

**Limited Liability Company
“PIK-Corporation”**

**Consolidated Interim Condensed Financial Statements
as at and for the six-month period ended 30 June 2020**

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Consolidated Interim Condensed Statement of Financial Position

mln RUB	Note	<u>30 June 2020</u>	<u>31 December 2019</u>
ASSETS			
Non-current assets			
Property, plant and equipment	12	33,435	32,786
Intangible assets	13	13,220	13,324
Investment property	14	6,400	6,626
Equity-accounted investees		10	702
Other investments and other financial assets	16	14,025	14,799
Accounts receivable	17	1,242	1,774
Deferred tax assets		2,063	1,606
Total non-current assets		<u>70,395</u>	<u>71,617</u>
Current assets			
Inventories	15	268,048	243,918
Other investments	16	2,201	715
Income tax receivable		1,851	1,474
Accounts receivable, including contract assets	17	94,398	77,899
Cash and cash equivalents	20	75,679	64,851
Other current assets		5,315	4,888
Total current assets		<u>447,492</u>	<u>393,745</u>
Total assets		<u>517,887</u>	<u>465,362</u>

Consolidated Interim Condensed Statement of Financial Position

mln RUB	Note	<u>30 June 2020</u>	<u>31 December 2019</u>
EQUITY AND LIABILITIES			
Equity	21		
Charter capital		80,585	80,585
Retained earnings		34,407	34,909
Total equity attributable to owners of the Company		<u>114,992</u>	<u>115,494</u>
Non-controlling interests	24	1,210	1,496
Total equity		<u>116,202</u>	<u>116,990</u>
Non-current liabilities			
Loans and borrowings	23	110,817	85,587
Accounts payable	22	4,459	8,727
Liabilities from long-term lease contracts	18	4,311	3,973
Deferred tax liabilities		21,855	17,775
Total non-current liabilities		<u>141,442</u>	<u>116,062</u>
Current liabilities			
Loans and borrowings	23	25,212	22,308
Accounts payable, including contract liabilities	22	204,892	184,188
Liabilities from long-term lease contracts	18	2,570	1,906
Provisions	26	25,751	21,936
Income tax payable		1,818	1,972
Total current liabilities		<u>260,243</u>	<u>232,310</u>
Total liabilities		<u>401,685</u>	<u>348,372</u>
Total equity and liabilities		<u>517,887</u>	<u>465,362</u>

These consolidated interim condensed financial statements were approved by management of the Company on 15 September 2020 and signed on its behalf by:

S. E. Gordeev
Managing Director

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

mln RUB	Note	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019 (restated)
Revenue from sales of real estate objects accounted for at historical cost		68,165	49,837
Revenue from sales of real estate objects acquired through business combinations and recognised at fair value at initial recognition		26,973	27,444
Other revenue		33,499	13,951
Revenue	7	128,637	91,232
Cost of sales of real estate objects accounted for at historical cost		(48,157)	(35,122)
Cost of sales of real estate objects acquired through business combinations and recognised at fair value at initial recognition		(22,144)	(25,349)
Cost of other sales		(27,066)	(11,573)
Cost of sales		(97,367)	(72,044)
Gross profit from sales of real estate objects accounted for at historical cost		20,008	14,715
Gross profit from sales of real estate objects acquired through business combinations and recognised at fair value at initial recognition		4,829	2,095
Gross profit from other sales		6,433	2,378
Gross profit		31,270	19,188
Gain on disposal of subsidiaries, associates and investment property, net		7	337
Distribution expenses		(3,843)	(3,399)
Administrative expenses	9	(4,238)	(2,049)
Impairment losses on non-financial assets, net	19	(300)	(62)
Other expenses, net	10	(1,334)	(169)
Profit from operating activities		21,562	13,846

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

mln RUB	Note	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019 (restated)
Finance income	8	4,930	3,179
Finance costs	8	(3,285)	(933)
Significant financing component from contracts with customers		(1,794)	(2,188)
Profit from financial activities		(149)	58
Share in losses of equity-accounted investees, net of income tax		(114)	(45)
Profit before income tax		21,299	13,859
Income tax expense	11	(5,114)	(3,226)
Profit and total comprehensive income		16,185	10,633
<i>Attributable to:</i>			
Owners of the Company		16,401	10,717
Non-controlling interests	24	(216)	(84)
Profit and total comprehensive income for the reporting period		16,185	10,633

Consolidated Interim Condensed Statement of Changes in Equity**Attributable to equity holders of the
Company**

mln RUB	Note	Charter capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2019 before changes in accounting policies		80,000	(14,168)	65,832	1,788	67,620
Effect of changes in accounting policies	3 (a)	-	8,742	8,742	-	8,742
Balance as at 1 January 2019 (restated)		80,000	(5,426)	74,574	1,788	76,362
Profit for the reporting period (restated)		-	10,717	10,717	(84)	10,633
Total comprehensive income for the reporting period (restated)		-	10,717	10,717	(84)	10,633
Transactions with owners of the Company						
Acquisition of non-controlling interests	6(c)	-	-	-	(22)	(22)
Decrease of non-controlling interests due to the restructuring of subsidiaries		-	690	690	(690)	-
Acquisition of subsidiaries, net	6(a)	-	(522)	(522)	-	(522)
Dividends	21	-	(762)	(762)	-	(762)
Total transactions with owners of the Company		-	(594)	(594)	(712)	(1,306)
Balance as at 30 June 2019 (restated)		80,000	4,697	84,697	992	85,689

Consolidated Interim Condensed Statement of Changes in Equity
Attributable to equity holders of the
Company

mln RUB	Note	Charter capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2020		80,585	34,909	115,494	1,496	116,990
Profit for the reporting period		-	16,401	16,401	(216)	16,185
Total comprehensive income for the reporting period		-	16,401	16,401	(216)	16,185
Transactions with owners of the Company						
Change in non-controlling interests due to the legal restructuring of subsidiaries	24	-	-	-	(70)	(70)
Dividends	21	-	(16,903)	(16,903)	-	(16,903)
Total transactions with owners of the Company		-	(16,903)	(16,903)	(70)	(16,973)
Balance as at 30 June 2020		80,585	34,407	114,992	1,210	116,202

Consolidated Interim Condensed Statement of Cash Flows

mln RUB	Note	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019 (restated)
Cash flows from operating activities			
Profit for the reporting period		16,185	10,633
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment and amortisation of intangible assets	12, 13	1,519	1,099
Impairment losses on non-financial assets, including amounts recognised in cost of sales, net	19	300	62
Loss/(gain) from disposal of property, plant and equipment and other assets	10	66	(24)
Net gain on disposal of subsidiaries, associates and investment property		(7)	(337)
Share in losses of equity-accounted investees, net of income tax		114	45
Finance income	8	(4,930)	(3,179)
Finance costs	8	3,285	933
Income tax expense	11	5,114	3,226
		21,646	12,458
Changes in:			
Inventories		(20,708)	(22,416)
Accounts receivable, including contract assets*		(17,376)	(14,509)
Accounts payable, including contract liabilities and changes in provision for taxes, other than income tax		(601)	3,148
Provisions		3,836	1,413
Cash flows used in operations before income taxes and interest paid**		(13,203)	(19,906)
Income taxes paid		(2,114)	(4,150)
Interest paid		(2,622)	(3,415)
Net cash used in operating activities		(17,939)	(27,471)

* Changes in accounts receivable, including contract assets, include advance issued for land plots in the amount of RUB 1,451 million in the first half of 2020 (in the first half of 2019: RUB 5,806 million).

** Cash flows from operating activities do not include funds placed on escrow accounts in the authorised banks by accounts holders (real estate customers) as a consideration paid under share participation agreements in the amount of RUB 14,386 million (in the first half of 2019: RUB 3,044 million).

Consolidated Interim Condensed Statement of Cash Flows

mln RUB	Note	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019 (restated)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		33	76
Interest received		2,380	3,153
Acquisition of property, plant and equipment and other intangible assets		(826)	(737)
Acquisition of subsidiaries, net of cash acquired	6 (a)	163	(522)
Acquisition of equity-accounted investees	6 (b)	-	(1,516)
Proceeds from disposal of associates and subsidiaries, net of cash		1,964	(19)
Proceeds from disposal of investment property		66	-
Loans issued		(168)	(17)
Repayment of loans issued		17	13,341
Net cash from investing activities		3,629	13,759
Cash flows from financing activities			
Payments for lease liabilities		(1,105)	(2,638)
Proceeds from loans and borrowings		58,671	20,771
Repayment of loans and borrowings		(32,232)	(4,816)
Repurchase of bonds		(170)	-
Acquisition of non-controlling interests	6 (c)	-	(22)
Payment of dividends	21	(32)	(12,954)
Net cash from financing activities		25,132	341
Net increase/(decrease) in cash and cash equivalents		10,822	(13,371)
Effect of exchange rate fluctuations on cash and cash equivalents		6	-
Cash and cash equivalents at the beginning of the period		64,851	54,730
Cash and cash equivalents at the end of the period		75,679	41,359

Notes to the Consolidated Interim Condensed Financial Statements

1 General information

(a) Organisation and operations

LLC “PIK-Corporation” (the “Company”) and its subsidiaries (jointly referred to as the “Group”) comprise joint stock companies and limited liability companies mostly incorporated in the Russian Federation and companies incorporated in Cyprus. On 9 April 2019, the Company was renamed as LLC “PIK-Corporation” (previously LLC “PIK-Development of Territories”). The Company was established in 2000 and is controlled by PJSC Group of Companies PIK (the “Parent Company”). Shares of PJSC Group of Companies PIK are traded at Moscow Exchange.

The Company’s registered office is 19 Barrikadnaya str., Bldg 1, Moscow 123242, Russian Federation.

The primary activities of the Group are construction of residential buildings and areas, sales of real estate properties; construction services; production of construction materials, including concrete panels, window frames and other construction elements consumed mostly by the Group internally; heating supply; maintenance and servicing the apartment buildings. In 2020 and 2019, the Group primarily operated in Moscow and Moscow Region, as well as in some 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 to develop, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments, contribute to challenges faced by companies operating in the Russian Federation.

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

The presented consolidated interim condensed financial statements reflect management’s assessment of the impact of the Russian business environment, as well as pandemics-induced events and measures taken by the government to contain COVID-19 spread and mitigate its consequences on the operations and the financial position of the Group. The actual impact of future business conditions may differ from the management’s estimates. Management has reviewed current events and conditions and concluded that there is no material uncertainty that could cause significant doubt on the Group’s ability to continue as a going concern.

2 Basis of preparation of the Consolidated Interim Condensed Financial Statements

(a) Statement of compliance

These consolidated interim condensed financial statements have been prepared in accordance with IAS 34 *Interim financial reporting* published by the International Accounting Standards Board. These consolidated interim condensed financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”).

(b) Use of estimates and judgments

The preparation of consolidated interim condensed financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparing these consolidated interim condensed financial statements the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty do not differ significantly from those used in the preparation of consolidated financial statements as at and for the year ended 31 December 2019, with the exception for those described in Note 19, which did not have a significant adverse effect on these consolidated interim condensed financial statements.

3 Significant accounting policies

In preparing these consolidated interim condensed financial statements the Group applied the accounting policies used to prepare the consolidated financial statements of the Group for the year ended 31 December 2019.

(a) Changes in the accounting policy for capitalisation of interest expenses

In the second half of 2019, the Group amended its accounting policy with respect to the capitalisation of interest expenses.

Previously, the Group applied an exemption provided for in IAS 23 *Borrowing costs*, which allows inventories generated over a long period of time in large quantities on a regular basis not to be classified as a qualified asset, subject to certain conditions. Interest expenses were not capitalised in the cost of construction-in-progress and were expensed as incurred.

Due to changes in real estate legislation and the transfer to sales using the escrow accounts the Group is expanding the project financing. The project financing is used to purchase land plots for development and to finance the construction of real estate. These circumstances have significant impact on the cost of construction. As a result, the Group decided to amend its accounting policy which should provide for a more balanced proportion of interest expenses recognised for assets, which were constructed using the project financing. According to the amended accounting policy, interest expenses are capitalised into inventory balance as qualifying assets, which represent assets that take a long time period for finance. Such assets include land plots, infrastructure and social facilities constructed over a long period of time, as well as right-of-use assets.

This change in the accounting policies was applied retrospectively by restating comparative information.

The comparative figures for the six months ended on 30 June 2019, which had been presented in the consolidated interim condensed financial statements earlier, were restated as follows:

mln RUB	<u>Before adjustment</u>	<u>Adjustment</u>	<u>After adjustment</u>
Revenue	91,232	-	91,232
Cost of sales, including	(70,754)	(1,290)	(72,044)
Cost of sales of real estate objects accounted for at historical cost	(34,550)	(572)	(35,122)
Cost of sales of real estate objects acquired through business combinations and recognised at fair value at initial recognition	(24,631)	(718)	(25,349)
Gross profit	20,478	(1,290)	19,188
Profit from operating activities	15,136	(1,290)	13,846
Finance income	3,179	-	3,179
Finance costs	(3,258)	2,325	(933)
Significant financing component from contracts with customers	(3,075)	887	(2,188)
Profit before income tax	11,937	1,922	13,859
Income tax expense	(2,842)	(384)	(3,226)
Profit and total comprehensive income	9,095	1,538	10,633
<i>Attributable to:</i>			
Owners of the Company	9,179	1,538	10,717
Non-controlling interests	(84)	-	(84)

(b) New standards not yet adopted

A number of new standards, amendments to standards and interpretations have not yet taken effect with respect to the six months ended 30 June 2020, and they were not applied in preparing these consolidated interim condensed financial statements. The Group plans to adopt these standards and interpretations when they become effective. These changes are not expected to have a significant impact on the financial position or performance of the Group.

4 Operating segments

In the second half of 2019, the Group revised the composition of reporting segments in line with the strategic areas of development and management and reporting structure reviewed on a regular basis. The information for the six months ended 30 June 2019 was presented based on the new composition of reporting segments.

(a) Segment profits and losses

mln RUB	Development		Commercial construction		Maintenance		Industrial segment		Proptech		Other		Total	
	Six-month period ended		Six-month period ended		Six-month period ended		Six-month period ended		Six-month period ended		Six-month period ended		Six-month period ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
External revenues*	95,138	77,343	17,496	9,338	12,824	3,136	1,053	755	928	69	1,198	591	128,637	91,232
Inter-segment revenue	2,351	286	3,695	2,852	1,082	306	14,615	13,918	13	3	85	76	21,841	17,441
Total revenue for reportable segments	97,489	77,629	21,191	12,190	13,906	3,442	15,668	14,673	941	72	1,283	667	150,478	108,673
Gross profit/(loss) for reportable segment	24,884	16,586	1,733	1,164	3,950	1,237	305	73	(27)	(4)	425	132	31,270	19,188
Gross margin	26%	21%	10%	12%	31%	39%	29%	10%	(3)%	(6)%	35%	22%	24%	21%

*External revenues from the Development segment include:

- revenue from sales of residential properties recognised over time in the amount of RUB 88,157 million (in the first half of 2019: RUB 71,666 million);
- revenue from sales of non-residential properties and parking spaces recognised over time in the amount of RUB 6,981 million (in the first half of 2019: RUB 5,615 million);
- other development revenues in the amount of RUB 0 million (in the first half of 2019: RUB 62 million).

(b) Geography of operations

The operations of reportable segments are concentrated mainly in three geographical areas named for the purposes of these consolidated interim condensed financial statements "Moscow", "Moscow Region" and "Other Regions of Russia".

Information about segment revenues is based on the geographical location of the respective segment's key assets and presented below.

mln RUB	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Moscow	79,249	50,841
Moscow Region	40,542	33,885
Other regions of Russia	8,846	6,506
	128,637	91,232

5 Seasonality of operations

Usually, most construction projects are completed in the second half of each year.

6 Acquisition of subsidiaries, associates and non-controlling interests

(a) Acquisition of subsidiaries

In the first half of 2020, the Group entered into agreements with third parties to acquire a 70% share in two Russian companies which provide contract services to design and construct external infrastructure facilities - water pipelines, sewerage systems, heating networks, as well as landscaping services. The acquisition price amounted to RUB 197 million, of which RUB 99 million had been paid by the reporting date. The rest of the amount was paid in July 2020. The Group began analysing the outcomes of acquiring these companies, however, as at the reporting date, has not yet completed the analysis. The purchase price was pre-allocated to the net assets of the purchased companies as follows:

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

As at the date of the acquisition, receivables of the Group companies for construction services of RUB 67 million, advances of RUB 61 million issued under the contracts, and construction materials purchased for an amount of RUB 64 million, were included in accounts receivable. Advances received before

the date of the transaction from the Group companies under contracts for the provision of construction services, which amounted to RUB 1,739 million, and other payables for the purchased construction materials, which amounted to RUB 32 million, were included in accounts payable.

In June 2019, the Group purchased from the Parent Company 70% of the interest in a company providing construction services for RUB 522 million which were paid in June 2019. The transaction was recognised in equity as transaction under common control.

(b) Acquisition of associates

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

In the first half of 2019, the Group acquired non-controlling interests in two companies in the services sector and an additional 23.02% interest in a third company in the same industry, having thus increased its interest to 43.02%. The total consideration paid amounted to RUB 1,088 million. The Group's interest in the net assets of the acquired companies approximated the amount of the consideration paid.

(c) Acquisition of non-controlling interests

In the first half of 2020, the Group did not acquire any non-controlling interest.

In May 2019, the Group acquired an additional 1.01% stake in a leading Russian developer of smart home systems for RUB 22 million, having increased its interest to 65.01%, which was accounted for directly in equity.

7 Revenue

(a) Disaggregation of revenue depending from timing of revenue recognition

mln RUB	<u>Six-month period ended 30 June 2020</u>	<u>Six-month period ended 30 June 2019</u>
Revenue from sales of real estate and other development revenue	95,138	77,343
Revenue from sales of residential property recognised over time	88,157	71,666
Revenue from sales of non-residential premises and parking spaces recognised over time	6,981	5,615
Other development revenue	-	62
Revenue from other sales	33,499	13,889
Revenue from other sales of goods and services recognised at a point in time	3,179	1,415
Revenue from construction services recognised over time	17,496	9,338
Revenue from Maintenance segment recognised over time	12,824	3,136
Total revenue from contracts with customers	<u>128,637</u>	<u>91,232</u>

The significant financing component as part of the transaction price recognised in revenue for the first half of 2020 amounted to RUB 2,180 million (in the first half of 2019: RUB 2,189 million).

In the first half of 2019, the revenue from sales of real estate under share participation agreements concluded to settle payables for acquired land plots amounted to RUB 163 million. In the first half of 2020, given the termination of the agreements concluded earlier, no revenue was recognised.

The transaction prices for projects realised using escrow accounts were determined taking into account savings on interest expense allocated between the base and preferential interest rates applied. The preferential interest rate depends on the balances on escrow accounts and is materially reduced when the amounts on escrow accounts exceed the amount of the loan received. As a result, the effective interest rate may be less than 1% in certain periods. In the first half of 2020, savings on interest expense recognised in revenue amounted to RUB 687 million (in the first half of 2019: RUB 236 million).

During the reporting period, the Group revised several construction project budgets. As a result, the progress towards the complete satisfaction of performance obligations for certain contracts with customers changed by an average of 2% compared to the percentage of completion used in the preparation of the consolidated financial statements for 2019.

In the first half of 2020, contracts for sale of real estate, the revenue from which had been recognised in prior reporting periods in the amount of RUB 686 million (in the first half of 2019: RUB 511 million), were terminated. This revenue was reversed in the respective reporting period.

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

mIn RUB	30 June 2020	31 December 2019
Contract assets	2,973	2,161
Assets under contracts with customers involving escrow accounts	14,813	6,124
Contract related costs recognised as other current asset	5,315	4,888
Trade receivables	261	464
Contract liabilities	(88,680)	(93,536)

Contract assets represent the Group's rights to receive cash consideration under contracts with customers where payments are made in instalments and the progress of construction is ahead of the payment schedule. Contract liabilities represent advances received from customers under share participation agreements, significant financing component recognised, and savings on interest expenses recognised in accounts payable. As at 30 June 2020, the net amount of significant financing component as part of contract liabilities amounted to RUB 1,311 million (31 December 2019: RUB 1,084 million), savings on interest expenses as part of contract liabilities amounted to RUB 791 million.

The transaction price was determined taking into account the significant financing component estimated under contracts with customers concluded in the first half of 2020 based on the interest rates of 8% to 9% (in the first half of 2019: 8% to 9%).

Revenues with respect to performance obligations unsatisfied at the end of the reporting period are expected to be recognised over the next three years. As of 30 June 2020, advances received from buyers and customers with a carrying value of RUB 71,699 million are expected to be recognised in sales within the next 12 months (31 December 2019: RUB 76,465 million).

In the first half of 2020, of liabilities under contracts with customers as at 1 January 2020 the Group recognised a revenue of RUB 32,296 million (in the first half of 2019: RUB 31,717 million).

(c) Assets and liabilities under contracts for the sale of other products and services

Performance obligations and contract assets related to other services mainly arise from construction works and provision of technical supervision and other services as presented below:

mIn RUB	30 June 2020	31 December 2019
Trade receivables	28,650	17,519
Contract liabilities	(23,756)	(21,208)
– contracts with revenue recognised at a point in time	(2,119)	(1,253)
– contracts with revenue recognised over time	(21,637)	(19,955)

All contract liabilities outstanding at the end of the reporting period are expected to be recognised in revenue within one year. For most contracts, a significant financing component was not recognised, as the period between the receipt of the payment and the satisfaction of the contractual obligation or its part that corresponds to the amount of payment does not exceed 12 months.

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

8 Finance income and costs

mln RUB	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019 (restated)
Interest income	2,442	2,619
Gain on modification of terms on a long-term financial instrument*	2,300	-
Write-off of accounts payable	7	12
Reversal of impairment of financial assets	-	382
Non-controlling interests' share of profit of the Group's limited liability companies	-	32
Other financial income	181	134
Finance income	4,930	3,179
Interest expense before capitalisation in inventories**	(6,452)	(3,097)
Capitalised interest expense***	4,172	2,325
Total interest expense after capitalisation	(2,280)	(772)
Loss on impairment of financial assets	(538)	-
Foreign exchange losses, net	(26)	(73)
Non-controlling interests' share of profit of the Group's limited liability companies	(369)	-
Other finance costs	(72)	(88)
Finance costs	(3,285)	(933)
Net finance income for the period	1,645	2,246

* In 2020, the Group early repaid the debt for the land plots acquired in previous reporting periods and received an early payment discount because the seller had fulfilled certain arrangements. The effect of such early repayment was recognised in finance income in the reporting period.

** In the first half of 2020, an interest on bank loans and bonds net of the interest on loans received from the Parent Company and other related parties, which amounted to RUB 4,424 million (in the first half of 2019: RUB 264 million), was recognised in interest expenses before capitalisation in inventories.

*** The weighted average capitalisation rate in the first half of 2020 was 6.35% (in the first half of 2019: 9.8%).

In the first half of 2020, the interest expenses capitalised in inventories were recognised in cost of sales in the amount of RUB 2,085 million (in the first half of 2019: RUB 1,290 million).

Capitalised interest expenses recognised in the first half of 2020 in the cost of sales of real estate properties net of reversals of the impairment losses recognised on the capitalised interest expenses in previous periods amounted to RUB 2,021 million (in the first half of 2019: RUB 1,290 million).

In the first half of 2020, the effect of capitalised interest expenses on the amount of inventories amounted to RUB 2,809 million (in the first half of 2019: RUB 1,922 million).

9 Administrative expenses

mln RUB	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Personnel costs	2,495	841
Professional and other services	255	343
Research and development	446	109
Taxes	280	233
Depreciation of property, plant and equipment, amortisation of intangible assets and right-of-use assets	118	172
Rent	123	24
Material costs	211	77
Other administrative expenses	310	250
	4,238	2,049

10 Other expenses, net

mln RUB	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Penalties and fines, including provision for litigation and claims	(460)	(123)
Charity	(106)	(31)
Gain from disposal of property, plant and equipment	57	72
Loss from write-off of intangible assets	(332)	-
Tax expenses	(79)	(240)
Result from sale and write-off of other assets	(123)	(48)
Other (expenses)/income, net	(291)	201
	(1,334)	(169)

11 Income taxes

The income tax was recognised based on the management's assessment of the average weighted annual effective income tax rate estimated at the rate of 24% and applied to income before tax for the first half of 2020 (for the first half of 2019: 24%).

mln RUB	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019 (restated)
<i>Current tax expense</i>		
Current income tax for the period	(1,404)	(3,194)
Underprovided in previous periods	(9)	-
Accrual of tax provision	-	(674)
	(1,413)	(3,868)
<i>Deferred income tax expense</i>		
Origination and reversal of temporary differences	(3,701)	642
	(3,701)	642
Total income tax expense	(5,114)	(3,226)

12 Property, plant and equipment

mln RUB	2020	2019
As at 1 January	32,786	25,566
Additions	862	1,982
Transfers from inventories	1,337	311
Acquisitions through business combinations	154	-
Depreciation charge	(1,383)	(992)
Reclassification to inventories	(13)	-
Disposals	(269)	(469)
Disposals of subsidiaries	(39)	-
As at 30 June	33,435	26,398

13 Intangible assets

mln RUB	2020	2019
As at 1 January	13,324	1,759
Additions	370	403
Amortisation charge	(136)	(107)
Disposals	(338)	(43)
As at 30 June	13,220	2,012

14 Investment property

(a) Reconciliation of carrying amount

mln RUB	2020	2019
As at 1 January	6,626	12,683
Reclassification to inventories	-	(6,010)
Disposals	(226)	(4)
As at 30 June	6,400	6,669

(b) Measurement of fair value

The fair value of investment property was determined with involvement of independent appraisers who have the appropriate recognised professional qualifications and recent real estate valuation experience. The assumptions used to estimate these amounts as at 31 December 2019 have not changed significantly.

To determine the fair value of land plots in the first half of 2020, the Group applied a comparative approach based on an analysis of all available information on sales of analogues with adjustments to reflect differences between analogues and Group's assets. Under this approach, current bids for land plots similar to those under valuation were analysed. Sales prices were adjusted for differences in characteristics between items under valuation and comparable land plots. The fair value of the land plots evaluated using the comparative approach as at 30 June 2020 amounted to RUB 6,400 million (31 December 2019: RUB 6,626 million). The fair value of land plots has not changed together with the change in the economic situation.

Sensitivity analysis

A 5% decrease in the basic selling price of investment property in the comparative method measurement would decrease the fair value of the investment property by RUB 344 million (31 December 2019: RUB 331 million). An 5% increase in the basic selling price would have an equal but opposite effect on the fair value of investment property.

15 Inventories

mln RUB	30 June 2020	31 December 2019
Construction-in-progress, intended for sale, recognised at historical cost	164,892	140,009
Construction-in-progress, intended for sale, acquired through business acquisition	66,521	72,638
Finished goods and goods for resale	21,270	18,698
Raw materials and consumables	9,308	7,729
Right-of-use asset	6,057	4,844
	268,048	243,918
Impairment losses	(2,334)	(2,656)

A significant part of the construction-in-progress intended for sale and finished goods consists of costs to construct residential properties, commercial and parking spaces, as well as costs to acquire land, build infrastructure and social and cultural facilities, allocated to properties which were not sold to customers and those that were sold to customers but costs were not fully recognised in the cost of sales based on the percentage of completion.

In the first half of 2020, the Group acquired several land plots for future development projects in Moscow, Moscow Region and other regions of Russia for a total amount of RUB 22,610 million mostly by means of obtaining of control over companies that own these land plots, as well as the ones of RUB 1,640 million in the Group's projects that are already under development. The companies had no other significant assets, liabilities or financial results as at the acquisition date. Accordingly, the consideration paid by the Group for these subsidiaries was allocated to construction-in-progress intended for sale. The payment was partially made in cash, the remaining amount of RUB 4,995 million must be paid within the next year and is included in the current accounts payable for the acquisition of land plots.

The balance of construction-in-progress which amounts to RUB 223 million pertains to projects of the Parent Company where the Group acts as technical supervisor (31 December 2019: RUB 523 million).

16 Other investments

mln RUB	<u>30 June 2020</u>	<u>31 December 2019</u>
<i>Non-current*</i>		
Parent Company's bonds, nominated in RUB at fixed rates 8.7-13%	7,117	14,536
Parent Company's bonds, nominated at variable rate (key rate of the Central Bank of the Russian Federation + 1.4%)	6,635	-
Loans issued to third parties in RUB at fixed rates of 9.0-17.5%	68	68
Other investments	63	2
Bank deposits	142	193
	<u>14,025</u>	<u>14,799</u>
Impairment losses	<u>(183)</u>	<u>(184)</u>
<i>Current*</i>		
Parent Company's bonds, nominated in RUB at fixed rates 8.7-13%	979	499
Parent Company's bonds, nominated at variable rate (key rate of the Central Bank of the Russian Federation + 1.4%)	165	-
Loans issued to third parties in RUB at fixed rates of 9.0-17.0%	968	123
Bank deposits	89	93
	<u>2,201</u>	<u>715</u>
Impairment losses	<u>(201)</u>	<u>(189)</u>

* The Group's other investments as at 30 June 2020 and 31 December 2019 are recognised at amortised cost

17 Accounts receivable, including contract assets

mln RUB	<u>30 June 2020</u>	<u>31 December 2019</u>
Non-current		
Accounts receivable for disposal of subsidiaries	1,242	1,774
	<u>1,242</u>	<u>1,774</u>
Impairment losses	(38)	(54)
Current		
Trade receivables and contract assets from the Development segment for own projects	18,753	9,087
Trade receivables and contract assets of the Development segment for the Parent Company's projects	2,965	2,672
Trade receivables for construction services and other receivables	12,757	5,311
Trade receivables of Maintenance segment	12,511	9,396
Advances issued to suppliers and contractors of the Development segment for own projects	8,511	9,470
Advances issued to suppliers and contractors of the Development segment for Parent Company's project	1,393	906
Advances issued to suppliers and contractors in construction services and other services	5,235	4,302
Advances issued for acquisition of land plots/right-of-use assets, including acquisition of subsidiaries	5,247	6,451
Advances issued to other suppliers and contractors	6,147	4,924
Taxes receivable	3,022	6,108
Other accounts receivable	17,857	19,272
	<u>94,398</u>	<u>77,899</u>
Impairment losses	(3,918)	(3,155)

18 Leases

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

During the first half of 2020, the change in the right-of-use asset is presented in the table below:

mln RUB	<u>Land plots</u>	<u>Buildings and constructions</u>	<u>Equipment</u>	<u>Other</u>	<u>Total</u>
As at 1 January 2020	4,844	1,358	190	82	6,474
New contracts	1,465	201	183	7	1,856
Modifications of contracts	297	(289)	(3)	(1)	4
Accrued to cost of sales	(549)	(103)	(37)	(5)	(694)
Amortisation recognised in administrative expenses	-	(105)	-	(4)	(109)
As at 30 June 2020	6,057	1,062	333	79	7,531

During the first half of 2020, the change in lease liabilities is presented in the table below:

mln RUB	Land plots	Buildings and constructions	Equipment	Other	Total
As at 1 January 2020	4,171	1,465	161	82	5,879
New contracts	1,465	199	183	7	1,854
Modifications of contracts	297	(290)	(3)	(1)	3
Interest expenses on lease liabilities	191	62	14	3	270
Lease payments, including offsets	(802)	(254)	(53)	(16)	(1,125)
As at 30 June 2020	5,322	1,182	302	75	6,881

19 Non-financial assets impairment testing results

In the first half of 2020, the Group tested non-financial assets for potential impairment. Results of the impairment testing are presented in the table below:

mln RUB	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Impairment losses		
Inventories	(6)	
Advances issued	(499)	(297)
	(505)	(297)
Reversal of impairment losses		
Advances issued	205	207
Inventories	-	28
	205	235
	(300)	(62)

a) Property, plant and equipment

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

b) Inventories

In most cases, the Group used the discounted cash flows method and engaged independent appraiser to estimate the net realisable value of the Group's work in progress at the reporting dates. As a result of the coronavirus pandemic, some project development schedules, including construction terms and sales pace, were adjusted, thus impacting cash flow forecasts for these projects. Management believes that the coronavirus pandemic did not have a significant negative impact on the contract volumes and average sales prices due to government support measures for the construction industry, marketing campaigns launched by the Group and the Group's digital technologies backing online sales, including mortgage transactions.

The following key assumptions of the discounted cash flow method were used in determining the net realisable value of construction-in-progress:

- Cash flows were forecast for each significant project individually.
- The expected selling prices for apartments were based on market prices effective in June 2020 for similar real estate.
- The cost of construction was forecast based on cost per square meter and construction pace for similar projects of the Group in June 2020.

- An average pre-tax discount rate of 12 to 14% was applied to rouble cash flows to determine the recoverable amount of projects.

Based on the results of impairment testing in the first half of 2020, a provision of RUB 393 million was created for inventory impairment, and a provision of RUB 716 million was included in the carrying amount of inventories due to the completion of projects (in the first half of 2019: a provision of RUB 192 million was reversed). Furthermore, expenses from loss-making projects of RUB 330 million were written off in the cost of sales (in the first half of 2019: RUB 693 million).

Sensitivity analysis

Management determined the discount rate and the estimated selling prices as key assumptions subject to reasonable change.

A 5% reduction in the forecast selling price would lead to additional impairment of construction-in-progress of RUB 249 million as at 30 June 2020 (31 December 2019: RUB 177 million).

An increase in the discount rate by 1 percentage point would not lead to additional impairment of construction-in-progress as at 30 June 2020 (31 December 2019: RUB 69 million).

c) Intangible assets

The Group analysed intangible assets for impairment as at 30 June 2020 and 30 June 2019 and determined that there were no indications of impairment. Current economic environment did not cause a significant default on the budget in the first half of 2020 or significant changes in forecasts used in assessing the recoverability of the client base and goodwill.

20 Cash and cash equivalents

mln RUB	30 June 2020	31 December 2019
Cash on hand	1	1
Cash in banks	75,062	64,505
Restricted cash	616	345
Cash and cash equivalents	75,679	64,851

Cash balance on escrow accounts (for reference only)

mln RUB	30 June 2020	31 December 2019
Escrow accounts	26,859	12,473

The balance of cash on escrow accounts, which is not recognised in the Group's statement of financial position, represents the amounts deposited by owners of accounts (customers of real estate properties) with the authorised bank as a consideration for property acquired under share participation agreements.

As at 30 June 2020, cash amounts which totalled RUB 33,590 million were placed on special bank accounts which are subject to special banking control (31 December 2019: RUB 24,161 million) pursuant to Federal Law No. 214-FZ.

21 Equity

As at 1 January 2019, the charter capital of the Company was RUB 80,000 million fully owned by PJSC Group of Companies PIK. In December 2019, the Company increased its charter capital by RUB 585 million, which was paid by 100% stake in a subsidiary of its Parent Company.

Dividends

In 2020, the Group declared dividends in the amount of RUB 16,903 million in favour of the Parent Company. The dividends were partially paid during the first half of 2020 in the amount of RUB 32 million, the remaining dividend payable was included in other accounts payable.

In the first half of 2019, dividends declared and approved at the end of 2018 were partially paid to the Parent Company in the amount of RUB 12,192 million. In April 2019, the Group declared dividends of RUB 762 million, which were paid to the Parent Company in full in June 2019.

22 Accounts payable including contract liabilities

mln RUB	30 June 2020	31 December 2019
<i>Non-current</i>		
Accounts payable for acquisition of land plots	2,951	7,839
Accounts payable under construction contracts	404	348
Other liabilities	1,104	540
	4,459	8,727
<i>Current</i>		
Advances received under contracts with customers	88,680	93,236
Advances received in the Development segment for own projects	401	784
Advances received in the Development segment for the Parent Company's projects	13,466	12,197
Advances received for construction works and other services	10,150	9,353
Liabilities under contracts with customers of real estate properties in acquisition of land plots	7,815	8,638
Trade payables of the Development segment for own projects	15,628	17,482
Trade payables of the Development segment for Parent Company's projects	779	882
Accounts payable for construction works and other trade payables	7,957	7,013
Trade payables of Maintenance segment	10,258	10,044
Accounts payable for acquisition of land plots	8,600	4,880
Accounts payable for construction contracts	579	-
Payables to employees	5,357	4,533
Other taxes payable	6,213	8,278
Dividend payable	17,727	856
Other accounts payable	11,282	6,012
	204,892	184,188

Other liabilities as part of non-current accounts payable included non-controlling interest in limited liability companies incorporated in the Russian Federation in the amount of RUB 1,037 million (31 December 2019: RUB 453 million).

Advances from customers included the balance of unrecognised savings in the revenue from sales of real estate properties under escrow agreements in the amount of RUB 791 million (31 December 2019: RUB 285 million)

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

23 Loans and borrowings

mln RUB	30 June 2020	31 December 2019
<i>Non-current</i>		
Bonds, net of those purchased by the Group	7,990	8,160
Unsecured loans received from Parent Company	20,570	29,054
Project financing	73,119	40,133
Secured bank loans	6,666	6,996
Interest payable	2,472	1,244
	110,817	85,587
<i>Current</i>		
Bonds, net of those purchased by the Group	340	340
Unsecured loans received from Parent Company	6,040	6,092
Project financing	14,948	13,197
Secured bank loans	901	1,208
Interest payable	2,983	1,471
	25,212	22,308
	136,029	107,895

As at 30 June 2020 and 31 December 2019, the bank loans and project financing were secured by:

- lease/ownership of land plots with a total area of 832.9 ha (31 December 2019: 779.5 ha) and the carrying amount of RUB 48,971 million (31 December 2019: RUB 47,698 million);
- shares/interests of subsidiaries.

The terms of financial liabilities as at 30 June 2020 did not significantly change compared to those disclosed as at 31 December 2019 in the consolidated financial statements for 2019, except for the new loans and borrowings as indicated below.

mln RUB	Currency	Nominal rate, %	Maturity	30 June 2020		31 December 2019	
				Nominal value	Carrying value	Nominal value	Carrying value
Project financing	RUB	9.75%-10.75%	2020-2021	14,254	14,043	10,932	10,893
Project financing	RUB	10.78%-12.00%	2020-2025	-	-	21,280	21,144
Project financing	RUB	From the key interest rate+2% to the key interest rate + 3.25%	2021-2024	46,758	46,756	11,500	11,500
Project financing	RUB	variable interest rate*	2023-2027	28,076	27,268	9,793	9,793
Secured bank loans	RUB	Key interest rate+1.95%	2026	2,927	2,927	2,964	2,965
Secured bank loans	RUB	Key interest rate+2.20%	2023-2024	4,641	4,640	5,239	5,239
Unsecured loans received from the Parent Company	RUB	6.25%-11.00%	2020-2022	12,104	12,104	17,320	17,320
Unsecured loans received from the Parent Company	RUB	12.00%-13.00%	2022	14,506	14,506	15,854	15,854
Unsecured loans received from the Parent Company	RUB	14.00%	2020	-	-	1,972	1,972
Bonds	RUB	8.25%	2024	7,000	7,000	7,000	7,000
Bonds	RUB	Key interest rate+1.50%	2023	1,330	1,330	1,500	1,500
				131,596	130,574	105,354	105,180

* variable effective rates in the range from basic rates of the key rate of the Central Bank of the Russian Federation + 2% with capitalisation to 9.9% with no payments of interest until cash from escrow accounts is released (31 December 2019: in the range from basic rates of the key rate of the Central Bank of the Russian Federation + 2% with capitalisation to 9.9% with no capitalisation or payment of interest until cash from escrow accounts is released), and adjusted depending on cash balances on the escrow accounts.

24 Non-controlling interests

mln RUB	Internet provider	Manufacturer of elevator equipment	Other	Total
Balance as at 1 January 2020	614	344	538	1,496
(Loss)/profit for the period	-	(332)	116	(216)
Change in non-controlling interest due to the restructuring of subsidiaries	-	-	(70)	(70)
Balance as at 30 June 2020	614	12	584	1,210

25 Financial instruments

(a) Fair value and carrying amount

As at 30 June 2020 and 31 December 2019, the carrying amounts of the Group's financial assets and liabilities did not differ significantly from their fair values.

(b) Credit risk

Credit risk is the risk of financial loss to the Group in the event of its counterparties' default on their contractual obligations with respect to financial instruments. Generally, credit risk relates to financial assets of the Group measured at amortised cost, which include cash and cash equivalents, receivables and other investments. During the reporting period, there were no significant changes in the structure of financial assets and their credit quality, or their valuation methods.

The approach to and procedure for estimation of provisions for impairment (expected credit losses) of the Group's financial assets recognised at amortised cost have not changed significantly compared to those used in the preparation of consolidated financial statements of the Group for the year ended 31 December 2019. There were no downgrades during the reporting period.

Provided below are amounts receivable and other investments recognised at amortised cost and grouped by asset in terms of credit rating.

(i) Accounts receivable, including contract assets

mln RUB	Gross carrying amount as at 30 June 2020	Impairment loss as at 30 June 2020	Gross carrying amount as at 31 December 2019	Impairment loss as at 31 December 2019
Credit rating				
A- to A++	23,034	(1)	10,393	(1)
B- to B++	27,710	(178)	23,646	(232)
C- to C++	6,373	(471)	5,232	(314)
D- to D++	19	(4)	7	(1)
E- to E++	26	(14)	164	(115)
Default	1,095	(1,043)	968	(845)
Total	58,257	(1,711)	40,410	(1,508)

Credit losses from debt of individuals or contract assets for acquired real estate properties, which totalled RUB 18,047 million as at 30 June 2020 (31 December 2019: RUB 8,748 million), are assessed as insignificant, as the collection rate is high and the debt is secured by assets and cash accumulated on escrow accounts.

As mentioned in Note 28, the Group has outstanding receivables from related parties which are mainly counterparties with internal credit rating B- to B++. Credit risks in respect of such counterparties are assessed as low due to current solvency of the Parent Company.

(ii) Accounts receivable of customers of housing and utility services

The Group uses the loss provisions matrix to estimate expected credit losses on trade receivables which include a great number of individually insignificant balances with customers. The aggregate amount of debt as at 30 June 2020 was RUB 10,279 million (31 December 2019: RUB 9,165 million).

mln RUB

	Weighted average loss rate	Gross carrying amount as at 30 June 2020	Impairment loss as at 30 June 2020	Gross carrying amount as at 31 December 2019	Impairment loss as at 31 December 2019
0-30 days	3.34%	3,169	(106)	3,779	(108)
31-90 days	3.37%	1,899	(64)	2,017	(58)
90-180 days	3.39%	1,239	(42)	721	(21)
180-360 days	3.39%	1,180	(40)	767	(22)
more than 360 days	19.95%	2,792	(557)	1,881	(346)
Total		10,279	(809)	9,165	(555)

(iii) Other investments

mln RUB

Credit rating	Gross carrying amount as at 30 June 2020	Impairment loss as at 30 June 2020	Gross carrying amount as at 31 December 2019	Impairment loss as at 31 December 2019
A- to A++	161	(11)	104	-
B- to B++	15,375	(98)	15,119	(83)
C- to C++	918	(133)	404	(118)
D- to D++	16	(2)	91	(13)
E- to E++	-	-	51	(41)
Default	140	(140)	118	(118)
Total	16,610	(384)	15,887	(373)

(iv) Cash

Cash and cash equivalents are placed with banks rated at least B+ based on the classification of international rating agencies S&P Global Ratings, Fitch or Moody's. The Group considers expected credit losses to be insignificant.

26 Provisions

mln RUB	Provision for cost to complete	Provision for onerous contracts	Tax provision	Provision for litigation	Total
As at 1 January 2020	19,330	336	209	2,061	21,936
Additional provisions	8,467	2,813	-	1,242	12,522
Releases of provisions	(812)	(407)	-	(1,159)	(2,378)
Utilisation	(3,802)	(2,399)	-	(128)	(6,329)
As at 30 June 2020	23,183	343	209	2,016	25,751

In calculation of provisions, the Group used assumptions, which are subject to uncertainty and judgment. The estimated completion costs represent an estimate of the future costs that the Group is expected to incur while construction of infrastructure and other social facilities which the Group is obliged to build under projects. The estimate depends on changes in the rules and standards of urban development, which can entail a change in the construction terms of projects, and a change in prices of materials and labour.

As at 30 June 2020, the tax provision related mostly to the deductibility of certain expenses for tax purposes and intercompany transactions included a provision for income tax of RUB 209 million (31 December 2019: RUB 209 million) including related penalties.

The Group was involved as a defendant in litigations relating to the fulfilment of share participation agreements and contracts for the sale real estate properties, agreements for the supply of construction materials and provision of construction services. As at 30 June 2020, the Group estimated that it was probable that an outflow of economic benefits of RUB 2,016 million (31 December 2019: RUB 2,061 million) would be necessary.

27 Contingencies

The amounts of contingent liabilities of the Group related to taxes, insurance and warranties do not significantly differ from the amount of contingent liabilities and warranties recognised in the consolidated financial statements of the Group as at 31 December 2019 for the year then ended.

28 Related party transactions

(a) Control relationships

As at 30 June 2020 the immediate Parent Company of the Group was PJSC Group of Companies PIK. As at 30 June 2020, the Company was ultimately controlled by S. E. Gordeev.

(b) Management remuneration

Key management remuneration accrued during the first half of 2020 is presented in the following table:

mln RUB	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Salary and bonuses	1	4
Insurance premium	-	1
Total	1	5

(c) Related party transactions**(i) Balances with the Parent Company and its subsidiaries**

mln RUB	30 June 2020	31 December 2019
Right-of-use assets	168	200
Non-current bonds	13,752	14,536
Current bonds	1,144	499
Short-term loans issued		-
Trade receivables	1,634	614
Receivables on external projects of the Group under technical supervisor agreements, where the Group acts as technical supervisor	2,024	2,672
Advances to suppliers and contractors of the Development segment for external projects	1,028	716
Advances to other suppliers and contractors	95	-
Other receivable	11,172	14,018
Non-current unsecured loans received	(20,538)	(29,037)
Long-term lease liabilities	(1,887)	(1,099)
Long-term liabilities for land acquisition	(140)	(169)
Current unsecured loans received	(6,034)	(6,057)
Current interests payable	(1,380)	(1,110)
Trade payable on technical supervisor agreements where the Group acts as a developer	(6,882)	(7,298)
Trade payable	(7,324)	(7,430)
Advances received from customers	(4,773)	(6,729)
Advances received under the external projects of the Group under technical supervisor agreements, where the Group acts as a technical supervisor	(13,339)	(12,095)
Other advances received	(782)	(973)
Other accounts payable	(4,047)	(2,640)
Short-term lease liabilities	(81)	(54)
Dividend payables	(17,716)	(845)

(ii) Other related-parties' balances

mln RUB	30 June 2020	31 December 2019
Short-term loans issued	760	13
Trade receivables	4	4
Advances issued for construction services and under contracts for land acquisition and subsidiaries	163	62
Other advanced issued	158	866
Other receivables	9	9
Other advanced received	(3)	(2)
Construction and other trade payables	(60)	(13)
Other accounts payable	(215)	-

(iii) Transactions with the Parent Company, its subsidiaries, and other related parties

mln RUB	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Segments' revenue		
Development	-	55
Commercial construction	1,787	258
Industrial segment	23	207
Maintenance	82	27
Other	385	306
Segments' cost		
Development	-	(55)
Commercial construction	(11)	(21)
Industrial segment	-	(12)
Other	(179)	(8)
Agent's commission	(3,282)	(2,650)
Other administrative expenses	(22)	-
Loss on disposal of property, plant and equipment	-	(11)
Other expenses, net	(199)	(40)
Interest income	705	1,125
Interest expense before capitalisation	(1,626)	(2,231)
Significant financing component under contracts with customers	(20)	(251)
(Impairment loss)/reversal of impairment losses on financial assets	(47)	382

As at 30 June 2020, the Group issued guarantees to the Bank to secure two loans which totalled RUB 31,194 million and were provided to the Parent Company with maturities in 2024 and 2025. The variable interest rate on loans is calculated from basic effective rates as key rate of the Central Bank of the Russian Federation + 2% with capitalisation (at 31 December 2019: RUB 21,867 million).

As at 30 June 2020, the Group provided guarantees with respect to cash-settled financial instruments agreed by the Parent Company and the Bank. The guarantee covers quarterly prepayments to the Bank until 31 January 2023 and any payments which could arise upon completion of transactions. The amount of payments over the first half of 2020 totalled RUB 1,287 million. Based on current estimates, management does not expect a cash outflow upon completion of these transactions.

In June 2019, the Group purchased from the Parent Company a 70% stake in a company providing general contractor services for RUB 522 million which were paid in June 2019. In the first half of 2020, there were no material acquisitions of companies from the Parent Company.

As at 30 June 2020, the outstanding balance of loans received from related parties together with the accrued interest amounted to RUB 29,839 million (31 December 2019: RUB 37,303 million).

During the first half of 2020, the Group repaid loans to the Parent Company in the amount of RUB 8,508 million.

In the first half of 2019, the Group repaid loans to related parties in the amount of RUB 4,790 million.

During 2019, the Group obtained loans from related parties in the amount of RUB 2,013 million at an interest of 9.3%-9.6% p.a. maturing by September 2022.

In the first half of 2020, the Group accrued in distribution expenses an agency fee for the sales of real estate properties by a related party in the amount of RUB 3,282 million (in the first half of 2019, distribution expenses from related parties amounted to RUB 2,650 million). As at 30 June 2020, the balance of the agency fee that was not charged to the distribution expenses was RUB 4,009 million.

During the first half of 2020, the Group declared dividends to the Parent Company in the amount of RUB 16,903 million, of which RUB 32 million was paid and the outstanding balance was included in other payables to related parties.

In the first half of 2020, the Group acquired technical supervisor services for the Group's projects and other similar services from related parties for the amount of RUB 1 million (in the first half of 2019: RUB 121 million).

29 Transactions with the government

(a) Control relationships

In July 2019, a major Russian bank (the “Bank”) controlled by the state purchased a parcel of ordinary shares in the Parent Company of the Group. As a result, the Bank holds 23.05% in its share capital. In doing so, the Bank did not participate in the decision-making process by having representatives on the Board of Directors of the Parent Company. Significant transactions with the Bank are outlined below.

Balances with the Bank

mln RUB	<u>30 June 2020</u>	<u>31 December 2019</u>
Advances issued	13	-
Accounts receivable	1	26
Loans and borrowings	(67,929)	(28,428)
Interest payable	(1,610)	(367)
Accounts payable	(238)	-
	<u>(69,763)</u>	<u>(28,769)</u>

Transactions with the Bank

mln RUB	<u>Six-month period ended 30 June 2020</u>
Interest income	44
Interest expense before capitalisation	(2,063)
Other finance costs	(2)
Total	<u>(2,021)</u>

In the first half of 2020, the Group recompensed the Bank mortgage interest of RUB 667 million to real estate customers. The Parent Company acted as the agent under these transactions.

Basic conditions of financial instruments are disclosed in Note 23.

(b) Transactions with the government

In addition, the Group transacts with several entities under control of or joint control with the Russian Federation. The Group applies the exemption provided by IAS 24 *Related party disclosures*, which allows the disclosure of transactions with entities related to the government in a simplified manner.

The Group conducts operations with enterprises related to the government, which are part of ordinary activities and are carried out on conditions comparable to the terms of activities with enterprises not related to the government. Such operations include, but are not limited to, providing construction, design, general constructor and technical supervision services, the lease of land for development projects, purchasing the construction services, and contributions to the fund of protection of the rights of citizens participating in shared construction. According to management’s estimates, those operations which in the aggregate exceeded RUB 1,000 million for the first half of 2020, accounted for at least 71.96% of the revenues from

the sale of construction services and about 6.29% of the costs for the construction of real estate properties. As at 30 June 2020, outstanding balances with government-related entities did not exceed RUB 8,600 million of assets and RUB 20,700 million of liabilities of the Group (31 December 2019: RUB 2,226 million of assets and RUB 11,583 million of liabilities).

30 Subsequent events

No significant events occurred after the reporting date.

31 Information not required by IFRS

Net debt

mln RUB	Note	30 June 2020	31 December 2019
Loans and borrowings, excluding project financing	23	47,962	54,565
Project financing	23	88,067	53,330
Less: Cash and cash equivalents	20	(75,679)	(64,851)
Net debt		60,350	43,044

Net debt except escrow accounts balances

mln RUB	Note	30 June 2020	31 December 2019
Loans and borrowings, excluding project financing	23	47,962	54,565
Project financing	23	88,067	53,330
Less: Cash and cash equivalents	20	(75,679)	(64,851)
Less: Escrow accounts balances	20	(26,859)	(12,473)
Net debt		33,491	30,571

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

mln RUB	Note	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Change in:			
Construction-in-progress, intended for sale	15	18,766	24,929
Finished goods and goods for resale	15	2,572	946
Right-of-use asset	15, 18	1,213	158
Advances to suppliers and contractors	17	461	6,093
Advances issued for land plots acquisition	17	(1,204)	(382)
Accounts payable under development contracts and other trade payables	22	(944)	(12,358)
Accounts payable for acquisition of land plots and long-term lease liabilities	18, 22	17	(5,240)
Provisions for cost to complete and provision for onerous contracts	26	(3,860)	1,625
Elimination of the effect capitalisation of interest expense on construction-in-progress	8	(2,809)	(1,922)
Reclassification of investment property to inventories	14	-	(6,010)
Reclassification from inventories to property, plant and equipment	12	1,337	311
		15,549	8,150
Cost of sales of real estate objects		70,301	60,471
Elimination of capitalised interest expense recognised in the cost of sale	8	(2,021)	(1,290)
Acquisition of land plots and right-of-use assets, including acquisition of subsidiaries	15	(24,250)	(17,663)
Change in accounts payable for the acquisition of land plots/right-of-use asset		(1,168)	(3,814)
Change in advances issued under land plots/right-of-use asset acquisition contracts		1,204	382
Development capital expenditures, except for cash paid for the acquisition of land plots/right-of-use assets		59,615	46,236

Proceeds from sale of real estate

mln RUB	Note	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Revenue from sales of real estate objects	7	95,138	77,281
Less: Significant financing component and interest expense savings recognised in revenue	7	(2,867)	(2,425)
Change in accounts receivable including contract assets	7	(9,298)	(2,327)
Change in advances received from customers	7	(4,856)	12,456
Less: Change in accounts payable under escrow contracts	22	(791)	-
Cash proceeds from sales of real estate objects		77,326	84,985
Proceeds from sales of real estate through escrow accounts	20	14,386	3,044
Proceeds from sales of real estate, including proceeds to escrow accounts		91,712	88,029

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

mln RUB	Note	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Profit and total comprehensive income for the period		16,185	10,633
Plus: Depreciation of property, plant and equipment and amortisation of intangible assets	12, 13	1,519	1,099
Plus: Interest expense after capitalisation	8	2,280	772
Plus: Significant financial component on contracts with customers		1,794	2,188
Less: Interest income	8	(2,442)	(2,619)
Plus: Income tax expense	11	5,114	3,226
EBITDA		24,450	15,299

Adjusted earnings before interest, taxes, depreciation and amortisation (see above) as additionally adjusted (see below) (Adjusted EBITDA)

mln RUB	Note	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
EBITDA		24,450	15,299
Less: Significant financing component and interest expense savings recognised in revenue	7	(2,867)	(2,425)
Impairment loss on non-financial assets, net	19	300	62
Impairment loss included in cost of sales, net	19	723	502
Impairment loss/(gain on reversal of impairment losses) on financial assets	8	538	(382)
Reversal of write-off of accounts payable	8	(7)	(12)
Foreign exchange loss, net	8	26	73
Gain on disposal of property, plant and equipment	10	(57)	(72)
Gain on disposal of subsidiaries, net		(7)	(337)
Penalties and fines, including provisions for litigations	10	460	123
Write-off of other materials		15	37
Other financial income	8	(181)	(134)
Exclusion of revaluation of cash-settled financial instruments and financial liability	8	(2,300)	-
Interest expense written off to cost of sales	8	2,085	1,290
Adjusted EBITDA		23,178	14,024

Information on calculating the Group's adjusted net assets

(a) Balances for the Group's projects

mln RUB	Note	30 June 2020	31 December 2019
Inventories	15	268,048	243,918
Less: raw materials and consumables	15	(9,308)	(7,729)
Less: construction-in-progress on the Parent Company's projects, where the Group acts as a technical supervisor	15	(223)	(523)
Other current assets		5,315	4,888
Trade receivables and contract assets from the Development segment for own projects	17	18,753	9,087
Advances issued to suppliers and constructors of the Development segment for own projects	17	8,511	9,470
Taxes receivable	17	3,022	6,108
Advances received from customers	22	(88,680)	(93,236)
Trade payables of the Development segment for own projects	22	(15,628)	(17,482)
Advances received in the Development segment for own projects	22	(401)	(784)
Liabilities on real estate transfer within acquisition of land plots	22	(7,815)	(8,638)
Other taxes payable	22	(6,213)	(8,278)
Provisions	26	(23,526)	(19,666)
Total Balances for the Group's projects		151,855	117,135

(b) Other information for calculating "Adjusted net assets"

mln RUB	<u>30 June 2020</u>	<u>31 December 2019</u>
Equity (net assets)	116,202	116,990
Contingent liabilities of a credit nature	(27,841)	(21,867)
Carrying value of the project portfolio	(151,855)	(117,135)
Cash on escrow accounts	26,859	12,473

Supplementary information not required by IFRS

Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) net of the share of acquired land, which was included in the cost of sales

mln RUB	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Adjusted EBITDA	23,178	14,024
Cost of land plots included in the cost of sales	3,138	2,336
Cost of acquisition of projects recorded at fair value included in the cost of sales	3,125	3,935
Adjusted EBITDA excluding cost of land	29,441	20,295

Cash from operating activities before acquisition expenses and proceeds from the sale of land plots and right-of-use asset and advances issued for the acquisition of land plots and right-of-use assets

mln RUB	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Net cash from operating activities before changes in inventories, trade and other receivable and payable and provision for cost to complete	21,646	12,458
Changes in:		
Inventories before acquisitions and sale of land plots/right-of-use assets	3,476	(4,753)
Trade receivables, including contract assets and excluding advances issued the acquisition of land plots/right-of-use assets	(18,580)	(14,891)
Payables, including contract liabilities and changes in the provision for taxes, other than income tax	567	6,962
Provisions	3,836	1,413
Cash flows from operations before income taxes and interest paid and before acquisitions expenses and proceeds from sale of land plots/right-of-use assets and advances issued for the acquisition of land plots/right-of-use assets	10,945	1,189
Income taxes paid	(2,114)	(4,150)
Interest paid	(2,622)	(3,415)
Net cash flows from/(used in) operations before acquisitions expenses and proceeds from sale of land plots/right-of-use assets and advances issued for the acquisition of land plots/right-of-use assets	6,209	(6,376)
Acquisition of ownership and lease of new project land plots, including acquisition of subsidiaries	(24,250)	(17,663)
Gain on sales of land plots/right-of-use asset	66	-
Change in accounts payable for acquisition of land plots/right-of-use asset	(1,168)	(3,814)
Change in advances issued for the acquisition of land plots/right-of-use asset	1,204	382
Net cash used in operating activities	(17,939)	(27,471)



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

To the Shareholder of Limited Liability Company "PIK-Corporation"

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of limited liability company "PIK-Corporation" (the "Company") and its subsidiaries (the "Group") as at 30 June 2020, and the related consolidated interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the consolidated interim condensed financial statements (the "consolidated interim condensed financial statements"). Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of consolidated interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial statements as at 30 June 2020 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Reviewed entity: Limited liability company "PIK-Corporation"
Registration No. in the Unified State Register of Legal Entities:
1027739093843.
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 number in the Unified State Register of Legal Entities:
No. 1027700125628.

Member of the Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). Principal registration number of the entry in the Register of Auditors and Audit Organizations: No. 12006020351.



Limited liability company "PIK-Corporation"

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

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Other Matter

The supplementary information accompanying the consolidated interim condensed financial statements on page 40 is presented solely for the convenience of users, does not form part of the consolidated interim condensed financial statements and is unreviewed.



Fonareva S.B.

JSC "KPMG"

Moscow, Russia

15 September 2020