

**PJSC Group of Companies PIK
Consolidated Interim Condensed
Financial Statements
as at and for the six-month period ended
30 June 2019**



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Consolidated Interim Condensed Statement of Financial Position

In million RUB	Note	30 June 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	12	27 223	26 189
Intangible assets	13	2 138	1 881
Investment property	14	6 669	18 086
Equity accounted investees	6 (a)	1 043	-
Other investments		346	378
Accounts receivable	16	1 711	1 597
Financial instruments measured at fair value through profit and loss	20	3 790	4 434
Deferred tax assets		3 928	7 660
Total non-current assets		46 848	60 225
Current assets			
Inventories	15	230 310	199 929
Other investments		327	340
Income tax receivable		1 589	1 479
Accounts receivable, including contract assets	16	41 888	30 052
Financial instruments measured at fair value through profit and loss	20	3 441	-
Cash and cash equivalents	19	42 204	58 601
Other current assets		1 199	847
Total current assets		320 958	291 248
Total assets		367 806	351 473

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



Consolidated Interim Condensed Statement of Financial Position

In million RUB	Note	<u>30 June 2019</u>	<u>31 December 2018</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		41 295	41 295
Additional paid-in capital		(8 470)	(8 470)
Retained earnings		26 598	33 478
Total equity attributable to owners of the Company		59 423	66 303
Non-controlling interests	23	1 106	1 868
Total equity		60 529	68 171
Non-current liabilities			
Loans and borrowings	22	48 598	41 527
Accounts payable		8 960	9 001
Deferred tax liabilities		11 141	16 879
Total non-current liabilities		68 699	67 407
Current liabilities			
Loans and borrowings	22	47 858	20 719
Accounts payable, including contract liabilities		160 392	164 678
Provisions	25	28 959	28 037
Income tax payable		1 369	2 461
Total current liabilities		238 578	215 895
Total liabilities		307 277	283 302
Total equity and liabilities		367 806	351 473

These consolidated interim condensed financial statements were approved by the Board of Directors on 28 August 2019 and were signed on its behalf by:

 Sergey E. Gordeev

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	<u>Six-month period ended 30 June 2019</u>	<u>Six-month period ended 30 June 2018</u>
Revenue from sales of real estate objects accounted for at historical cost		62 258	53 153
Revenue from sales of real estate objects acquired through business combinations and recognized at fair value on initial recognition		27 863	40 125
Other revenue		13 462	3 286
Revenue	7	<u>103 583</u>	<u>96 564</u>
Cost of sales of real estate objects accounted for at historical cost		(44 363)	(35 663)
Cost of sales of real estate objects acquired through business combinations and recognized at fair value on initial recognition		(25 553)	(37 897)
Cost of other sales		(11 064)	(3 298)
Cost of sales		<u>(80 980)</u>	<u>(76 858)</u>
Gross profit from sales of real estate objects accounted for at historical cost		17 895	17 490
Gross profit from sales of real estate objects acquired through business combinations and recognized at fair value on initial recognition		2 310	2 228
Gross profit/(loss) from other sales		2 398	(12)
Gross profit		<u>22 603</u>	<u>19 706</u>
Gain/(loss) on disposal of subsidiaries, development rights and investment property, net		328	(290)
Distribution expenses		(3 453)	(2 937)
Administrative expenses	9	(4 993)	(4 315)
Gain from change in fair value of investment property	14	-	16
Impairment loss on non-financial assets, net	18	(48)	(507)
Other expenses, net	10	(67)	(957)
Profit from operating activities		<u>14 370</u>	<u>10 716</u>

The consolidated interim condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 28.



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

In million RUB	Note	<u>Six-month period ended 30 June 2019</u>	<u>Six-month period ended 30 June 2018</u>
Finance income	8	3 184	2 117
Finance costs	8	(4 415)	(5 050)
Significant financing component from contracts with customers		(3 383)	(5 738)
Loss from financial activities		(4 614)	(8 671)
Share of losses of equity accounted investees, net of income tax		(45)	(7)
Profit before income tax		9 711	2 038
Income tax expense	11	(2 331)	(489)
Profit and total comprehensive income		7 380	1 549
<i>Attributable to:</i>			
Owners of the Company		7 428	1 310
Non-controlling interests	23	(48)	239
Profit and total comprehensive income for the period		7 380	1 549
Basic and diluted earnings per share, RUB	21 (b)	11,25	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 10 to 28.



Consolidated Interim Condensed Statement of Changes in Equity

In million RUB	Note	Attributable to equity holders of the Company			Non-controlling interest	Total equity	
		Share capital	Additional paid-in-capital	Retained earnings			Total
Balance as at 1 January 2018		41 295	(8 470)	28 004	60 829	599	61 428
Profit for the period		-	-	1 310	1 310	239	1 549
Total comprehensive income for the period		-	-	1 310	1 310	239	1 549
Transactions with owners of the Company							
Acquisition of non-controlling interests		-	-	-	-	(212)	(212)
Total transactions with owners of the Company		-	-	-	-	(212)	(212)
Balance as at 30 June 2018		<u>41 295</u>	<u>(8 470)</u>	<u>29 314</u>	<u>62 139</u>	<u>626</u>	<u>62 765</u>
Balance as at 1 January 2019		41 295	(8 470)	33 478	66 303	1 868	68 171
Profit for the period		-	-	7 428	7 428	(48)	7 380
Total comprehensive income for the period		-	-	7 428	7 428	(48)	7 380
Transactions with owners of the Company							
Acquisition of non-controlling interests	6 (c)	-	-	-	-	(22)	(22)
Decrease of non-controlling interests due to legal restructuring	23	-	-	692	692	(692)	-
Dividends	21 (a)	-	-	(15 000)	(15 000)	-	(15 000)
Total transactions with owners of the Company		-	-	(14 308)	(14 308)	(714)	(15 022)
Balance as at 30 June 2019		<u>41 295</u>	<u>(8 470)</u>	<u>26 598</u>	<u>59 423</u>	<u>1 106</u>	<u>60 529</u>

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 28.



Consolidated Interim Condensed Statement of Cash Flows

In million RUB	Note	Six-month period ended 30 June 2019	Six-month period ended 30 June 2018
Cash flows from operating activities			
Profit for the period		7 380	1 549
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment and amortisation of intangible assets	12, 13	1 320	952
Impairment loss on non-financial assets, including amounts recognised in cost of sales, net	18	48	507
(Gain)/loss on disposal of property, plant and equipment and other assets	10	(29)	45
Gain from changes in fair value of investment property	14	-	(16)
(Gain)/loss from disposal of subsidiaries, development rights and investment property, net		(328)	287
Share of losses of equity accounted investees, net of income tax		45	7
Finance income	8	(3 184)	(2 117)
Finance costs	8	4 415	5 050
Income tax expense	11	2 331	489
		11 998	6 753
Changes in:			
Inventories		(19 026)	1 712
Accounts receivable, including contract assets		(14 794)	(7 567)
Accounts payable, including contract liabilities and changes in provision for taxes other than income tax		218	15 332
Provisions		257	(5 914)
Cash flows (used in)/from operations before income taxes and interest paid**		(21 347)	10 316
Income taxes paid		(4 775)	(3 840)
Interest paid		(3 443)	(3 651)
Net cash (used in)/from operating activities		(29 565)	2 825

* Changes in accounts receivable, including contract assets, comprise advances for land plots acquisition in the amount of RUB 5 843 million paid in the first half of 2019 (in the first half of 2018: RUB 3 631 million).

** Cash flows from operating activities do not include funds received by the authorized bank from account holders (real estate customers) as a consideration paid under share participation agreements in the amount of RUB 3 044 million (in the first half of 2018 there were no proceeds to escrow accounts).

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 28.



Consolidated Interim Condensed Statement of Cash Flows

In million RUB	Note	Six-month period ended 30 June 2019	Six-month period ended 30 June 2018
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		76	66
Interest received		1 693	1 213
Acquisition of property, plant and equipment and other intangible assets		(899)	(1 959)
Acquisition of subsidiaries, net of cash acquired		-	(530)
Acquisition of equity accounted investees, including advances issued for acquisition of investees		(1 516)	-
Proceeds from disposal of subsidiaries, net of cash		(18)	-
Acquisition of other investments		-	(94)
Proceeds from disposal of investment property		-	40
Loans issued		(215)	(316)
Repayment of loans issued		1	-
Net cash used in investing activities		(878)	(1 580)
Cash flows from financing activities			
Payments for cash-settled financial instruments		(1 661)	(949)
Payment for lease liabilities	17	(2 721)	(773)
Proceeds from borrowings		20 317	4 500
Repayment of borrowings		(5)	(559)
Proceeds from bonds issuance		13 138	17 219
Repurchase of bonds		-	(5 788)
Acquisition of non-controlling interests	6 (c)	(22)	(124)
Payments of dividends	21 (a)	(15 000)	-
Net cash from financing activities		14 046	13 526
(Decrease)/increase in cash and cash equivalents, net		(16 397)	14 771
Cash and cash equivalents at the beginning of the period		58 601	45 452
Cash and cash equivalents at the end of the period		42 204	60 223



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. Since 1 June 2007 the Company’s shares are traded on the London Stock Exchange in the form of global depository 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 2019 and 2018 the Group primarily operated in Moscow, Moscow region and other regions of Russia.

As at 30 June 2019 the Company is ultimately controlled by Mr. Sergey E. Gordeev, who controls 74,81% of the Group.

(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.

Starting from 2014 the United States of America, the European Union and some other countries imposed and gradually tighten economic sanctions on Russian individuals and legal companies. The imposition of economic sanctions has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Ruble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian companies 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 longer 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 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”. Selected explanatory notes are included in the consolidated interim condensed financial statements to explain events and transactions that are significant to 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 2018. 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 2018.

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 2018, except for the changes described below.

(a) IFRS 16 “Leases”

The Group has early adopted IFRS 16 “Leases”, starting from 1 January 2018 in the consolidated financial statements for the year ended 31 December 2018. Comparative information for the six-month period ended 30 June 2018 in these consolidated interim condensed financial statements is presented without the effect of transition to IFRS 16 “Leases” from 1 January 2018 and is consistent with the information presented in the consolidated interim condensed financial statements for the six-month period ended 30 June 2018. Considering the insignificance of the effect, the comparative information was not recalculated (see note 17).

The transition to IFRS 16 “Leases” is described in the consolidated financial statements for 2018.

(b) IFRS 15 “Revenue from Contracts with Customers”

In the second half of 2018, the Group reconsidered the approach used to determine the percentage of completion under contracts with customers and excluded from calculation the construction of infrastructure which is not transferred to joint ownership and transferred to local authorities, governing bodies, administration, etc. As a result, the percentage of completion for most of the projects increased together with provisions for constructing the infrastructure relating to buildings being built and sold. The effect of transition to IFRS 15 as at 1 January 2018, which was previously reported in the consolidated interim condensed financial statements as at and for the six-month period ended 30 June 2018, on retained earnings is considered to be immaterial and was not recorded. Comparative information for the six-month period ended 30 June 2018, previously reported in the consolidated interim condensed financial statements, has been restated as follows:



In million RUB	Six-month period ended 30 June 2018		
	Before adjustment	Adjustment	After adjustment
Revenue from sales of real estate objects accounted for at historical cost	49 496	3 657	53 153
Revenue from sales of real estate objects acquired through business combinations and recognized at fair value on initial recognition	37 565	2 560	40 125
Other revenue	3 286	-	3 286
Revenue	90 347	6 217	96 564
Cost of sales of real estate objects accounted for at historical cost	(33 345)	(2 318)	(35 663)
Cost of sales of real estate objects acquired through business combinations and recognized at fair value on initial recognition	(35 373)	(2 524)	(37 897)
Cost of other sales	(3 298)	-	(3 298)
Cost of sales	(72 016)	(4 842)	(76 858)
Gross profit from sales of real estate objects accounted for at historical cost	16 151	1 339	17 490
Gross profit from sales of real estate objects acquired through business combinations and recognized at fair value on initial recognition	2 192	36	2 228
Gross loss from other sales	(12)	-	(12)
Gross profit	18 331	1 375	19 706
Profit from operating activities	9 341	1 375	10 716
Expense on significant financing component from contracts with customers	(5 987)	249	(5 738)
Profit before income tax	414	1 624	2 038
Income tax expense	(99)	(390)	(489)
Profit and total comprehensive income	315	1 234	1 549
<i>Attributable to:</i>			
Owners of the Company	76	1 234	1 310
Non-controlling interests	239	-	239

(c) New standards not yet adopted

A number of new Standards, amendments to Standards are not effective for the six-month reporting periods ended 30 June 2019 and have not been applied in preparing these consolidated interim condensed financial statements. The Group plans to adopt these pronouncements when they become effective. The Group has started an initial assessment but has not yet determined the potential impact of the new standards on its financial position or performance.

(d) Reclassifications

Due to changes in the presentation of certain accounts in these consolidated interim condensed financial statements, comparative information has been adjusted in order to be comparable with the information as at and for the six-month period ended 30 June 2019.

4 Operating segments

(a) Profit and loss of segments

mln RUB	Development and Real estate		Construction services		Construction and maintenance of utility systems		Industrial segment		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	
	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
External revenues*	90 240	93 403	9 188	519	2 967	1 682	743	326	445	634	103 583	96 564
Inter-segment revenue	443	334	13 920	578	339	362	1 969	1 217	81	93	16 752	2 584
Total revenue of reportable segments	90 683	93 737	23 108	1 097	3 306	2 044	2 712	1 543	526	727	120 335	99 148
Gross profit/(loss) of reportable segments	20 144	19 345	1 240	(11)	1 178	284	82	(34)	(41)	122	22 603	19 706
Gross margin	22%	21%	13%	(2)%	40%	17%	11%	(10)%	(9)%	19%	22%	20%

* External revenue from “Development and real estate” segment includes:

- revenue from sales of residential property recognized at a point in time in the amount of RUB 3 837 million (in the first half of 2018: RUB 15 127 million);
- revenue from sales of residential property recognized over time in the amount of RUB 79 383 million (in the first half of 2018: RUB 70 533 million);
- revenue from sales of non-residential property and parking spaces at a point in time in the amount of RUB 622 million (in the first half of 2018: RUB 1 842 million);
- revenue from sales of non-residential property and parking spaces over time in the amount of RUB 6 279 million (in the first half of 2018: RUB 5 776 million);
- other development revenue in the amount of RUB 119 million (in the first half of 2018: RUB 125 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 2019	Six-month period ended 30 June 2018
Moscow	62 907	63 275
Moscow Region	34 186	30 367
Other regions of Russia	6 490	2 922
	103 583	96 564

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 associates

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.

(b) Acquisition of subsidiaries

In May 2018, the Group acquired a 100% interest in the utilities system company which renders heating, water supply, water discharge and electricity services to commercial and residential customers in the Moscow region for RUB 1 235 million.

(c) Acquisition of non-controlling interests

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 recognized directly in equity.

In February 2018, the Group acquired additional 26,69% interest in the manufacturer of elevator and electronic equipment for RUB 84 million and increased its share to 87,14%. The transaction was recognized directly in equity.

In February 2018, the Group acquired additional 2,50% interest in the leading Russian developer of “Smart house” systems for consideration of RUB 40 million and increased its share to 62,15%. The transaction was recognized directly in equity.

The total effect from acquisitions of non-controlling interests for the first half of 2018 amounted to RUB 212 million and was recognized directly in equity.

7 Revenue

(a) Disaggregation of revenue by timing of revenue recognition

mln RUB	Six-month period ended 30 June 2019	Six-month period ended 30 June 2018
Revenue from sales of residential property		
Revenue recognised at a point in time	3 837	15 127
Revenue recognised over time	79 383	70 533
Revenue from sales of non-residential property and parking space		
Revenue recognised at a point in time	622	1 842
Revenue recognised over time	6 279	5 776
Other development revenue	119	125
Other revenue		
Revenue recognised at a point in time	4 367	2 642
Revenue recognised over time	8 976	519
Total revenue	103 583	96 564

In the first half of 2019, revenue from sales of real estate objects under share participation agreements, concluded to settle accounts payable amounted to RUB 272 million (in the first half of 2018: RUB 499 million).

In accordance with the requirements of Federal Law No 214-FZ before it was amended, upon transition to IFRS 15 “Revenue from contracts with customers”, the Group considered share participation agreements registered before 1 January 2017 as revocable. The Group recognized revenue from such agreements “at a point in time” in the first half of 2018. However, in the second half of 2018, in connection with opinion in legal precedents that such agreements are irrevocable, the Group revised the approach to recognition of the fulfillment of performance obligations under such agreements and additionally recognized revenue according to the percentage of completion starting from the second half of 2018; revenue under all share participation agreements is recognized over time, except for those rare cases when, according to the terms of agreements, they are revocable.

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 8% comparing to those used in the preparation of the consolidated financial statements for 2018.

(b) Contract assets and liabilities from contracts of real estate sales

mln RUB	30 June 2019	31 December 2018
Contract assets	3 889	1 997
Trade receivables	398	493
Contract liabilities, including:	(114 112)	(100 507)
– liabilities from contracts with revenue recognised at a point in time	(448)	(539)
– liabilities from contracts with revenue recognised over time	(113 664)	(99 968)

Contract assets represent the Group’s rights to consideration to be received from customers, payable in installments, when the pace of construction exceeds the payment schedule. Contract liabilities are advance payments received from customers according to share participation agreements and accrued amounts of significant financing component recognised in accounts payable.

As at 30 June 2019, the net amount of significant financing component, included in the transaction price and recognised in net finance costs amounted to RUB 1 138 million (31 December 2018: RUB 517 million).

Revenue from sales for the first half of 2019 includes a significant financing component determined on the basis of interest rates at the date of conclusion of contracts with customers from 8% to 9% (for the first half of 2018: from 8,5% to 9,5%).

The total amount of performance obligation outstanding at the end of the reporting period is expected to be recognized in revenue over the next three years. As at 30 June 2019, advances received from customers with a carrying amount of RUB 98 239 million are expected to be released within the next 12 months (as at 31 December 2018: RUB 83 241 million).

In the first half of 2019 the Group recognized revenue of RUB 35 630 million, which was included in contract liabilities as at 1 January 2019 (in the first half of 2018: RUB 35 782 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 2019	31 December 2018
Trade receivables	5 589	6 350
Contract liabilities, including:	(7 641)	(11 744)
– liabilities from contracts with revenue recognised at a point in time	(2 463)	(1 928)
– liabilities from contracts with revenue recognised over time	(5 178)	(9 816)

8 Finance income and costs

mln RUB	Six-month period ended 30 June 2019	Six-month period ended 30 June 2018
Revaluation of cash-settled financial instruments	1 136	-
Interest income	1 685	1 446
Foreign exchange gains, net	103	180
Write-off of accounts payable	17	118
Reversal of impairment of financial assets	-	88
Change in non-controlling interest in limited liability companies	32	125
Other financial income	211	160
Finance income	3 184	2 117
Interest expense*	(4 261)	(4 433)
Revaluation of cash-settled financial instruments	-	(152)
Loss on impairment of financial assets	(61)	(393)
Other finance costs	(93)	(72)
Finance costs	(4 415)	(5 050)
Net finance costs for the period	(1 231)	(2 933)

* In the first half of 2019 interest expense includes RUB 3 552 million of interest accrued on bank loans and bonds (in the first half of 2018: RUB 3 634 million).

9 Administrative expenses

mln RUB	Six-month period ended 30 June 2019	Six-month period ended 30 June 2018
Personnel costs	3 032	2 938
Professional and other services	613	331
Research and development	195	211
Taxes	250	206
Depreciation of property, plant and equipment, amortisation of intangible assets and right-of-use assets	371	206
Rent	17	72
Other administrative expenses	515	351
	4 993	4 315

10 Other expenses, net

mln RUB	Six-month period ended 30 June 2019	Six-month period ended 30 June 2018
Penalties and fines, including provision for litigation and claims	(87)	(748)
Charity	(32)	(256)
Gain/(loss) from disposal of property, plant and equipment	81	(45)
Tax expenses	(243)	(344)
Disposal of other assets	(52)	(79)
Other income, net	266	515
	(67)	(957)

11 Income taxes

Income tax benefit or expense is recognized based on management's estimate of the weighted average annual income tax rate determined at 24% and applied to profit before income tax for the first half of 2019 (for the first half of 2018: 24%).

mln RUB	Six-month period ended 30 June 2019	Six-month period ended 30 June 2018
<i>Current tax expense</i>		
Current income tax for the period	(3 609)	(2 360)
Tax provision (recognised)/reversed	(668)	63
	(4 277)	(2 297)
<i>Deferred income tax</i>		
Origination and reversal of temporary differences	1 946	1 808
	1 946	1 808
Total income tax expense	(2 331)	(489)

12 Property, plant and equipment

mln RUB	2019	2018
As at 1 January	26 189	23 524
Additions	3 157	2 065
Acquisitions through business combinations	-	522
Depreciation charge	(1 126)	(791)
Disposals	(997)	(407)
As at 30 June	27 223	24 913

13 Intangible assets

mln RUB	2019	2018
As at 1 January	1 881	779
Additions	516	251
Amortisation charge	(194)	(161)
Disposals	(65)	(3)
As at 30 June	2 138	866

14 Investment property

mln RUB	2019	2018
As at 1 January	18 086	23 690
Reclassification to inventories	(11 413)	(5 407)
Change in fair value	-	16
Disposals	(4)	(82)
As at 30 June	6 669	18 217

The fair value of investment property was determined by external independent real estate appraisers with appropriate recognised professional qualifications and recent experience in valuing such type of real estate. The fair value of investment property was determined by using income or market equivalent approaches selected individually for each specific investment property being valued. The selected approach has not changed since the year-end reporting period (2018 year). Assumptions used for the calculation of these values as at 31 December 2018 have not changed significantly, either.

The fair value measurement was assigned to Level 3 of the fair value hierarchy based on the input data for the valuation methods used.

15 Inventories

mln RUB	30 June 2019	31 December 2018
Construction work in progress, intended for sale, acquired through business combinations	65 818	68 259
Construction work in progress, intended for sale, accounted at historical cost	132 438	101 536
Finished goods and goods for resale	21 396	21 006
Raw materials and consumables	7 161	5 787
Work in progress	15	-
Right-of-use asset	3 482	3 341
	230 310	199 929
Write down	(3 043)	(3 311)

Construction work in progress intended for sale and finished goods mostly consist of apartments, non-residential properties and parking spaces. A standard operational cycle of construction projects exceeds 12 months. Inventories are classified as current assets even if they are not intended to be sold within the next 12 months after the reporting date.

During the reporting period the Group purchased certain land plots for future development in Moscow, Moscow region and other regions of Russia for the total amount of RUB 13 849 million mostly through the acquisition of control in companies which own these land plots. The companies had no other significant assets, liabilities and financial results as at 30 June 2019. 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 497 million is to be paid within six months after the reporting date.

16 Accounts receivable, including contract assets

mln RUB	30 June 2019	31 December 2018
Non-current		
Consideration receivable for sale of subsidiaries	1 711	1 597
	1 711	1 597
Impairment losses	(212)	(197)
Current		
Trade accounts receivable	9 897	9 067
Advances issued under agreements for acquisition of subsidiaries and land plots	16 819	12 637
Advances issued to other suppliers	5 474	2 219
Taxes receivable	5 226	4 842
Others	4 472	1 287
	41 888	30 052
Impairment losses	(2 599)	(2 660)

17 Leases

The contract portfolio of the Group mostly consists of leases of land plots for construction of residential property for sale.

Change in lease liabilities during the first half of 2019 is presented in the table below:

mln RUB	Land plots	Other	Total
As at 1 January 2019	3 687	88	3 775
New leases or lease modifications	1 304	382	1 686
Interest expense on lease liability	174	19	193
Lease payments, including offsets	(2 604)	(117)	(2 721)
As at 30 June 2019	2 561	372	2 933

The change in the right-of-use asset during the first half of 2019 year is presented in the table below:

mln RUB	Land plots	Other	Total
As at 1 January 2019	3 341	84	3 425
New leases or lease modifications	1 304	382	1 686
Write-off to costs	(1 163)	-	(1 163)
Depreciation charge included in administrative expenses	-	(108)	(108)
As at 30 June 2019	3 482	358	3 840

The effect of IFRS 16 adoption for the six months of 2018 was as follows: an increase in interest expenses in finance costs of amounted to RUB 217 million, an increase in depreciation of the right-of-use asset as part of administrative expenses of RUB 56 million, and a decrease in the cost of sales of RUB 379 million. The total effect on the Group's total comprehensive income for the six months of 2018 amounted to RUB 106 million. The Group considers the effect of applying IFRS 16 for the six months of 2018 to be insignificant and has not recalculated the comparative information presented earlier in the consolidated interim condensed financial statements as of and for the six-month period ended 30 June 2018.

18 Impairment losses on non-financial assets, net

mln RUB	Six-month period ended 30 June 2019	Six-month period ended 30 June 2018
Impairment losses		
Advances paid	(346)	(564)
	(346)	(564)
Reversal of impairment losses		
Advances paid	270	57
Inventory	28	-
	298	57
	(48)	(507)

As at 30 June 2019 no indicators of impairment of production assets, utility infrastructure, or inventories were identified.

19 Cash and cash equivalents

mln RUB	30 June 2019	31 December 2018
Cash on hand	4	1
Cash in banks	42 200	58 600
Cash and cash equivalents	42 204	58 601

Cash balance on escrow accounts (for information purposes)

mln RUB	30 June 2019	31 December 2018
Escrow accounts	4 188	1 145

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

As at 30 June 2019, cash in the amount of RUB 13 635 million was placed on special bank accounts which operations are subject to special banking control (as at 31 December 2018: RUB 15 179 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 executed in June 2017, simultaneously with the sale of their own global depositary receipts purchased in the open market;
- under the agreement with the same bank, executed in May 2018, no own GDRs have been sold.

As at 30 June 2019, the total carrying amount of cash-settled financial instruments amounted to RUB 7 231 million.

For the first half of 2019, the change in the fair value of cash-settled financial instruments amounted to RUB 1 136 million (in the first half of 2018: RUB 152 million).

As at 30 June 2019, the estimated fair value of cash-settled financial instruments executed in 2017 was based on the following key assumptions:

- The risk-free rate for the period corresponding with the remaining contractual period starting from the reporting date is 7,3% (31 December 2018: 8,8%);
- The annual discount rate is 9,6% (31 December 2018: 9,9%).

As at 30 June 2019 the estimated fair value of cash-settled financial instruments executed in May 2018 was based on the following key assumptions:

- The risk-free rate for the period corresponding with the remaining contractual period starting from the reporting date is 7,3% (31 December 2018: 8,9%);
- The annual discount rate is 9,6% (31 December 2018: 10,1%).

21 Equity

(a) Dividends

In May 2019, the Group approved dividends in the amount of RUB 15 000 million, or RUB 22,71 per share. Dividends were paid in full in June 2019. In the first half of 2018 no dividends were declared.

(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 2018: 660 497 344 shares). The Company has no ordinary shares with potentially dilutive effect.

22 Loans and borrowings

mln RUB	30 June 2019	31 December 2018
<i>Non-current</i>		
Bonds, net of those purchased by the Group	33 627	35 172
Unsecured bank loans	7	4 484
Project financing	12 038	1 871
Secured bank loans	2 926	-
	48 598	41 527
<i>Current</i>		
Bonds, net of those purchased by the Group	33 031	18 180
Unsecured bank loans	4 484	9
Project financing	8 340	1 215
Secured bank loans	73	-
Interest payable	1 930	1 315
	47 858	20 719
	96 456	62 246

As at 30 June 2019 and 31 December 2018, bank loans were secured with:

- rights of lease and ownership over the land with a total area of 220 thousand square meters (as at 31 December 2018: 218 thousand square meters);
- shares of certain subsidiaries of the Group;
- movable and immovable property.

The terms of financial liabilities as at 30 June 2019 did not significantly change compared to those disclosed as at 31 December 2018 in the consolidated financial statements for 2018, except for new loans and borrowings as indicated below.

In the first half of 2019, the Group received a secured bank loan of RUB 3 000 million at the key interest rate of the Central Bank of the Russian Federation (“CBRF”) + 2,25% maturing in May 2026, used to finance operating activities.

In the first half of 2019, the Group also received additional project financing, which includes project loans, including those for the purchase of land plots, in the amount to RUB 15 600 million maturing in May 2025, at the rates ranging from 10,50% to 12%.

In the first half of 2019, the Group actively used credit line to finance the construction of the Dmitrovsky Park residential complex and received funding of RUB 1 717 million. The loan has a variable interest rate which is calculated using the key rate of the CBRF + 2,27%, adjusted depending on the balances on escrow accounts.

In the first half of 2019, the Group sold previously purchased own bonds with a nominal value of RUB 13 138 million with an effective yield of 8,27% to 11,05% (in the first half of 2018, the Group redeemed bonds in the amount of RUB 5 788 million, including RUB 3 877 million purchased through an early offer announced in April 2018).

23 Non-controlling interests

	Developer	Internet provider	Other	Total
Balance as at 1 January 2019	736	661	471	1 868
(Loss)/profit for the period	(30)	(47)	29	(48)
Acquisition of non-controlling interest	-	-	(22)	(22)
Decrease in non-controlling interest due to the restructuring of subsidiaries	(692)	-	-	(692)
Balance as at 30 June 2019	14	614	478	1 106

24 Financial instruments

(a) Fair values and carrying amounts

Fair values of cash-settled financial instruments, financial assets and liabilities are assigned to Level 3 of the fair value hierarchy except for issued bonds which are assigned to Level 1.

Fair values of the Group's financial assets and liabilities measured at amortized cost are calculated for the purpose of disclosure requirements only.

As at 30 June 2019 and 31 December 2018, 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 2019, the fair value of bonds, net of those repurchased by the Group, exceeded their carrying amount by RUB 1 405 million (as at 31 December 2018: RUB 1 413 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 amortized 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 amortized cost have not changed during the reporting period.

Amounts of receivables and other investments measured at amortized cost, grouped by assets and credit ratings, are presented in the table below:

(i) Accounts receivable

mln RUB

Credit rating	Gross carrying amount as at 30 June 2019	Impairment loss as at 30 June 2019	Gross carrying amount as at 31 December 2018	Impairment loss as at 31 December 2018
A- to A++	7 919	(1)	3 584	(1)
B- to B++	4 449	(97)	4 914	(27)
C- to C++	3 975	(308)	3 588	(257)
D- to D++	8	(1)	3	-
E- to E++	139	(81)	16	(8)
Default	1 404	(1 326)	1 670	(1 531)
Total	17 894	(1 814)	13 775	(1 824)

(ii) Other investments

mln RUB

Credit rating	Gross carrying amount as at 30 June 2019		Gross carrying amount as at 31 December 2018	
		Impairment loss as at 30 June 2019		Impairment loss as at 31 December 2018
A- to A++	83	(14)	155	(17)
B- to B++	206	(7)	12	(2)
C- to C++	80	(5)	255	(19)
D- to D++	435	(105)	436	(107)
E- to E++	-	-	-	-
Default	166	(166)	180	(176)
Total	970	(297)	1 038	(321)

(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.

25 Provisions

mln RUB	Provision for			Total
	Provision for cost to complete	onerous contracts	Provision for taxes	
As at 1 January 2019	24 744	881	2 412	28 037
Additional provisions	11 691	237	1 090	13 018
Releases of provisions	(2 008)	(16)	(423)	(2 447)
Amount used	(8 651)	(864)	-	(9 515)
Disposal through disposal of subsidiaries	14	-	(148)	(134)
As at 30 June 2019	25 790	238	2 931	28 959

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 local amenities, such as schools, parking places, commercial real estate etc., which the Group is obliged to build as part of its arrangements with the municipal authorities.

The estimation 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.

The provision for cost to complete includes the amounts the Group should spend to finalize the purchases of land plots under current development projects, to construct infrastructure facilities and other local amenities which would not be transferred to joint ownership of customers, in proportion to constructed meters of apartment buildings, where the sales are open, to finalize the construction of objects obtained in transactions related to purchases of land plots or lease rights.

As at 30 June 2019, 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 2 893 million including the respective penalties (31 December 2018: RUB 2 283 million).

26 Contingencies

Except as described below, the contingencies of the Group related to 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 2018.

Litigation contingencies

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 2019, the Group made a provision for litigations which have a high probability of resource outflows in the amount of RUB 946 million and included these liabilities in accounts payable (as at 31 December 2018: RUB 1 382 million). In addition, Management believes that an additional outflow of economic benefits of RUB 253 million is possible but unlikely (as at 31 December 2018: RUB 654 million). Legal claims are expected to be settled during the next reporting period.

27 Related party transactions

(a) Control relationships

As at 30 June 2019, the Group is ultimately controlled by Mr. Sergey E. Gordeev, who controls 74,81% of the Group.

(b) Management remuneration

Key management remuneration accrued during the six months of 2019 is represented in the table below:

mln RUB	Six-month period ended 30 June 2019	Six-month period ended 30 June 2018
Salaries and bonuses	800	898
Insurance contributions	153	101
Total	953	999

(c) Transactions with related parties

Related parties' balances

mln RUB	30 June 2019	31 December 2018
Advances issued	782	99
Accounts receivable	28	339
Advances received	(20)	(14)
Accounts payable	(146)	(372)
Total	644	52

(d) Other transactions with related parties

During the six-month period ended 30 June 2018, executive directors of the Company purchased from the Group residential apartments in uncompleted buildings for the total amount of RUB 4 million. There were no such operations in the first half of 2019.

28 Subsequent events

In July 2019, the Group repaid the obligation related to the project financing for the construction of the residential complex located in Moscow in the amount of RUB 1 215 million.

In July 2019, the Group partially redeemed bonds in the amount of RUB 800 million.

In August 2019, the Group redeemed bonds from the market in the amount of RUB 6 755 million through an early offer.

In July 2019, the Group signed the project financing agreement to develop two projects in Moscow using escrow accounts.

In July 2019, the largest bank in Russia acquired 15,48% of the Group's ordinary shares from entities affiliated with S.E. Gordeev, President and the main shareholder of the Group. As a result of the transaction, S. E. Gordeev and his affiliates retained control over 59,33% of the Group's ordinary shares.

29 Non-IFRS measures

Net debt

mln RUB	Note	30 June 2019	31 December 2018
Loans and borrowings	22	76 078	59 160
Project financing	22	20 378	3 086
Less: Cash and cash equivalents	19	(42 204)	(58 601)
Net debt		54 252	3 645

Net debt, less cash on escrow accounts of customers

mln RUB	Note	30 June 2019	31 December 2018
Loans and borrowings	22	76 078	59 160
Project financing	22	20 378	3 086
Less: Cash and cash equivalents	19	(42 204)	(58 601)
Less: Escrow accounts balances	19	(4 188)	(1 145)
Net debt		50 064	2 500

Development capital expenditures except for cash paid for the acquisition of land plots/lease rights

mln RUB	Note	Six-month period ended 30 June 2019	Six-month period ended 30 June 2018
Change in:			
Construction work in progress, intended for sale	15	28 461	8 739
Reclassification of investment property	14	(11 413)	(5 407)
Finished goods and goods for resale	15	390	(5 030)
Right-of-use asset	17	141	(567)
Advances paid under contracts for the acquisition of subsidiaries and land plots/ lease rights	16	4 182	5 599
Accounts payable for development contracts and other trade payables		11 069	3 821
Accounts payable for the acquisition of land plots/lease rights		152	911
Provisions for costs to complete and onerous contracts	25	403	5 097
		33 385	13 163
Cost of sales of real estate objects		69 916	73 560
Acquisition of land plots, including the purchase of subsidiaries	15	(13 849)	(9 945)
Payment of accounts payable for the acquisition of land plots/lease rights		(3 814)	(2 900)
Advances issued for the acquisition of land plots/lease rights		(5 843)	(3 631)
Development capital expenditure, except for cash paid for the acquisition of land plots/lease rights		79 795	70 247

Proceeds from sales of real estate

mln RUB	Note	Six-month period ended 30 June 2019	Six-month period ended 30 June 2018
Change in advances from customers	7	13 605	17 009
Revenue from sales of real estate objects	7	90 121	93 278
Less: Significant financing component recognised in revenue		(2 570)	(1 586)
Change in accounts receivable including contract assets from contracts with customers	7	(1 797)	870
Proceeds from the sales of real estate using escrow accounts	19	3 044	-
Cash collections from sales of real estate objects		102 403	109 571

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

mln RUB	Note	Six-month period ended 30 June 2019	Six-month period ended 30 June 2018
Profit and total comprehensive income for the period		7 380	1 549
Plus: Depreciation of property, plant and equipment and amortisation of intangible assets	12, 13	1 320	952
Plus: Interest expense	8	4 261	4 433
Plus: Significant financing component on contracts with customers		3 383	5 738
Less: Interest income	8	(1 685)	(1 446)
Plus: Income tax expense	11	2 331	489
EBITDA		16 990	11 715

Adjusted earnings before interest, taxes, depreciation and amortisation:

mln RUB	Note	Six-month period ended 30 June 2019	Six-month period ended 30 June 2018
EBITDA		16 990	11 715
Less: Significant financing component recognised in revenue		(2 570)	(1 586)
Impairment loss on non-financial assets, net	18	48	507
Change in fair value of investment property	14	-	(16)
Impairment loss on financial assets, net	8	61	393
Foreign exchange gain, net	8	(103)	(180)
(Gain)/loss from disposal of property, plant and equipment	10	(81)	45
(Gain)/loss from disposal of development rights and subsidiaries		(328)	290
Penalties and fines, including provisions for legal disputes, net	10	87	748
Write-off of other materials		37	19
Other finance income	8	(211)	(160)
Exclusion of revaluation of cash-settled financial instruments	8	(1 136)	152
Adjusted EBITDA		12 794	11 927

Supplementary information not required by IFRS

Adjusted EBITDA, excluding the cost of land



mln RUB	Six-month period ended 30 June 2019	Six-month period ended 30 June 2018
Adjusted EBITDA	12 794	11 927
Cost of land plots included in the cost of sales	3 255	3 600
Cost of acquisition of projects recorded at fair value included in the cost of sales	3 935	5 028
Adjusted EBITDA excluding cost of land	19 984	20 555

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

mln RUB	Six-month period ended 30 June 2019	Six-month period ended 30 June 2018
Net cash from operating activities before changes in inventories, trade and other receivables and payables and provision for cost to complete	11 998	6 753
Changes in:		
Inventories before acquisitions and sale of land plots/lease rights	(1 363)	14 646
Trade and other receivables, including contract assets from contracts with customers and excluding prepayments for land plots/lease rights	(8 951)	(3 936)
Trade and other payables, including contract liabilities from contracts with customers and changes in the provision for taxes, except for income tax	218	15 332
Provisions	257	(5 914)
Cash flows from operations before income taxes and interest paid and before acquisitions and sale of land plots/lease rights and prepayments for land plots/lease rights	2 159	26 881
Income taxes paid	(4 775)	(3 840)
Interest paid	(3 443)	(3 651)
Net cash flows from operations before acquisitions and sale of land plots/lease rights and prepayments for land plots/lease rights	(6 059)	19 390
Acquisition of land plots/lease rights	(17 663)	(12 845)
Income from sale of land plots/lease rights	-	(89)
Prepayments for land plots/lease rights	(5 843)	(3 631)
Net cash (used in)/from operating activities	(29 565)	2 825



Документ подписан и передан через оператора ЭДО АО «ПФ «СКБ Контур»

	Владелец сертификата: организация, сотрудник	Серийный номер сертификата	Дата и время подписания
Подписи отправителя:	 ПАО "ГРУППА КОМПАНИЙ ПИК" Смаковская Елена Сергеевна, Вице-президент по экономике и финансам - финансовый директор	015BE47D0092AA31A349927F23332A26FE	23.06.2020 17:17 GMT+03:00 Подпись соответствует файлу документа
Подписи получателя:	 ПАО "ГРУППА КОМПАНИЙ ПИК" Гордеев Сергей Эдуардович, Президент	018893D10018AB599F48040B290C5A9E15	23.06.2020 17:53 GMT+03:00 Подпись соответствует файлу документа