PJSC Group of Companies PIK
Consolidated Interim Condensed Financial Statements (unaudited)
as at and for the six-month period ended 30 June 2017

Contents

Consolidated Interim Condensed Financial Statements

Consolidated Interim Condensed Statement of Financial Position

In million RUB	Note	30 June 2017 (unaudited)	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	10	22,374	23,176
Intangible assets	11	3,452	3,113
Investment property	12	26,165	26,581
Equity accounted investees		496	289
Other investments		897	1,913
Deferred tax assets		9,227	7,079
Total non-current assets		**62,611**	**62,151**
Current assets			
Inventories	13	276,070	253,644
Other investments		738	409
Income tax receivable		1,185	572
Trade and other receivables		34,614	15,896
Cash and cash equivalents		31,945	24,812
Total current assets		**344,552**	**295,333**
Total assets		**407,163**	**357,484**
EQUITY AND LIABILITIES			
Equity			
Share capital		41,295	41,295
Additional paid-in capital		(8,470)	(8,470)
Treasury shares	15	(15,100)	-
Reserve to transfer treasury shares	15	13,865	-
Retained earnings		19,878	22,398
Total equity attributable to owners of the Company		**51,468**	**55,223**
Non-controlling interests		67	76
Total equity		**51,535**	**55,299**
Non-current liabilities			
Loans and borrowings	16	68,169	55,111
Financial instruments measured at fair value through profit and loss	15	1,418	-
Trade and other payables		9,493	9,752
Deferred tax liabilities		14,952	16,413
Total non-current liabilities		**94,032**	**81,276**
Current liabilities			
Loans and borrowings	16	7,398	10,420
Trade and other payables		240,395	195,930
Provisions		13,468	13,559
Income tax payable		335	1,000
Total current liabilities		**261,596**	**220,909**
Total liabilities		**355,628**	**302,185**
Total equity and liabilities		**407,163**	**357,484**

These consolidated interim condensed financial statements were approved by Management on 29 August 2017 and were signed on its behalf by:

Sergey E. Gordeev
President

Alexander V. Titov
Vice-President, Economics and Finance

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 7 to 19.

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

In million RUB	Note	Six-month period ended 30 June 2017 (unaudited)	30 June 2016 (restated, unaudited)
Revenue from sale of real estate objects accounted for at historical cost		20,627	15,744
Revenue from sale of real estate objects acquired through business combinations and recognized at fair value at initial recognition		14,672	-
Other revenue		6,180	3,170
Revenue		**41,479**	**18,914**
Cost of sales real estate objects accounted for at historical cost		(13,950)	(10,771)
Cost of sale of real estate objects acquired through business combinations and recognized at fair value at initial recognition		(14,111)	-
Cost of other sales		(4,547)	(2,620)
Cost of sales		**(32,608)**	**(13,391)**
Gross profit of sales real estate objects accounted for at historical cost		6,677	4,973
Gross profit of sale of real estate objects acquired through business combinations and recognized at fair value at initial recognition		561	-
Gross profit of other sales		1,633	550
Gross profit		**8,871**	**5,523**
Gain on disposal of subsidiaries and development rights, net		9	35
Distribution expenses		(2,317)	(1,334)
Administrative expenses		(4,383)	(1,425)
Decrease in fair value of investment property	12	(416)	-
Impairment loss, net	14	(525)	(161)
Other expenses, net	8	(1,624)	(451)
Results from operating activities		**(385)**	**2,187**
Finance income	7	3,376	1,084
Finance costs	7	(6,113)	(1,311)
Loss from financial activities		**(2,737)**	**(227)**
Share of loss of equity accounted investees, net of income tax		(27)	-
(Loss)/profit before income tax		**(3,149)**	**1,960**
Income tax benefit/(expense)	9	630	(293)
(Loss)/profit and total comprehensive income for the period		**(2,519)**	**1,667**
Attributable to:			
Owners of the Company		(2,520)	1,309
Non-controlling interests		1	358
(Loss)/profit and total comprehensive income for the period		**(2,519)**	**1,667**
Basic and diluted (loss)/profit per share, RUB	15	**(3.97)**	**1.98**

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 7 to 19.

Consolidated Interim Condensed Statement of Changes in Equity

	Attributable to equity holders of the Company							
In million RUB	**Share capital**	**Treasure Shares**	**Reserve to transfer treasury shares**	**Additional paid-in-capital**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance as at 1 January 2016 (restated)	**41,295**	-	-	**(8,470)**	**3,030**	**35,855**	**808**	**36,663**
Profit and total comprehensive income for the period (unaudited)	-	-	-	-	1,309	**1,309**	358	**1,667**
Disposal of subsidiaries, net (unaudited)	-	-	-	-	-	-	15	**15**
Balance as at 30 June 2016 (unaudited)	**41,295**	-	-	**(8,470)**	**4,339**	**37,164**	**1,181**	**38,345**
Balance as at 1 January 2017	**41,295**	-	-	**(8,470)**	**22,398**	**55,223**	**76**	**55,299**
Profit and total comprehensive income for the period (unaudited, Note 15)	-	-	-	-	(2,520)	**(2,520)**	1	**(2,519)**
Purchase of treasury shares (unaudited)	-	(15,100)	-	-	-	**(15,100)**	-	**(15,100)**
Sale of treasury shares (unaudited, Note 15)	-	-	15,000	-	-	**15,000**	-	**15,000**
Recognition of cash-settled financial instrument (unaudited, Note 15)	-	-	(1,418)	-	-	**(1,418)**	-	**(1,418)**
Deffered tax related to cash-settled financial instrument (unaudited, Note 15)	-	-	283	-	-	**283**	-	**283**
Dividends declared by subsidiaries to non-controlling interest (unaudited)	-	-	-	-	-	-	(10)	**(10)**
Balance as at 30 June 2017 (unaudited)	**41,295**	**(15,100)**	**13,865**	**(8,470)**	**19,878**	**51,468**	**67**	**51,535**

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 7 to 19.

Consolidated Interim Condensed Statement of Cash Flows

	Six-months period ended	
In million RUB	30 June 2017 (unaudited)	30 June 2016 (unaudited)
OPERATING ACTIVITIES		
(Loss)/Profit for the period	**(2,519)**	**1,667**
Adjustments for:		
Depreciation and amortisation	708	586
Impairment loss of non-financial assets, including recognition in cost of sales, net	714	200
Loss on disposal of property, plant and equipment	479	57
Decrease in fair value of investment property	416	-
Gain from disposal of subsidiaries and development rights, net	(9)	(35)
Share of loss of equity accounted investees, net of income tax	27	-
Finance income	(3,376)	(1,084)
Finance costs	6,113	1,311
Income tax (benefit)/expense	(630)	293
Changes in:	**1,923**	**2,995**
Inventories	(23,371)	(20,459)
Trade and other receivables	(2,633)	2,590
Trade and other payables	44,937	20,665
Provision for cost to complete	(688)	(1,544)
Cash flows from operations before income taxes and interest paid	**20,168**	**4,247**
Income taxes paid	(3,305)	(1,274)
Interest paid	(4,763)	(932)
Net cash from operating activities	**12,100**	**2,041**
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	307	266
Interest received	1,594	1,021
Acquisition of property, plant and equipment and other intangible assets	(1,095)	(321)
Acquisition of equity accounted investees	(229)	-
Acquisition of subsidiaries, net of cash acquired	(271)	-
Acquisition of other investments, net	-	(156)
Other proceeds/(acqusitions), net	3	(13)
Loans granted	(1,560)	-
Repayment of loans advanced	1,054	-
Net cash (used in)/ from from investing activities	**(197)**	**797**
FINANCING ACTIVITIES		
Purchase of treasury shares	(14,541)	-
Proceeds from borrowings	14,965	2,020
Repayment of borrowings	(17,464)	(2,020)
Proceeds from issuance of long-term bonds	18,970	-
Repurchase of long-term bonds	(6,600)	-
Acquisition of non-controlling interests	-	(6)
Net cash used in financing activities	**(4,670)**	**(6)**
Net increase in cash and cash equivalents	7,233	2,832
Effect of exchange rate fluctuations on cash and cash equivalents	(100)	(42)
Cash and cash equivalents at the beginning of the period	24,812	17,022
Cash and cash equivalents at the end of the period	**31,945**	**19,812**

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 7 to 19.

Notes to the Consolidated Interim Condensed Financial Statements

1 Background

(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. Since 1 June 2007 the Company's shares are traded on the London Stock Exchange in the form of global depositary receipts (hereafter referred to as "GDRs") and Moscow Exchange (hereafter referred to as "MOEX") in Russia. In June 2017 the Company delisted from London Stock Exchange and consolidated trading of its shares on MOEX.

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. During 2017 and 2016 the Group primarily operated in Moscow, Moscow region and other regions of Russia.

(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 entities operating in the Russian Federation.

The recent conflict in Ukraine and related events have increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, 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 facilities. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The long term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

The consolidated interim condensed 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 for 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". Selected explanatory notes are included in the consolidated interim condensed financial statements to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2016. 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 accordance with International Financial Reporting Standards 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 were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

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 2016, except that the Group has adopted those new and amended standards and interpretations that are mandatory for financial annual periods beginning on 1 January 2017.

Standards	Effective for annual periods beginning on or after
IAS 7 (Amended) "Statement of Cash Flows"	1 January 2017
IAS 12 (Amended) "Income Taxes"	1 January 2017
IFRS 12 (Amended) "Disclosure of Interests in Other Entities"	1 January 2017

These amended standards did not have a significant effect on the Group's consolidated interim condensed financial statements.

New accounting pronouncements

A number of new Standards, amendments to Standards and Interpretations are not yet effective for the six months ended 30 June 2017, and have not been applied in preparing this consolidated interim condensed financial statements. The Group plans to adopt these pronouncements when they become effective. The following of these pronouncements potentially will have a significant impact on the Group's operations:

Standards	Effective for annual periods beginning on or after
IAS 28 (Amended) "Investments in Associates and Joint Ventures"	1 January 2018
IFRS 1 (Amended) "First-time Adoption of International Financial Reporting Standards"	1 January 2018
IFRS 2 (Amended) "Share based payment"	1 January 2018
IFRS 9 (Amended) "Financial Instruments"	1 January 2018
IFRS 15 "Revenue from Contracts with Customers"	1 January 2018
IFRS 16 "Leases"	1 January 2019
IFRIC 22 (Amended) "Foreign Currency Transactions and Advance Consideration"	1 January 2018
IFRIC 23 "Uncertainty over Income Tax Treatments"	1 January 2019

The Group has started an initial assessment, but has not yet analysed the likely impact of new amendments on its financial position or performance.

Change in accounting policy in 2016

The Group early adopted IAS 40 "Investment Property" with Amendments issued in December 2016. The Amendments are effective for annual periods beginning on or after 1 January 2018, however, early application is permitted.

The Group applied the amendments, that are mentioned in the Standard, to changes in use that occurred on or after 1 January 2016 (the date of initial application).

For comparative purposes the fair value of investment property was determined as at 30 June 2016. As a result of valuation the Group has not identified any significant changes in the main assumptions used in determining the fair values as at 1 January 2016. Also, no material changes were revealed in fair values of investment property as at 30 June 2016.

4 Operating segments

Before 31 December 2016 the management of the Group analysed its operations on the basis of four reportable segments: real estate development, construction, industrial and other.

In the first half of 2017 the revenues from provision of maintenance services to habitants of completed residential properties increased significantly and management decided to separate the entities delivering such services into a reportable segment and began to analyse the results of their operations on a regular basis.

From the beginning of 2017 the Group distinguish five reporting segments which are its strategic business units:

- *Real estate development*: the implementation of developments planned and undertaken by the Group, including identification of investment opportunities, performance of feasibility studies, obtaining the necessary construction permits, carrying out construction of projects and performing project management activities, and marketing real estate projects to potential buyers.

- *Construction segment*: contracting activities, production and assembly of prefabricated panel buildings and related activities.

- *Industrial segment:* production of concrete panels, window frames and other construction materials.

- *Real estate maintenance services:* technical maintenance of completed properties.

- *Other:* rental services and other activities.

The corresponding information for the previous period was restated accordingly.

mln RUB	Real estate development		Construction segment		Industrial segment		Maintance segment		Other		Total	
	Six-month period ended 30 June		Six-month period ended 30 June		Six-month period ended 30 June		Six-month period ended 30 June		Six-month period ended 30 June		Six-month period ended 30 June	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
External revenues	35,299	15,744	5	1,238	378	534	5,162	1,001	635	397	**41,479**	**18,914**
Inter-segment revenue	1,427	43	5,196	2,487	404	221	463	138	934	76	**8,424**	**2,965**
Total revenue for reportable segments	**36,726**	**15,787**	**5,201**	**3,725**	**782**	**755**	**5,625**	**1,139**	**1,569**	**473**	**49,903**	**21,879**
Reportable segment adjusted gross profit*	**7,158**	**4,976**	**(41)**	**212**	**9**	**5**	**1,493**	**230**	**(172)**	**100**	**8,447**	**5,523**
Adjusted gross profit margin	**20%**	**32%**	**(847)%**	**17%**	**2%**	**1%**	**29%**	**23%**	**(27)%**	**25%**	**20%**	**29%**

* Adjusted gross profit of Real estate maintenance services comprises administrative and management personnel costs of the entities, which provide these services, as the Group's management considers such costs as a component of the segment result.

During the six month period ended 30 June 2017 the gross profit of real estate segment includes the negative effect of change in estimates in respect of construction budgets of certain development projects in the total amount of RUB 85 million (six months 2016: positive effect RUB 181 million).

(i) Geographical information

Operations of the reportable segments are conducted mainly in three geographical areas, which are named "Moscow", the "Moscow Region" and the "Other Regions" for the purposes of these consolidated interim condensed financial statements.

Segment revenues are presented based on geographical location of segment assets.

	Real estate development	
	30 June 2017 mln RUB (unaudited)	**30 June 2016 mln RUB (unaudited)**
Moscow	18,497	3,448
Moscow Region	20,293	12,465
Other regions	2,689	3,001
	41,479	**18,914**

(ii) Reconciliations of reportable segment revenues and profit or loss

	30 June 2017 mln RUB (unaudited)	**30 June 2016 mln RUB (unaudited)**
Reconciliation of Revenue		
Total revenue for reportable segments	49,903	21,879
Elimination of reportable inter-segment revenue	(8,424)	(2,965)
Group revenue	**41,479**	**18,914**
Gross profit reconciliation		
Reportable segment profit	8,447	5,523
Group gross profit	**8,447**	**5,523**
Unallocated amounts		
Gain from disposal of subsidiaries and development rights, net	9	35
Distribution expenses	(2,317)	(1,334)
Administrative expenses (with adjustments attributable to gross profit of reportable segments)	(3,959)	(1,322)
Loss from change in fair value of investment property	(416)	-
Impairment losses, net	(525)	(161)
Other expenses, net	(1,624)	(451)
Finance income	3,376	1,084
Finance costs	(6,113)	(1,311)
Share of loss of equity accounted investees, net of income tax	(27)	-
Consolidated (loss)/profit before income tax	**(3,149)**	**2,063**

5 Seasonality of operations

The construction industry in Russia usually experiences higher revenues in the second half of each year when construction works are completed and accepted by state commissions.

6 Effect of acquisition of businesses in 2016

In December 2016, the Group purchased 100% interest in Morton Group, a privately owned leading developer of large-scale residential projects. The purchase was made from Horus Real Estate Fund I B.V. affiliated with the President of the Group Sergey Gordeev.

In addition, in December 2016, the Group acquired 100% interests in certain companies to obtain control over significant assets, comprising land plots, property, plant and equipment and companies which provide maintenance services to habitants of completed residential properties.

The Group Management engaged an independent appraiser to perform purchase price allocation for these acquisitions.

The Group operations' results have increased significantly and management decided to revise the presentation of information in the statement of profit and loss and other comprehensive income to provide users with more useful information on how the business combination affects the Group's results.

7 Finance income and costs

Finance income

	30 June 2017 mln RUB (unaudited)	30 June 2016 mln RUB (unaudited)
Interest income	1,818	1,036
Gain from change in terms of a long-term financial liability*	1,057	-
Foreign exchange gains	472	-
Write-off of accounts payable	-	46
Other finance income	29	2
	3,376	1,084

Finance costs

	30 June 2017 mln RUB (unaudited)	30 June 2016 mln RUB (unaudited)
Interest expense	(5,719)	(1,002)
Foreign exchange losses, net	-	(92)
Impairment losses on financial assets	(338)	(212)
Change in non-controlling interest in limited liability companies	(45)	(5)
Recovery of write-off of accounts payable	(11)	-
	(6,113)	(1,311)

* In April 2017 the Group concluded an agreement that extended the terms of payment for one of the land plots purchased in previous period, which resulted in derecognition of prior financial liability and recognition of a new financial liability.

8 Other income and expenses

mln RUB	30 June 2017 (unaudited)	30 June 2016 (unaudited)
Penalties and fines, including provision for litigation and claims	(1,207)	(55)
Loss from disposal of property, plant and equipment	(479)	(57)
Charity	(303)	(290)
Other taxes	(266)	(48)
Reversal of provision for costs to complete	582	-
Gain/(loss) from disposal of other assets	49	(6)
Other income	-	5
	(1,624)	**(451)**

9 Income tax benefit/(expense)

Income tax benefit or expense is recognized based on management's estimate of the weighted average annual income tax rate, equalled to 20% and applied to pre-tax income of the interim period.

	30 June 2017 mln RUB (unaudited)	30 June 2016 mln RUB (unaudited)
Current tax expense		
Current year	(2,040)	(975)
Tax provision recognised	(650)	(547)
	(2,690)	**(1,522)**
Deferred tax benefit		
Origination and reversal of temporary differences	3,320	1,229
	3,320	**1,229**
	630	**(293)**

10 Property, plant and equipment

mln RUB	30 June 2017 (unaudited)	30 June 2016 (unaudited)
As at 1 January	23,176	7,752
Additions	1,115	351
Depreciation charge	(644)	(535)
Disposals	(1,225)	(361)
Impairment losses	(48)	(77)
As at 30 June	**22,374**	**7,130**

11 Intangible assets

mln RUB	30 June 2017 (unaudited)	30 June 2016 (unaudited)
As at 1 January	3,113	144
Additions	414	58
Amortisation charge	(64)	(51)
Disposals	(2)	-
Impairment losses	(9)	-
As at 30 June	**3,452**	**151**

Additions to intangible assets include clients' lists in amount of RUB 301 million, which were acquired through business combinations, whereas in the first half of 2017 the Group obtained control over the companies, which provide maintenance services to habitants in completed residential properties. Net assets of acquired companies were not significant at the dates of acquisition and purchase price was mainly allocated to the client's lists.

12 Investment property

	30 June 2017 mln RUB (unaudited)	30 June 2016 mln RUB (unaudited)
As at 1 January	26,581	8,270
Change in fair value	(416)	-
As at 30 June	**26,165**	**8,270**

Investment property consists of land plots with undetermined use. According to the independent appraisals' reports positive changes in fair values of some of the land plots during the first half of 2017 amounted to RUB 353 million. At the same time, there was a reduction in fair value of one of the land plots by RUB 769 million as a result of the revision of the project's concept used in determining the fair value as at 31 December 2016.

13 Inventories

	30 June 2017 (unaudited) mln RUB	31 December 2016 mln RUB
Construction work in progress, intended for sale, acquired through business combinations and recognized initially at fair value	152,691	150,540
Construction work in progress, intended for sale, accounted at historical cost	109,961	91,137
Finished goods and goods for resale	10,620	9,146
Raw materials and consumables	2,790	2,803
Other	8	18
	276,070	**253,644**
Write down	(2,686)	(1,723)

Construction work in progress intended for sale and finished goods mostly consist of flats, non-residential properties and car parking slots. Standard operational cycle of construction projects exceeds 12 months. Inventories are classified as current assets even if they will not be sold during the next 12 months after the reporting date. As at 30 June 2017 inventories amounting to RUB 112,000 million are expected to be sold within the next 12 months.

14 Impairment losses on non-financial assets, net

mln RUB	30 June 2017 (unaudited)	30 June 2016 (unaudited)
Impairment loss and write downs		
Property, plant and equipment	(48)	(77)
Intangible assets (client's lists)	(9)	-
Inventories	(778)	(65)
Advances paid	(80)	(41)
	(915)	**(183)**
Reversal of impairment		
Inventories	-	6
Advances paid	390	16
	390	**22**
	(525)	**(161)**

15 Equity

On 30 June 2017 the Group entered into transaction to sell 49 990 198 of its own global depositary receipts (GDRs) to one of the largest banks of Russian Federation for RUB 15,000 million. GDRs were purchased on open market in March 2017 for USD 255 million (RUB 15,100 million at transaction date). Accounts receivable and related reserve to transfer GDRs were recognised by the Group at 30 June 2017, since at that time the delivery terms were unconditional for both parties.

Simultaneously, the Group entered into a 3-year cash-settled financial instrument contract under which the Group will be paid by the bank or pay to the bank the difference between the market price of GDRs as at the date the contract terminates in three years and the initial delivery price of the GDRs. Under the agreed terms, the Group will make quarterly payments to the bank, calculated at the annual rate of 11.35% from the delivery price of the GDRs. The fair value of the cash-settled financial instrument was initially recognised as part of the reserve to transfer treasury shares, because it constitutes a part of the delivery of GDRs to the bank. At initial recognition the Group designated the cash-settled financial instrument in amount of RUB 1,418 million as a financial instrument measured at fair value through profit and loss. The Group assigned the cash-settled financial instrument to Level 3 of the fair value hierarchy of financial instruments.

The fair value of the cash settlement financial instrument was determined using the following assumptions:

- forecasted annual growth of GDRs' price is 8.80%;
- discount rate equals to 12.00%.

Weighted average number of shares is calculated bellow:

	30 June 2017 (unaudited)	30 June 2016 (unaudited)
Issued shares at the beginning of the reporting period	660,497	660,497
Effect of purchasing own shares in 2017	(26,238)	-
Weighted average number of shares, thousand shares	634,259	660,497

Earnings per share

	30 June 2017 (unaudited)	30 June 2016 (unaudited)
(Loss)/Profit and total comprehensive income for the period attributable to the owners of the Company, mln RUB	(2,520)	1,309
Weighted average number of shares for the period ended 30 June, thousand shares	634,259	660,497
Basic and diluted (loss)/earnings per share, RUB	**(3.97)**	**1.98**

16 Loans and borrowings

	30 June 2017 mln RUB (unaudited)	31 December 2016 mln RUB
Non-current		
Bonds, net of those purchased by the Group	51,400	39,058
Unsecured bank loans	12,984	3,019
Secured bank loans	3,624	12,833
Finance lease liabilities	161	201
	68,169	**55,111**
Current		
Secured bank loans	5,095	8,348
Interest payable	2,179	1,932
Finance lease liabilities	124	140
	7,398	**10,420**
	75,567	**65,531**

As at 30 June 2017 the bank loans were secured with:

- property, plant and equipment as at the end of the reporting period were pledged to secure the bank loans (31 December 2016: bank loans were secured with property, plant and equipment with a carrying value of RUB 4,978 million);
- rights to lease the land plots with a total area of 149 thousand square meters (31 December 2016: 197 thousand square meters);
- investment property with a carrying value of RUB 2,358 million (31 December 2016: 2,403 million);
- shares of certain subsidiaries of the Group.

In January 2017 the Group obtained new credit facilities in amount of RUB 6,965 million under the credit line opened in December 2016 for the purpose of restructuring its loan portfolio obtained through business combinations in 2016. In May 2017 the annual interest rate on credit line was reduced to 11.00%.

In March 2017 the Group received two new bank loans amounting to RUB 3,000 and 5,000 million, bearing an interest of 12.15% and 12.75%, respectively.

In the period from January to June 2017 the Group repaid bank loans in total amount of RUB 17,464 million.

In March 2017 the Group issued 5-year bonds in amount of RUB 8,970 million with a right of early redemption after a 3-year period. The coupon rate is 13.00% and is paid every six months.

In April 2017 the Group issued 5-year bonds in amount of RUB 10,000 million to be quarterly amortized from July 2019. The coupon rate is 11.25% and is paid every three months.

17 Financial instruments

As at 30 June 2017 and 31 December 2016 the carrying values of financial assets and liabilities of the Group, which are not accounted for at fair value, did not differ significantly from their fair values.

18 Contingencies

Except as described below, the contingencies of the Group related to insurance and warranties did not change significantly from the contingencies and guarantees reported in the consolidated financial statements as at and for the year ended 31 December 2016.

Litigation contingencies

The Group is involved as a defendant in legal proceedings relating to supply and services contracts. As at 30 June 2017 the Group created provision for litigations, where there was a high probability of resource outflows in the total amount of RUB 598 million. Also, the Group defends claims amounting to RUB 642 million (2016: RUB 470 million), which may possibly lead to losses, however, not probable, as per management's estimate based on legal assessment and practice.

Taxation contingencies

A number of new laws introducing changes to the Russian tax legislation have been recently adopted, aimed to regulate and exercise greater control over transactions with foreign companies, which may potentially impact the Group's tax position and result in additional charges claimed by the tax authorities. This legislation is still evolving and the practice of its application is very limited. The management believes that it is possible but not probable that the Group would suffer material tax expenditures as a result of challenges by the tax authorities. At the same time the Group assessed its possible tax risks and determined that contingent tax liabilities due to such risks as at 30 June 2017 amounted to RUB 732 million (31 December 2016: RUB 538 million).

19 Related party transactions

(a) Control relationships

As at 30 June 2017 and 2016 there were no immediate or ultimate parent companies and ultimate controlling party of the Group.

As at 30 June 2017, entities affiliated with Sergey Gordeev, Group CEO, owned 29.90% of the Company's ordinary shares.

(b) Management remuneration

Key management remuneration accrued during six months of 2017 amounted to RUB 465 million (six months of 2016: RUB 456 million), including the contribution to the State pension fund of Russian Federation. Key management received remuneration of RUB 118 million during the six-month period ended 30 June 2017 (six months 2016: RUB 109 million).

(c) Transactions with associates

Investment in equity accounted investees balances

	30 June 2017 mln RUB (unaudited)	31 December 2016 mln RUB
Loans receivable from associates	965	171
Advances paid to associates	-	2
Trade and other receivables issued by other related parties	29	25
Promissory notes issued by associates	-	608
Advances received from other related parties	(133)	(943)
Trade and other payables to other related parties	(358)	(181)
Total	**503**	**(318)**

During six months of 2017 loan receivable in amount of RUB 171 million, promissory notes of RUB 608 million and advances received of RUB 779 million were offseted.

During six months of 2017 accrued interest on loans granted to related parties amounted to RUB 44 million (six months of 2016: 0).

(d) Transactions with other related parties

During the six-month period ended June 2017 executive directors purchased from the Group residential apartments in uncompleted buildings for the total amount of RUB 55 million (six months 2016: 26 million). The amounts paid to uncompleted properties are included in advances from customers as at 30 June 2017.

20 Events subsequent to the reporting date

On 3 July 2017 the Group transferred the legal title for GDRs sold in the course of the transaction described in Note 15. The bank fully paid consideration for the GDRs on the same day.

In July 2017 entities affiliated with the President of the Group Sergey Gordeev purchased shares of the Group from other shareholders. As a result Sergey Gordeev and his affiliates obtained control over 50.02% shares of the Group. According to the requirements of Russian legislation they made a mandatory tender offer to all other shareholders of the Group.

In July 2017 the Group sold to the third party one of the land plots for RUB 775 million. The land plot previously was classified as investment property with carrying value of RUB 767 million as at 30 June 2017.

In August 2017 the Group obtained a short-term unsecured bank loan in amount of RUB 2,000 million, bearing an annual interest rate of 10.60%.

In August 2017 the Group issued 5-year bonds in the amount of RUB 10,000 million, bearing an annual coupon rate of 10.75% which is paid every quarter.

21 Information: non-IFRS measures

Net debt:

	30 June 2017 mln RUB (unaudited)	31 December 2016 mln RUB
Loans and borrowings, current	7,398	10,420
Plus: Loans and borrowings, non-current	68,169	55,111
Less: Cash and cash equivalents	(31,945)	(24,812)
Net debt	**43,622**	**40,719**

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

	30 June 2017 mln RUB (unaudited)	30 June 2016 mln RUB (unaudited)
(Loss)/profit for the period	(2,519)	1,667
Plus: Depreciation of property, plant and equipment and amortisation of intangibl assets	708	586
Plus: Interest expense	5,719	1,002
Less: Interest income	(1,818)	(1,036)
Less: Income tax benefit/Plus: Income tax expense	(630)	293
EBITDA	**1,460**	**2,512**
Impairment loss, net	525	161
Loss from change in fair value of investment property	416	-
Impairment loss on financial assets, net	338	212
Reverse/(write-off) of accounts payable	11	(46)
Foreign exchange (gain)/loss, net	(472)	92
Loss on disposal of property, plant and equipment	479	57
Gain from disposal of development rights and subsidiaries	(9)	(35)
Penalties and fines, including reversals, net	1,207	55
Write-off of other materials	48	37
Other financial income	(29)	(2)
Gain from change in terms of a long-term financial liability	(1,057)	-
Adjusted EBITDA	**2,917**	**3,043**

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Supplementary information not required by IFRS

Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) and excluding the cost of land included in the cost of sales

	30 June 2017 mln RUB (unaudited)	**30 June 2016 mln RUB (unaudited)**
Adjusted EBITDA	2,917	3,043
Cost of land plots included in the cost of sales	814	179
Adjusted EBITDA excluding cost of land	**3,731**	**3,222**

Net cash from operating activities before acquisition and sale of development rights and land plots and prepayments for development rights

	30 June 2017 mln RUB (unaudited)	**30 June 2016 mln RUB (unaudited)**
Adjusted profit for the year	**1,923**	**2,995**
Changes in:		
Inventories before acqusitions and sale of development rights and land plots	(21,144)	(9,263)
Trade and other receivables excluding prepayments for development rights and land plots	(2,633)	(818)
Trade and other payables	44,937	20,665
Provision for cost to complete	(688)	(1,544)
Cash flows from operations before income taxes and interest paid and before acqusitions and sale of development rights and land plots and prepayments for development rights	**22,395**	**12,035**
Income taxes paid	(3,305)	(1,274)
Interest paid	(4,763)	(932)
Net cash flows from operations before acquisitions and sale of development rights and land plots and prepayments for development rights	**14,327**	**9,829**
Acquisition and sale of development rights and land plots and prepayments for development rights	(2,227)	(7,788)
Net cash from operating activities	**12,100**	**2,041**

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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 2017, 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, comprising a summary of significant accounting policies and other explanatory information (the "consolidated interim condensed financial statements"). Management is responsible for the preparation and fair presentation of these consolidated interim condensed financial statements in accordance with International Financial Reporting Standards (IFRS) including the requirements of 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.

Audited entity: PJSC Group of Companies PIK.

Registered by Government Agency Moscow Registration Chamber on 20 September 1994. Registration No. 756 924.

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-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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial statements do not present fairly, in all material respects, the consolidated interim condensed financial position of the Group as at 30 June 2017, and its consolidated interim condensed financial performance and its consolidated interim condensed cash flows for the six-month period then ended in accordance with International Financial Reporting Standards (IFRS) including the requirements of IAS 34 *Interim Financial Reporting*.

Other Matter

The supplementary information accompanying the consolidated interim condensed financial statements on page 20 is presented solely for the convenience of users and does not form part of the consolidated interim condensed financial statements.

Fonareva S.B.

Director

JSC "KPMG"

Moscow, Russia

29 August 2017