest	Total equity
	Share capital	Additional paid-in-capital	Retained earnings	Total		
	41 295	(8 470)	75 962	108 787	1 501	110 288
	-	-	18 201	18 201	(215)	17 986
	-	-	18 201	18 201	(215)	17 986
	-	-	-	-	-	-
24	-	-	-	-	(70)	(70)
	-	-	-	-	(70)	(70)
	41 295	(8 470)	94 163	126 988	1 216	128 204

Consolidated Interim Condensed Statement of Cash Flows

In million RUB	Note	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019 (restated)
Cash flows from operating activities			
Profit for the period		17 986	9 615
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment and amortisation of intangible assets	12, 13	1 721	1 320
Impairment losses on non-financial assets, including amounts recognised in cost of sales, net	18	116	48
Loss/(gain) from disposal of property, plant and equipment and other assets	10	91	(29)
Gain on disposal of subsidiaries, associates and investment property, net		(10)	(328)
Share in losses of equity-accounted investees, net of income tax		114	45
Finance income	8	(5 300)	(3 184)
Finance costs	8	3 149	1 408
Income tax expense	11	5 754	2 317
		23 621	11 212
Changes in:			
Inventories		(19 343)	(18 240)
Accounts receivable, including contract assets from contracts with customers*		(23 549)	(14 794)
Accounts payable, including contract liabilities and changes in provision for taxes, other than income tax		(2 284)	218
Provisions		4 611	257
Cash flows used in operations before income taxes and interest paid**		(16 944)	(21 347)
Income taxes paid		(2 485)	(4 775)
Interest paid		(4 244)	(3 443)
Net cash used in operating activities		(23 673)	(29 565)

* Changes in accounts receivable, including contract assets, comprise advances for acquired land plots in the amount of RUB 1 451 million paid in the first half of 2020 (in the first half of 2019: RUB 5 843 million).

** 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 20 139 million (in the first half of 2019: RUB 3 044 million).

Consolidated Interim Condensed Statement of Cash Flows

In million RUB	Note	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019 (restated)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		34	76
Interest received		1 707	1 693
Acquisition of property, plant and equipment and other intangible assets		(976)	(899)
Acquisition of subsidiaries, net of cash acquired	6 (a)	163	-
Acquisition of equity accounted investees, including advances issued for acquisition of investees	6 (b)	-	(1 516)
Proceeds from disposal of associates and subsidiaries, net of cash		1 964	(18)
Proceeds from disposal of investment property		66	-
Loans issued		(219)	(215)
Repayment of loans issued		20	1
Net cash from/(used in) investing activities		2 759	(878)
Cash flows from financing activities			
Payments for cash-settled financial instruments	20	(1 287)	(1 661)
Payments for lease liabilities	17	(1 238)	(2 721)
Proceeds from borrowings		64 645	20 317
Repayment of borrowings		(23 725)	(5)
Proceeds from issuance of bonds		15	13 138
Repurchase of bonds		(5 660)	-
Acquisition of non-controlling interests	6 (c)	-	(22)
Payment of dividends	21 (a)	-	(15 000)
Net cash from financing activities		32 750	14 046
Increase/(decrease) in cash and cash equivalents, net		11 836	(16 397)
Effect of exchange rate fluctuations on cash and cash equivalents		7	-
Cash and cash equivalents at the beginning of the period		66 208	58 601
Cash and cash equivalents at the end of the period		78 051	42 204

Notes to the Consolidated Interim Condensed Financial Statements

1 General information

(a) Organisation and operations

PJSC Group of Companies PIK (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 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 the apartment buildings. During 2020 and 2019 the Group primarily operated in Moscow, Moscow region and other regions of Russia.

As at 30 June 2020 and 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.

In the first quarter of 2020, there were significant shocks in the world market caused by the outbreak of the coronavirus and a sharp decline in oil prices, which, in turn, affected stock indices, led to drop in the quotes of most stocks and financial instruments, as well as a decrease in the value of the Russian ruble against other currencies.

The presented consolidated interim condensed financial statements reflect the management's assessment of the impact of the Russian Federation business environment, as well as events related to the development of the coronavirus pandemic and measures taken by government to constrain the further spread of pandemic and mitigate its impact on the economy and country population, on the operations and financial position of the Group. 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 Group’s going concern and concluded that there is no material uncertainty that could cause 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 to 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”).

(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 at 31 December 2019, with the exception of those described in Note 18, which did not have a significant adverse effect on these consolidated interim condensed financial statements.

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 2019, except for the changes described below.

(a) Changes in accounting policy for capitalization of interest expenses

In the second half of 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, which should provide for a more balanced proportion of interest expenses, recognised for assets, which were constructed using the project financing. According to the amended policy, interest expenses are capitalised into inventory balance as qualifying assets which represent assets that take a substantial period to get ready for their sale. Such assets include land plots, infrastructure and social facilities, constructed over a long period of time, as well as right-of-use assets.

The change in accounting policy has been applied retrospectively by restating comparative information.

Comparative information for the six-month period ended 30 June 2019, previously reported in the consolidated interim condensed financial statements, has been restated as follows:

In million RUB	Before adjustment	Adjustment	After adjustment
Revenue	103 583	-	103 583
Cost of sales	(80 980)	(1 856)	(82 836)
Cost of sales of real estate objects accounted for at historical cost	(44 363)	(969)	(45 332)
Cost of sales of real estate objects acquired through business combinations and recognized at fair value at initial recognition	(25 553)	(887)	(26 440)
Gross profit	22 603	(1 856)	20 747
Profit from operating activities	14 370	(1 856)	12 514
Finance income	3 184	-	3 184
Finance costs	(4 415)	3 007	(1 408)
Significant financing component from contracts with customers	(3 383)	1 070	(2 313)
Profit before income tax	9 711	2 221	11 932
Income tax expense	(2 331)	14	(2 317)
Profit and total comprehensive income	7 380	2 235	9 615
<i>Attributable to:</i>			
Owners of the Company	7 428	2 235	9 663
Non-controlling interests	(48)	-	(48)
Basic and diluted profit per share, RUB	11,25	3,38	14,63

(b) 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 2020 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

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 the six months ended 30 June 2019 is presented in accordance with the updated composition of reportable segments.

(a) Profit and loss of segments

mln RUB	Development		Commercial 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		Six-month period ended		Six-month period ended		Six-month period ended		Six-month period ended		Six-month period ended		Six-month period ended		Six-month period ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
External revenues*	107 001	90 240	15 633	8 758	12 742	3 116	1 031	808	1 235	281	887	380	138 529	103 583												
Inter-segment revenue	2 511	463	7 893	5 773	2 187	513	14 639	14 004	13	3	85	78	27 328	20 834												
Total revenue for reportable segments	109 512	90 703	23 526	14 531	14 929	3 629	15 670	14 812	1 248	284	972	458	165 857	124 417												
Gross profit/(loss) for reportable segment	28 711	18 085	1 827	1 240	3 921	1 221	284	134	109	15	24	52	34 876	20 747												
Gross margin	27%	20%	12%	14%	31%	39%	28%	17%	9%	5%	3%	14%	25%	20%												

* External revenue from "Development" segment includes:

- revenue from sales of residential property recognised over time in the amount of RUB 98 829 million (in the first half of 2019: RUB 83 220 million);
- revenue from sales of non-residential property and parking spaces over time in the amount of RUB 8 138 million (in the first half of 2019: RUB 6 901 million);
- other development revenue in the amount of RUB 34 million (in the first half of 2019: RUB 119 million).

(b) Geographical information

Activities of reportable segments are conducted mainly in three geographical areas named “Moscow”, “Moscow Region” and “Other Regions of Russia” for the purposes of these consolidated interim condensed financial statements.

Segment revenues are presented based on the geographical location of the respective segment’s assets.

mln RUB	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Moscow	89 085	62 907
Moscow Region	40 599	34 186
Other regions of Russia	8 845	6 490
	138 529	103 583

5 Seasonality of operations

The completion of real estate objects is usually performed in the second half of each year.

6 Acquisition of associates, subsidiaries and non-controlling interests

(a) Acquisition of subsidiaries

In the first half of 2020 the Group entered into two agreements with third parties to acquire 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, including RUB 99 million, that were paid in the reporting period, and the remaining part paid in July 2020. The Group has commenced to analyze the result of the acquisitions but has not yet completed it at the reporting date. The purchase price was provisionally allocated to the net assets of the acquired companies as presented below:

mln RUB	30 June 2020
Property, plant and equipment	154
Deferred tax assets	6
Inventories	1 020
Accounts receivable	1 725
Cash and cash equivalents	262
Deferred tax liabilities	(9)
Loans and borrowings	(91)
Accounts payable	(2 870)
Net identifiable assets, liabilities and contingent liabilities	197
Total amount of consideration	197
Consideration paid	99
Unpaid consideration included in accounts payable	98
Cash acquired	(262)
Acquisition of subsidiaries, net of cash acquired	(163)

At the date of acquisition, accounts receivable include accounts receivable from the Group's companies from construction services in the amount of RUB 72 million, advances issued under construction contracts in the amount of RUB 64 million and purchase of construction materials in the amount of RUB 62 million. Accounts payable include advances received prior to the date of the transaction from the Group's companies under contracts for provision of construction services in the amount of RUB 1 757 million and other payables for purchase of construction materials in the amount of RUB 32 million.

There were no acquisitions of subsidiaries in the first half of 2019.

(b) Acquisition of associates

There were no material acquisitions of associates in the first half of 2020.

In the first half of 2019, the Group acquired non-controlling interests in two companies in the service sector, as well as an additional share of 23,02% in the third company in the same industry, increasing its share to 43,02%. The consideration paid amounted to RUB 1 088 million. The share in the net assets of the acquired companies approximates the amount of consideration paid.

(c) Acquisition of non-controlling interests

There were no acquisitions of non-controlling interests in the first half of 2020.

In May 2019 the Group acquired additional 1,01% interest in the leading Russian developer of "Smart house" systems for RUB 22 million and increased its share to 65,01%. The transaction was recognised directly in equity.

7 Revenue

(a) Disaggregation of revenue by timing of revenue recognition

mln RUB	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Revenue from sales of real estate and other development revenue	107 001	90 240
Revenue from sales of residential property recognised over time	98 829	83 220
Revenue from sales of non-residential premises and parking spaces recognised over time	8 138	6 901
Other development revenue	34	119
Revenue from other sales	31 528	13 343
Revenue from other sales of goods and services recognized at a point in time	3 153	1 469
Revenue from construction services recognized over time	15 633	8 758
Revenue from segment "Maintenance", which is recognized over time	12 742	3 116
Total revenue from contracts with customers	138 529	103 583

Significant financing component recognised in revenue for the first half of 2020 amounted to RUB 2 314 million (for the first half of 2019: RUB 2 570 million).

In the first half of 2019, revenue from the sale of real estate related to share participation agreements to settle accounts payable for acquired land plots amounted to RUB 272 million, in the first half of 2020 the revenue was not recognised considering the fact that previously executed contracts have been terminated.

The transaction price in sales using escrow accounts was determined considering the savings in interest expenses between the preferential and base interest rates. The preferential interest rate depends on escrow accounts balances and is significantly reduced when the cash balances on the escrow accounts exceed the amount of the loan received. As a result, the effective interest rate may be less than 1% in certain periods. Interest expenses savings recognised in revenue in the first half of 2020 amounted to RUB 1 022 million (in the first half of 2019: RUB 236 million).

During the reporting period, the Group revised a number of construction project budgets, as a result the degree of completion under contracts with customers changed by an average of 2% comparing to those used in the preparation of the consolidated financial statements for 2019.

In the first half of 2020, the Group terminated several real estate sales contracts, for which the revenue was recognised in previous reporting periods in the amount of RUB 693 million (in the first half of 2019: 532 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	30 June 2020	31 December 2019
Contract assets	3 287	2 427
Assets under contract using escrow accounts	20 441	7 718
Costs for concluding contracts accounted for in other current assets	1 357	763
Trade receivables	336	581
Contract liabilities	(88 684)	(93 740)

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. Contract liabilities are payments made in advance by customers according to share participation agreements, accrued significant financing component and savings on interest expense recognised in accounts payable. As at 30 June 2020, the net amount of significant financing component as part of contract liabilities equaled RUB 870 million (31 December 2019: RUB 624 million), savings on interest expenses as part of contract liabilities amounted to RUB 1 046 million.

The transaction price was determined considering the significant financing component calculated at the rate from 8% to 9% under contracts with customers concluded in the first half of 2020 (in the first half of 2019: from 8% to 9%).

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 30 June 2020, advances received from customers with a carrying amount of RUB 76 017 million are expected to be released within the next 12 months (as at 31 December 2019: RUB 81 541 million).

In the first half of 2020 the Group recognised revenue of RUB 36 042 million, which was included in contract liabilities as at 1 January 2020 (in the first half of 2019: RUB 35 630 million).

(c) Contract assets and liabilities from sale of other products and services

Performance obligations and contractual assets for other services are short-term and mainly arise from general contracting works, provision of technical customer services, etc., and are presented below:

mln RUB	30 June 2020	31 December 2019
Trade receivables	25 390	14 611
Contract liabilities	(9 775)	(9 322)
– liabilities from contracts with revenue recognised at a point in time	(1 795)	(814)
– liabilities from contracts with revenue recognised over time	(7 980)	(8 508)

The amount of the performance obligation outstanding at the end of the reporting period is expected to be recognised in revenue within one year. For most of the contracts, significant financing component is not recognised because the period between the payment receipt and the fulfillment of the obligation or its part does not exceed 12 months.

In the first half of 2020 the Group recognised revenue of RUB 4 746 million, which was included in contract liabilities as at 1 January 2020 (in the first half of 2019: RUB 3 978 million).

8 Finance income and costs

mln RUB	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019 (restated)
Revaluation of cash-settled financial instruments (note 20)	768	1 136
Interest income	1 918	1 685
Gain from change in terms of a long-term financial liability*	2 300	-
Foreign exchange gains, net	-	103
Write-off of accounts payable	7	17
Non-controlling interest in profit of the Group's limited liability	-	32
Other financial income	307	211
Finance income	5 300	3 184
Interest expense before capitalisation in the cost of real estate objects**	(7 847)	(4 261)
Capitalised interest expense***	5 803	3 007
Total interest expense after capitalisation	(2 044)	(1 254)
Loss on impairment of financial assets	(629)	(61)
Foreign exchange losses, net	(39)	-
Non-controlling interest in profit of the Group's limited liability	(359)	-
Other finance costs	(78)	(93)
Finance costs	(3 149)	(1 408)
Net finance income for the period	2 151	1 776

* In 2020 the Group early repaid the long-term debt for land plots acquired in previous reporting periods, having received an early payment discount due to fulfillment of certain agreement terms by the seller of the land plots. The change in the financial liability as a result of its early payment was recognised in finance income during the reporting period.

** In the first half of 2020 interest expense before capitalisation into inventory includes RUB 7 350 million of interest accrued on bank loans and bonds (in the first half of 2019: RUB 3 552 million).

*** The weighted average capitalisation rate in the first half of 2020 was 8,83% (in the first half of 2019: 10,2%).

In the first half of 2020 interest expense capitalised into inventories was recognised in costs of sales in the amount of RUB 2 948 million rubles (in the first half of 2019: RUB 1 856 million).

In the first half of 2020 the capitalised interest expense was included in cost of sales of real estate objects in amount of RUB 2 881 million, excluding reversals of the previously recognised impairment losses on capitalised interest expense (in the first half of 2019: RUB 1 856 million).

In the first half of 2020 the amount of interest expenses capitalised into real estate objects under construction amounted to RUB 3 613 million (in the first half of 2019: RUB 2 221 million).

9 Administrative expenses

mln RUB	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Personnel costs	3 851	3 032
Professional and other services	423	613
Research and development	522	195
Taxes	279	250
Depreciation of property, plant and equipment, amortisation of intangible assets and right-of-use assets	290	371
Rent	214	17
Material costs	346	202
Other administrative expenses	359	313
	6 284	4 993

10 Other expenses, net

mln RUB	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Penalties and fines, including provision for litigation and claims	(471)	(87)
Charity	(106)	(32)
Gain from disposal of property, plant and equipment	40	81
Loss from write-off of intangible assets	(332)	-
Tax expenses	(79)	(243)
Result from sale and write-off of other assets	(131)	(52)
Other (expenses)/income, net	(230)	266
	(1 309)	(67)

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 24% and applied to profit before income tax for the first half of 2020 (for the first half of 2019: 24%).

mln RUB	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019 (restated)
Current tax expense		
Current income tax for the period	(1 570)	(3 609)
Underprovided in previous periods	(9)	-
Accrual of tax provision	-	(668)
	(1 579)	(4 277)
Deferred income tax expense		
Origination and reversal of temporary differences	(4 175)	1 960
	(4 175)	1 960
Total income tax expense	(5 754)	(2 317)

12 Property, plant and equipment

mln RUB	2020	2019
As at 1 January	34 453	26 189
Additions	1 051	2 846
Additions from inventories	1 429	311
Acquisitions through business combinations	154	-
Depreciation charge	(1 573)	(1 126)
Reclassification to inventories	(14)	-
Disposals	(290)	(997)
Disposal of subsidiaries	(39)	-
As at 30 June	35 171	27 223

13 Intangible assets

mln RUB	2020	2019
As at 1 January	13 454	1 881
Additions	394	516
Amortisation charge	(148)	(194)
Disposals	(346)	(65)
As at 30 June	13 354	2 138

14 Investment property

(a) Reconciliation of carrying amount

mln RUB	2020	2019
As at 1 January	6 626	18 086
Reclassification to inventories	-	(11 413)
Disposal	(226)	(4)
As at 30 June	6 400	6 669

(b) Measurement of fair value

The fair value of investment property was determined by external independent real estate appraisers with appropriate recognised professional qualifications and recent experience in evaluating this type of real estate. The assumptions used to calculate these amounts as at 31 December 2019 have not changed significantly.

To determine the fair value of land plots in the first half of 2020 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 30 June 2020, the fair value of these land plots was RUB 6 400 million (31 December 2019: RUB 6 626 million). The fair value of land plots did not change due to the change in the economic environment.

Sensitivity analysis

A decrease in the basic selling price for investment properties by 5 percentage points in the comparative method measurement would decrease in the fair value of investment property by RUB 344 million (31 December 2019: a decrease in the fair value of investment property by RUB 331 million). An increase of

selling price by 5 percentage points would have opposite effect on the fair value of investment property at approximately the same size.

15 Inventories

mln RUB	30 June 2020	31 December 2019
Construction in progress, intended for sale, recognised at historical cost	187 497	162 887
Construction in progress, intended for sale, acquired through business acquisition	67 472	74 960
Finished goods and goods for resale	24 758	20 523
Raw materials and consumables	9 312	7 735
Right-of-use asset	6 069	4 862
	295 108	270 967
Write down	(2 535)	(3 059)

A significant part of the 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 completion method.

During the reporting period the Group purchased several land plots for future development in Moscow, Moscow region and other regions of Russia for the total amount of RUB 22 610 million mostly through the acquisition of control in companies which own these land plots, and also acquired land plots in the amount of RUB 1 640 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. Respectively, 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 and the outstanding balance of RUB 4 995 million is to be paid within the next year and included in short-term payables for acquired land plots.

16 Accounts receivable, including contract assets

mln RUB	30 June 2020	31 December 2019
Non-current		
Consideration receivable for sale of subsidiaries	1 242	1 774
	1 242	1 774
Impairment losses	(38)	(54)
Current		
Trade accounts receivable	37 305	15 678
Trade receivables of "Maintenance" segment	12 207	9 731
Advances to suppliers and contractors	11 718	14 012
Advances for acquisition of land plots/lease rights, including acquisition of subsidiaries	5 247	6 451
Advances to other suppliers and contractors	10 320	6 322
Taxes receivable	3 302	6 567
Other receivables	6 986	5 369
	87 085	64 130
Impairment losses	(4 166)	(3 503)

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 first half of 2020 year 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 leases	1 465	306	183	7	1 961
Lease modifications	297	(275)	(3)	(1)	18
Write-off to cost of sales of real estate	(555)	(98)	(37)	(5)	(695)
Amortisation recognised in administrative expenses	-	(218)	-	(4)	(222)
As at 30 June 2020	6 069	1 920	333	78	8 400

Change in lease liabilities during the first half of 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 leases	1 465	197	183	7	1 852
Lease modifications	297	(280)	3	1	21
Interest expense on lease	191	92	14	3	300
Lease payments, including offsets	(810)	(379)	(53)	(16)	(1 258)
As at 30 June 2020	5 321	1 834	308	76	7 539

18 Impairment losses on non-financial assets, net

In the first half of 2020 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 2020	Six-month period ended 30 June 2019
Impairment losses		
Inventories	(6)	-
Advances paid	(417)	(346)
	<u>(423)</u>	<u>(346)</u>
Reversal of impairment losses		
Advances paid	307	270
Inventories	-	28
	<u>307</u>	<u>298</u>
	<u>(116)</u>	<u>(48)</u>

(a) Property, plant and equipment

The Group analysed property, plant and equipment for impairment indicators as at 30 June 2020 and as at 30 June 2019 and did not identify any evidence of impairment indicators at both reporting dates.

(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. As a result of the coronavirus pandemic, the timelines for several projects, including construction schedules and sales pace, have been adjusted, which has affected the cash flow forecasts for these projects. The Company's management believes that the coronavirus pandemic did not have a significant negative impact on contracting volumes and average sales prices due to the government support measures for the construction industry, marketing campaigns, conducted by the Group and digital technologies of the Group, backing online sales, including on-line mortgage transactions.

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 June 2020 for similar real estate;
- Cost of construction was forecasted based on cost per square meter and construction pace in June 2020 for similar real estate;
- An average pre-tax discount rates of 12 -14% were applied to cash flows in determining the recoverable amount of projects.

As a result of testing the impairment of inventories in the first half of 2020 an allowance for impairment of inventories was charged in the amount of RUB 149 million and an allowance in the amount of RUB 673 million was offset against the carrying amount of inventories due to the completion of projects (in the first half of 2019: the provision was reversed in the amount of RUB 267 million). In addition, RUB 330 million of expenses on unprofitable projects were written off to the cost of goods sold (in the first half of 2019: RUB 735 million).

Sensitivity analysis

The management has determined the discount rate and the projected 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 299 million as at 30 June 2020 (31 December 2019: RUB 350 million).

An increase in the discount rate by 1 percentage point would lead to additional impairment of construction work in progress amounted to RUB 39 million as at 30 June 2020 (31 December 2019: RUB 34 million).

(c) Intangible assets

The Group analysed intangible assets for impairment as at 30 June 2020 and as at 30 June 2019 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 first half of 2020, and to significant changes in the forecasts used in assessing the recoverability of client base and goodwill.

19 Cash and cash equivalents

mln RUB	30 June 2020	31 December 2019
Cash on hand	1	1
Cash in banks	77 432	65 862
Restricted cash	618	345
Cash and cash equivalents	78 051	66 208

Cash balance on escrow accounts (for information purposes)

mln RUB	30 June 2020	31 December 2019
Escrow accounts	36 200	16 061

Cash placed on escrow accounts, not recognised in the Group's statement of financial position, represents the amounts deposited by owners of accounts in authorised banks under share participation agreements to settle the payment for the acquired.

As at 30 June 2020, cash in the amount of RUB 33 667 million was placed on special bank accounts which operations are subject to special banking control (as at 31 December 2019: RUB 24 572 million) in accordance with the requirements of Federal Law No. 214- FZ.

20 Financial instruments measured at fair value through profit and loss

As of the reporting date, the Group's assets include two cash-settled financial instruments:

- under the agreement with the Bank (information about the Bank is disclosed in note 29) executed 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 an original maturity 29 June 2020 and extended in the first half of 2020 until 29 December 2020;
- under the agreement with the Bank, executed in May 2018, no own GDRs have been sold ("cash-settled financial instruments executed in May 2018").

In accordance with the terms of the cash-settled financial instruments, the transaction parties compensate the difference between the agreed share price and the market value of the Group's shares at the expiration date

of the contracts, taking into account the interim payments and dividends paid. In the first half of 2020, the change in the value of financial instruments carried at fair value is as follows:

mln RUB	Cash-settled financial instruments executed in June 2017	Cash-settled financial instruments executed in May 2018	Total
Fair value as at 31 December 2019	5 001	5 376	10 377
Quarterly payments	596	691	1 287
Change in fair value	486	282	768
Fair value as at 30 June 2020	<u>6 083</u>	<u>6 349</u>	<u>12 432</u>

As at 30 June 2020, the estimated fair value of cash-settled financial instruments was determined based on the following key assumptions and contract terms:

	Cash-settled financial instruments executed in June 2017	Cash-settled financial instruments executed in May 2018
Number of shares in the agreement	49 990 198	60 137 070
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 December 2020	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	4,5% (as at 31 December 2019: 5,8%)	4,5% (as at 31 December 2019: 5,9%)
Annual discount rate	6,65% (as at 31 December 2019: 7,8%)	6,82% (as at 31 December 2019: 8,1%)

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 1 002 million (31 December 2019: by RUB 972 million);
- For the agreement concluded in May 2018 by RUB 1 193 million (31 December 2019: by RUB 1 142 million).

21 Equity

(a) Dividends

In the first half of 2020, there were no dividends declared and paid.

In May 2019, the Group approved and declared dividends in the amount of RUB 15 000 million, or RUB 22,71 per share. Dividends were paid in full in June 2019.

(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 first half of 2019: 660 497 344 shares). The Company has no ordinary shares with potentially dilutive effect.

22 Accounts payable, including contract liabilities

mln RUB	30 June 2020	31 December 2019
<i>Non-current</i>		
Accounts payable for land acquisition	3 426	8 469
Amounts due to customers under construction contracts	404	348
Other advances received	347	495
Other liabilities	1 049	495
	<u>5 226</u>	<u>9 807</u>
<i>Current</i>		
Advances received from buyers and customers	88 684	93 441
Liabilities on real estate transfer within acquisition of land plots	7 816	8 639
Other advances received	10 009	8 954
Accounts payable for construction works and other trade payables	11 884	14 000
Trade payables of "Maintenance" segment	10 234	10 038
Accounts payable for land acquisition	8 600	3 019
Amounts due to customers under construction contracts	579	266
Payables to employees	7 924	6 382
Other taxes payable	7 135	9 325
Other payables	7 832	3 505
	<u>160 697</u>	<u>157 569</u>

Other non-current liabilities include non-controlling interest in limited liability companies registered in the Russian Federation in the amount of RUB 982 million (31 December 2019: RUB 408 million).

Advances received from customers include the interest expenses savings unrecognised as part of revenue from the sale of real estate using escrow scheme in the amount of RUB 1 046 million (31 December 2019: RUB 285 million).

The information about the Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 25.

23 Loans and borrowings

mln RUB	30 June 2020	31 December 2019
<i>Non-current</i>		
Bonds, net of those purchased by the Group	31 345	39 850
Unsecured bank loans	4 507	17
Project financing	100 604	62 000
Secured bank loans	6 666	6 996
Interest payable	2 070	745
	<u>145 192</u>	<u>109 608</u>
<i>Current</i>		
Bonds, net of those purchased by the Group	12 759	9 902
Unsecured bank loans	6	4 508
Project financing	14 948	13 197
Secured bank loans	901	1 208
Interest payable	2 013	1 124
	<u>30 627</u>	<u>29 939</u>
	<u>175 819</u>	<u>139 547</u>

As at 30 June 2020 and 31 December 2019, bank loans were secured with:

- rights of lease and ownership over the land with a total area of 897,8 ha (as at 31 December 2019: 844,4 ha), carrying amount of RUB 58 825 million (as at 31 December 2019: RUB 57 832 million);
- shares of/ interest in certain subsidiaries of the Group.

Issue and redemption of bonds

In March 2020 the Group redeemed bonds from the market in the amount of RUB 3 890 million through an early offer and prolonged bonds in the amount of RUB 2 475 million until February 2022 with a coupon rate equal to the key rate of the Central Bank of the Russian Federation + 1.4%.

The terms of financial liabilities as at 30 June 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.

mIn RUB	Currency	Nominal rate, %	Maturity	30 June 2020		31 December 2019	
				Nominal amount	Carrying amount	Nominal amount	Carrying amount
Project financing	RUB	9,75%-10,75%	2020-2021	14 254	14 043	10 932	10 893
Project financing	RUB	10,78%-12,00%	2020-2025	-	-	21 280	21 144
Project financing	RUB	From the key interest rate+2% to the key interest rate+3,25%	2021-2024	46 758	46 756	11 500	11 500
Project financing	RUB	variable interest rate*	2023-2027	55 917	54 753	31 660	31 660
Secured bank loans	RUB	Key interest rate+1,95%	2026	2 927	2 927	2 964	2 965
Secured bank loans	RUB	Key interest rate+2,20%	2023-2024	4 641	4 640	5 239	5 239
Unsecured bank loans	RUB	From the key interest rate +1,45% to the key interest rate+3,5%	2022	4 500	4 513	4 500	4 525
Bonds	RUB	8,25%-11,25%	2021-2024	27 590	27 419	29 175	29 007
Bonds	RUB	13,00%	2020	-	-	6 365	6 362
Bonds	RUB	Key interest rate+0,50%	2028	7 000	6 999	7 000	6 999
Bonds	RUB	Key interest rate+1,4%	2022	2 475	2 472	-	-
Bonds	RUB	Key interest rate+1,45%	2021	6 000	5 884	6 000	5 884
Bonds	RUB	Key interest rate+1,50%	2023	1 330	1 330	1 500	1 500
				173 392	171 736	138 115	137 678

* variable effective rates in the range from basic rates as the key rate of the Central Bank of the Russian Federation + 2% with capitalisation up to a rate of 9.9%, with no payments of both interest and loan till maturity (31 December 2019: variable effective rates in the range from basic effective rates to the key rate of the Central Bank of the Russian Federation + 2% with capitalisation up to a rate of 9.9%, with no payments of both interest and loan till maturity), are adjusted depending on cash balances placed by customers on the escrow accounts.

24 Non-controlling interests

mln RUB	Internet provider	Manufacturer of elevator equipment	Other	Total
Balance 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)
Balance as at 30 June 2020	<u>614</u>	<u>12</u>	<u>590</u>	<u>1 216</u>

25 Financial instruments

(a) Fair values and carrying amounts

As at 30 June 2020 and 31 December 2019, carrying amounts of financial assets and liabilities of the Group did not materially differ from their fair values, except for bonds.

As at 30 June 2020, the fair value of bonds, net of those repurchased by the Group, exceeded their carrying amount by RUB 1 029 million (as at 31 December 2019: RUB 1 272 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 at 31 December 2019. 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 assets and credit ratings, are presented in the table below:

(i) Accounts receivable

mln RUB	Gross carrying amount as at 30 June 2020	Impairment loss as at 30 June 2020	Gross carrying amount as at 31 December 2019	Impairment loss as at 31 December 2019
Credit rating				
A- to A++	28 418	(1)	11 593	(1)
B- to B++	13 931	(181)	7 430	(239)
C- to C++	6 424	(471)	5 331	(315)
D- to D++	19	(4)	-	-
E- to E++	26	(15)	2	(1)
Default	1 286	(1 224)	1 071	(929)
Total	<u>50 104</u>	<u>(1 896)</u>	<u>25 427</u>	<u>(1 485)</u>

The amount of credit losses on receivables from individuals or contract assets in the total amount of RUB 24 993 million as at 30 June 2020 (31 December 2019: RUB 10 724 million) is estimated to be insignificant

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

The Group uses a provisional matrix to estimate expected credit losses on trade receivables consisted of large number of individually immaterial balances with customers.

	Weighted average loss rate	Gross carrying amount as at 30 June 2020	Impairment loss as at 30 June 2020	Gross carrying amount as at 31 December 2019	Impairment loss as at 31 December 2019
mln RUB					
0-30 days	3,34%	3 169	(106)	3 779	(108)
31-90 days	3,37%	1 899	(64)	2 017	(58)
90-180 days	3,39%	1 239	(42)	721	(21)
180-360 days	3,39%	1 180	(40)	767	(22)
more than 360 days	19,95%	2 792	(557)	1 881	(346)
Total		10 279	(809)	9 165	(555)

(iii) Other investments

	Gross carrying amount as at 30 June 2020	Impairment loss as at 30 June 2020	Gross carrying amount as at 31 December 2019	Impairment loss as at 31 December 2019
mln RUB				
Credit rating				
A- to A++	98	(11)	104	-
B- to B++	397	(16)	16	-
C- to C++	918	(133)	207	(58)
D- to D++	16	(2)	274	(73)
E- to E++	-	-	51	(41)
Default	140	(140)	158	(158)
Total	1 569	(302)	810	(330)

(iii) Cash and cash equivalents

Cash and cash equivalents are placed with banks and financial institutions 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.

26 Provisions

mln RUB	Provision for cost to complete	Provision for unprofitable contracts	Provision for taxes	Provision for litigation	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
Releases 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

The Group used assumptions which are subject to uncertainty and judgments in the calculation of provisions. Estimated costs to complete represent the Group's forecasts of future costs which are expected to be incurred by the Group in the course of construction of infrastructure facilities and other social facilities, such as schools, parking places, commercial real estate etc., which the Group is obliged to build according to the

terms of the projects. The estimate depends on changes in the rules and standards of urban development which can cause adjustments to construction projects terms and conditions, as well as changes in construction materials and labor force prices.

As at 30 June 2020, the tax provision mostly relates to deductibility of certain expenses for tax purposes and intercompany transactions and includes the provision for income tax of RUB 1 562 million (31 December 2019: RUB 1 562 million).

The Group is involved as a defendant in legal proceedings related to contracts with customers to supply properties, construction materials and construction services. As at 30 June 2020 the Group made a provision for litigations which have a high probability of resource outflows in the amount of RUB 2 171 million (as at 31 December 2019: RUB 2 169 million).

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 2019.

28 Related party transactions

(a) Control relationships

As at 30 June 2020, the Company is ultimately controlled by Mr. Sergey E. Gordeev, who owns 59,39% of the Company's ordinary shares (31 December 2019: 59,16%).

(b) Management remuneration

Key management remuneration accrued during the first six months of 2020 is represented in the table below:

mln RUB	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Salary and bonuses	497	800
Insurance premium	83	153
Total	580	953

(c) Related parties' balances

mln RUB	30 June 2020	31 December 2019
Advances issued	289	933
Loans issued	705	12
Accounts receivable	10	9
Advances received	(3)	(3)
Accounts payable	(271)	(13)
Total	730	938

(d) Transactions with related parties

mln RUB	Six-month period ended 30 June 2020
Capital contribution	(200)
Total	(200)

29 Transactions with the Government

(a) Control relationships

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	30 June 2020	31 December 2019
Financial instruments measured at fair value through profit or loss	12 432	10 377
Advances issued	320	767
Accounts receivable	1	25
Loans and borrowings	(106 830)	(60 557)
Interest payable	(2 108)	(967)
Accounts payable	(22)	-
	<u>(96 207)</u>	<u>(50 355)</u>

Transactions with the Bank

mln RUB	Six-month period ended 30 June 2020
Revaluation of cash-settled financial instruments	768
Interest income	93
Interest expense before capitalisation in the cost of real estate objects	(3 131)
Commercial expenses	(382)
Other finance costs	(2)
Total	<u>(2 654)</u>

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 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 the first half of 2020, according to management estimates, amounted to at least 87,15% of the revenues from sale of construction services and about 5,87 % of the costs for construction of real estate objects. As at 30 June 2020, outstanding balances with government-related enterprises do not exceed RUB 9 300 million of assets and RUB 23 500 million of liabilities of the Group (as at 31 December 2019: RUB 2 261 million of assets and RUB 12 405 million of liabilities of the Group).

30 Subsequent events

There were no significant subsequent events.

31 Non-IFRS measures

Net debt

mln RUB	Note	30 June 2020	31 December 2019
Loans and borrowings, excluding project financing	23	60 267	64 350
Project financing	23	115 552	75 197
Less: Cash and cash equivalents	19	(78 051)	(66 208)
Net debt		97 768	73 339

Net debt except for escrow accounts balances

mln RUB	Note	30 June 2020	31 December 2019
Loans and borrowings, excluding project financing	23	60 267	64 350
Project financing	23	115 552	75 197
Less: Cash and cash equivalents	19	(78 051)	(66 208)
Less: Escrow accounts balances	19	(36 200)	(16 061)
Net debt		61 568	57 278

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

mln RUB	Note	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Change in:			
Construction in progress, intended for sale	15	17 122	28 461
Finished goods and goods for resale	15	4 235	390
Right-of-use asset	15, 17	1 207	141
Advances to suppliers and contractors	16	(2 294)	3 657
Advances issued for land plots acquisition	16	(1 204)	(382)
Accounts payable related to development contracts and other trade payables	22	2 116	11 069
Accounts payable for acquisition of land plots/lease rights	17, 22	(1 681)	152
Provisions for cost to complete and provision for onerous contracts	26	(4 588)	403
Exclusion of the impact of capitalization of interest expenses on construction in progress	8	(3 613)	(2 221)
Reclassification of investment property	14	-	(11 413)
Transfer from inventories to property, plant and equipment	12	1 429	311
		12 729	30 568
Cost of sales of real estate objects		78 361	71 772
Exclusion of the impact of capitalization of interest expenses on construction cost	8	(2 881)	(1 856)
Acquisition of land plots, including the purchase of subsidiaries	15	(24 250)	(17 257)
Change in accounts payable for the acquisition of land plots/right-of-use asset		538	(3 814)
Change in advances issued for purchase of land plots/right-of-use asset		1 204	382
Development capital expenditure except for cash paid for the acquisition of land plots/lease rights		65 701	79 795

Proceeds from sales of real estate

mln RUB	Note	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Revenue from sales of real estate objects	7	106 967	90 121
Less: Significant financing component recognised in revenue	7	(3 336)	(2 806)
Change in accounts receivable including contract assets	7	(13 338)	(1 797)
Change in advances received from customers	7	(5 056)	13 605
Less: Change in accounts payable under escrow contracts	22	(1 046)	-
Cash collections from sales of real estate objects		84 191	99 123
Proceeds from sales of real estate using escrow accounts	19	20 139	3 044
Proceeds from sales of real estate including proceeds to escrow accounts		104 330	102 167

Earnings before interest, taxes, depreciation and amortisation (EBITDA):

mln RUB	Note	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Profit and total comprehensive income for the period		17 986	9 615
Plus: Depreciation of property, plant and equipment and amortisation of intangible assets	12, 13	1 721	1 320
Plus: Interest expense after capitalisation	8	2 044	1 254
Plus: Significant financial component on contracts with customers		1 870	2 313
Less: Interest income	8	(1 918)	(1 685)
Plus: Income tax expense	11	5 754	2 317
EBITDA		27 457	15 134

Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA):

mln RUB	Note	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
EBITDA		27 457	15 134
Less: Significant financial component included in revenue	7	(3 336)	(2 570)
Impairment loss on non-financial assets, net	18	116	48
Impairment losses included in cost of sales, net	18	479	468
Impairment loss on financial assets, net	8	629	61
Reversal of write-off of accounts payable	8	(7)	(17)
Foreign exchange loss/(gain), net	8	39	(103)
Gain on disposal of property, plant and equipment	10	(40)	(81)
Gain on disposal of subsidiaries, associates and investment property, net		(10)	(328)
Penalties and fines, including provisions for legal disputes, net	10	471	87
Write-off of other materials		15	37
Other financial income	8	(307)	(211)
Exclusion of revaluation of cash-settled financial instruments and financial liability	8	(3 068)	(1 136)
Interest expense written off against cost of sales	8	2 948	1 856
Adjusted EBITDA		25 386	13 245

Supplementary information not required by IFRS

Adjusted EBITDA excluding cost of land

mln RUB	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Adjusted EBITDA	25 386	13 245
Cost of land plots included in the cost of sales	4 012	3 255
Cost of acquisition of projects recorded at fair value included in the cost of sales	3 125	3 935
Adjusted EBITDA excluding cost of land	32 523	20 435

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 2020	Six-month period ended 30 June 2019
Net cash from operating activities before changes in inventories, trade and other receivables and payables and provision for cost to complete	23 621	11 212
Changes in:	-	-
Inventories before acquisitions and sale of land plots/right-of-use assets	4 841	(983)
Trade and other receivables, including contract assets and excluding prepayments for land plots/right-of-use assets	(24 753)	(15 176)
Trade and other payables, including contract liabilities and changes in the provision for taxes, except for income tax	(2 822)	4 032
Provisions	4 611	257
Cash flows from/(used in) operations before income taxes and interest paid and before acquisitions and sale of land plots/right-of-use assets and prepayments for land plots/right-of-use assets	5 498	(658)
Income taxes paid	(2 485)	(4 775)
Interest paid	(4 244)	(3 443)
Net cash flows used in operations before acquisitions and sale of land plots/right-of-use assets and prepayments for land plots/right-of-use assets	(1 231)	(8 876)
Acquisition of land plots/right-of-use assets for the future development, including acquisition of subsidiaries	(24 250)	(17 257)
Income from sales of land plots/right-of-use assets	66	-
Change in accounts payable for acquisition of land plots/right-of-use assets	538	(3 814)
Change in prepayments for land plots/right-of-use assets	1 204	382
Net cash used in operating activities	(23 673)	(29 565)



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Independent Auditors' Report on Review of Consolidated Interim Condensed Financial Statements

To the Shareholders and the Board of Directors of PJSC Group of Companies PIK

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of PJSC Group of Companies PIK (the "Company") and its subsidiaries (the "Group") as at 30 June 2020, 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: PJSC Group of Companies PIK

Registration No. in the Unified State Register of Legal Entities
1027739137084.

Moscow, Russia

Audit firm: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registration No. in the Unified State Register of Legal Entities
1027700125628.

Member of the Self-regulated organization of auditors "Russian Union of auditors" (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 11603053203.



PJSC Group of Companies PIK

Independent Auditors' Report on Review of Consolidated Interim Condensed Financial Statements

Page 2

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 2020 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 36 is presented solely for the convenience of users, does not form part of the consolidated interim condensed financial statements and is unreviewed.



Fonareva S.B.

JSC "KPMG"

Moscow, Russia

28 August 2020