Etalon Group

LEVERAGING INNOVATION FOR MODERN CITIES

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INTRODUCTION

ABOUT THIS REPORT

TIME FRAME

This Annual Report contains information on Etalon Group's activities for the 12 months of 2020, as well as the Group's consolidated audited IFRS financial statements for the same period. The sections of the report that provide an overview of the Company as a whole and of its business, as well as its efforts in sustainable development, corporate governance practices and investor relations, also cover important developments that took place at the beginning of 2021.

REPORTING FORM AND STANDARDS

The Annual Report is presented in the form of an integrated report with the aim of informing all stakeholders about how Etalon Group is creating value in the short, medium and long term for all of its stakeholders. To ensure that this information is fact-based and as transparent, accurate and up-to-date as possible, we were guided by best reporting practices and standards, and we also used relevant management reporting data.

This year we are continuing our efforts to improve the quality and level of detail in our disclosure of information on sustainable development. This Annual Report was prepared in accordance with a number of guiding principles, including the GRI Sustainability Reporting Standards, which are our primary source of guidance for qualitative disclosure of sustainability information. In accordance with standard 102-55 (GRI 102: Disclosure, 2016), this report includes a GRI content index as the primary navigation tool for users of the report. We also seek to adhere to the principles of the UN Global Compact, although we have not yet become a full-fledged member of this organisation.

MATERIAL ISSUES

In accordance with the above-mentioned reporting standards, this report addresses all material issues related to Etalon Group's economic, environmental and social impact that could affect the assessments and decisions of stakeholders. We have identified and prioritised these issues based on their importance and the availability of measurable data.

FORWARD-LOOKING STATEMENTS

Certain statements in this report are forward-looking in nature, and actual results could differ considerably. In addition to factors explicitly stated in the report, other factors could have a material impact on actual results. These factors include, but are not limited to, the general business environment, regulatory changes, interest rate fluctuations, political events, the activities of competitors and their pricing policies, product development, commercialisation, technical problems, supply disruptions, etc.

ONE OF THE LARGEST PUBLIC DEVELOPERS IN RUSSIA

Founded in 1987, Etalon Group is one of the largest development and construction companies in Russia. The Company focuses on residential real estate for middle-class customers in Moscow, Moscow region and St Petersburg. Vertical integration enables the Company to control costs, quality and timing, while also achieving best-in-class profitability at every stage of project development.

Etalon Group's assets include 20 projects at the design and construction stages, unsold real estate in completed properties and commercial real estate with an NSA of 2.8 mn sqm, as well as a construction and maintenance division.

>30 YEARS IN THE MARKET

TOP 10 AMONG THE 10 LARGEST DEVELOPERS IN RUSSIA
in terms of delivery volumes[1]

7.5 MLN SQM DELIVERED DURING THE COMPANY'S HISTORY

204 BLN RUB
in assets[2]

4.6 THOUSAND EMPLOYEES

20 PROJECTS AT THE DESIGN AND CONSTRUCTION STAGES

[1] ERZ rating as of the end of 2020
[2] Colliers International estimates as of 31 December 2020

OUR COMPETENCIES

DESIGN

In designing residential complexes, Etalon Group involves both its own in-house design institute and leading architectural firms with international experience.

CONSTRUCTION

We have extensive experience in the construction of residential real estate – from infill development to integrated development projects. We are also a trusted partner for industrial construction projects.

PROJECT MANAGEMENT

We manage projects of varied complexity, including large-scale developments for entire residential districts.

PROPERTY MANAGEMENT

Etalon Group manages 6 mln sqm of real estate and 27.4 thousand parking spaces.

SALES

Our sales network covers Moscow, St Petersburg and 59 cities in other regions of Russia; we cooperate with real estate agencies throughout the country.

B2B SERVICES

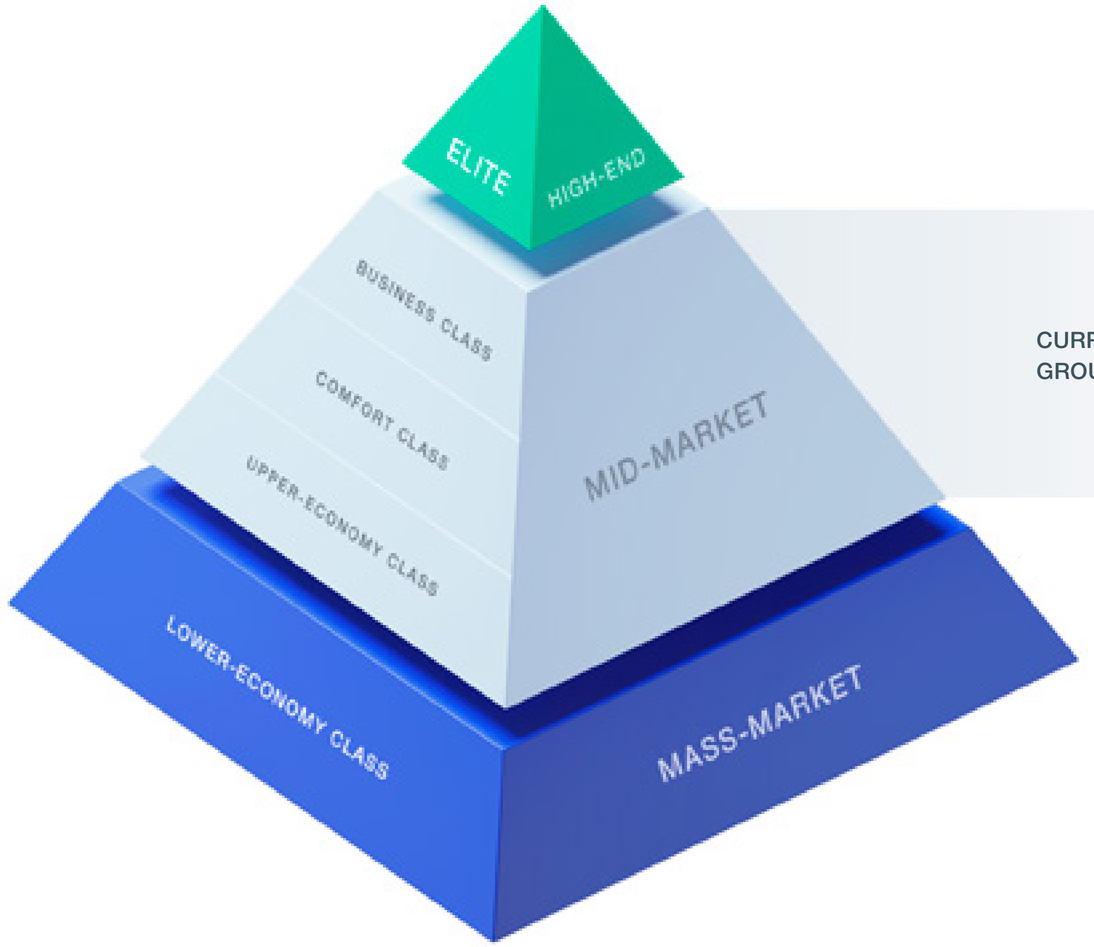
We are constantly developing our competencies and introducing innovations: this enables us to provide services in the areas of general contracting, construction oversight and expert appraisal, geodetic surveying, document preparation and BIM technologies, while also sharing our expertise with other companies.

OUR FOCUS

Our strong portfolio is currently presented in the mid-market and partially in the upper segment in St Petersburg and the Moscow Metropolitan Area.

These regions and segments have important advantages: resistance to macroeconomic changes, high growth potential and excellent profitability, which took on special significance in light of the pandemic and related restrictions that affected business and consumer activity. Thanks to the stable recovery in demand after the lifting of COVID-19-related restrictions in Russia’s two biggest cities, Etalon Group was able to demonstrate strong results, exceeding its targets for the year by a wide margin.

Combined with buyers’ higher expectations in our key regions in terms of the quality of the living environment, this creates an excellent foundation for the scale of business development, as well as the introduction of new technologies and modern approaches to development, which, in turn, enables us to create value for buyers and investors by improving the cost-effectiveness and consumer qualities of our product.



CURRENT ETALON GROUP SEGMENTS

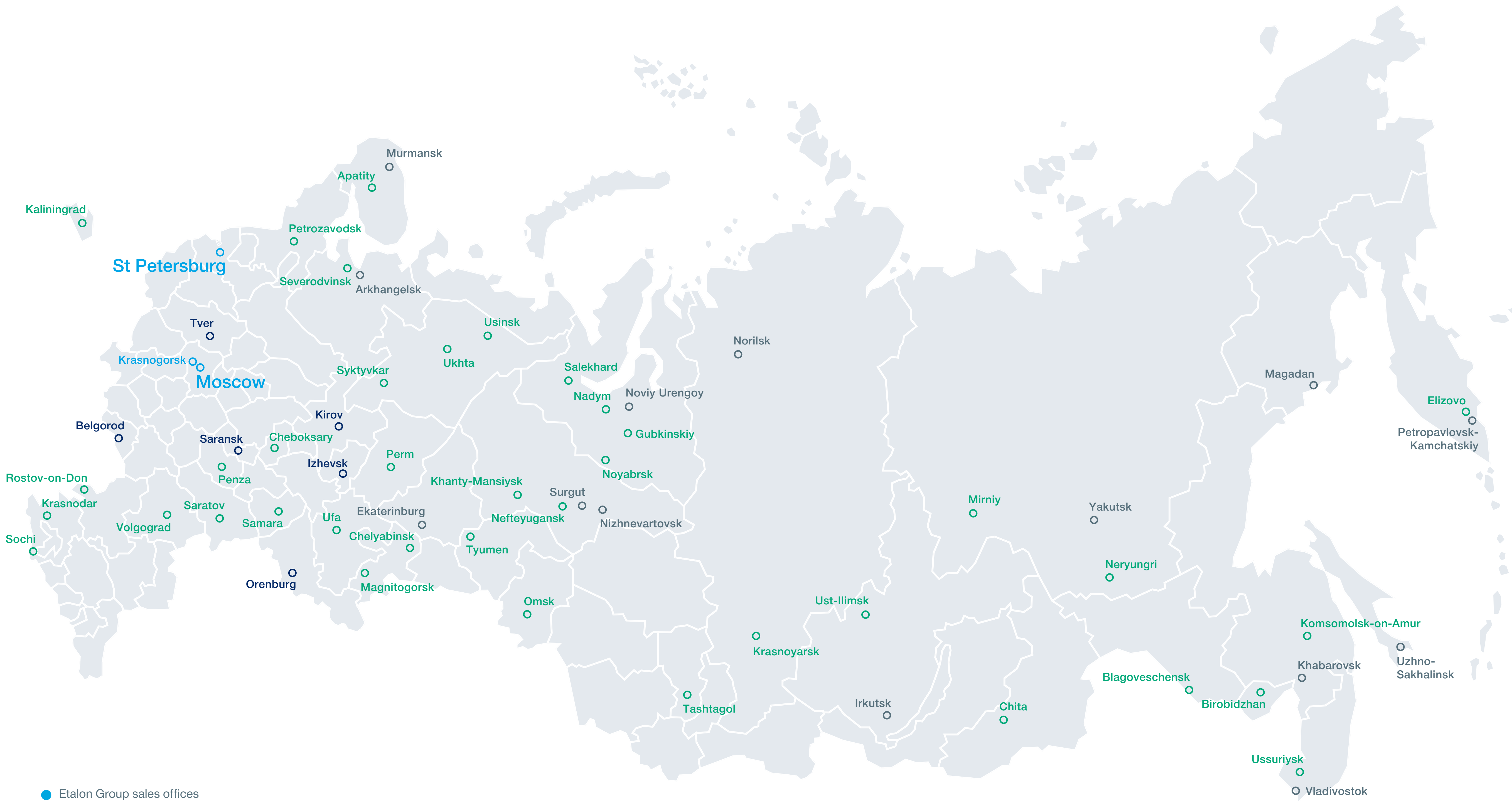
OUR GEOGRAPHY

Our regional sales network covers 59 cities and contributes to Etalon Group's steady sales growth

8 OFFICES IN MOSCOW

7 OFFICES IN ST PETERSBURG

14 REPRESENTATIVE OFFICES IN OTHER RUSSIAN CITIES



- Etalon Group sales offices
- Etalon Group representative offices
- Established relationships/partnerships with local sales agencies
- New cities added in 2020

The Company's properties are in high demand in resource-rich regions of Russia with high per capita income.

REGIONAL PER CAPITA INCOME COMPARED WITH RUSSIA'S NATIONAL AVERAGE[1]

Chukotka	2.5x
● Yamalo-Nenets AD	2.5x
● Nenets AD	2.4x
● Moscow	2.1x
● Magadan region	1.9x
● Sakhalin region	1.7x
● Khanty-Mansi AD	1.5x
● Kamchatski krai	1.5x
● Tyumen region	1.4x
● St Petersburg	1.4x
● Murmansk region	1.3x
● Moscow region	1.3x
● Sakha (Yakutia)	1.3x
● Khabarovsk krai	1.2x
● Primorsk krai	1.0x
● Sverdlovsk region	1.0x
● Arkhangelsk region	1.0x

● Etalon Group's target regions

[1] Rosstat preliminary data for 12 months of 2020

HOW WE CREATE VALUE

We create added value for our clients and shareholders at every stage of development, from the analysis and acquisition of land plots to the operation of completed properties. Etalon Group aims to maximise the return on investment at every stage, while also creating value for its customers in order to encourage loyalty to the Etalon brand.

CREATING A COMFORTABLE LIVING ENVIRONMENT

When planning our residential complexes, we strive to adhere to the principles of new urbanism and participatory design: we recruit top experts, focus on advanced concepts (including the 15-minute city principle and the my street standard of amenities and beautification), use elements of smart home systems and create modern, comfortable public spaces as part of our projects. We use durable, environmentally friendly materials and resource-efficient engineering solutions during construction.

ADDITIONAL SERVICES FOR RESIDENTS OF OUR HOMES

Our homes are serviced by Etalon Group's own service company, which gives us an advantage, as we are familiar with all the features of our projects and the needs of the tenants, whom we have accompanied at every step from signing the contract at the presale stage to settling into their finished home. We are constantly improving the quality and range of additional services for residents, as well as our online platform, which brings together various services and opportunities for buyers and residents.

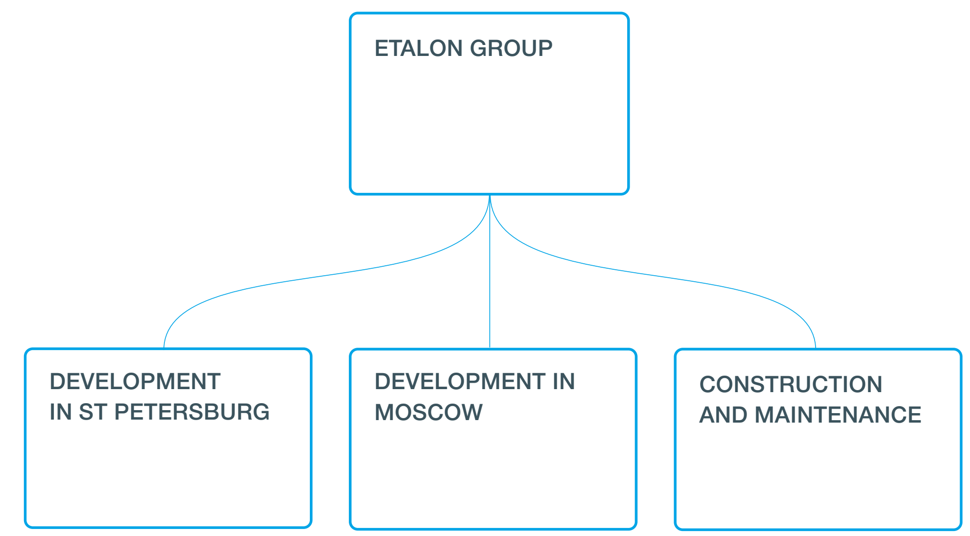
ESTABLISHING SOCIAL INFRASTRUCTURE AND DEVELOPING LOCAL COMMUNITIES

We build educational, medical and sports infrastructure both as part of our large-scale integrated development projects and as separate projects. This enables us to ensure access to quality education for more children. In addition, we contribute to the development of local communities by taking part in social programmes.

BUSINESS MANAGEMENT STRUCTURE

Our Business management structure corresponds to the geographies where we operate and our main areas of business: housing development, general contracting and after-sales service. The Company has three large operating divisions, whose activities are controlled by Etalon Group.

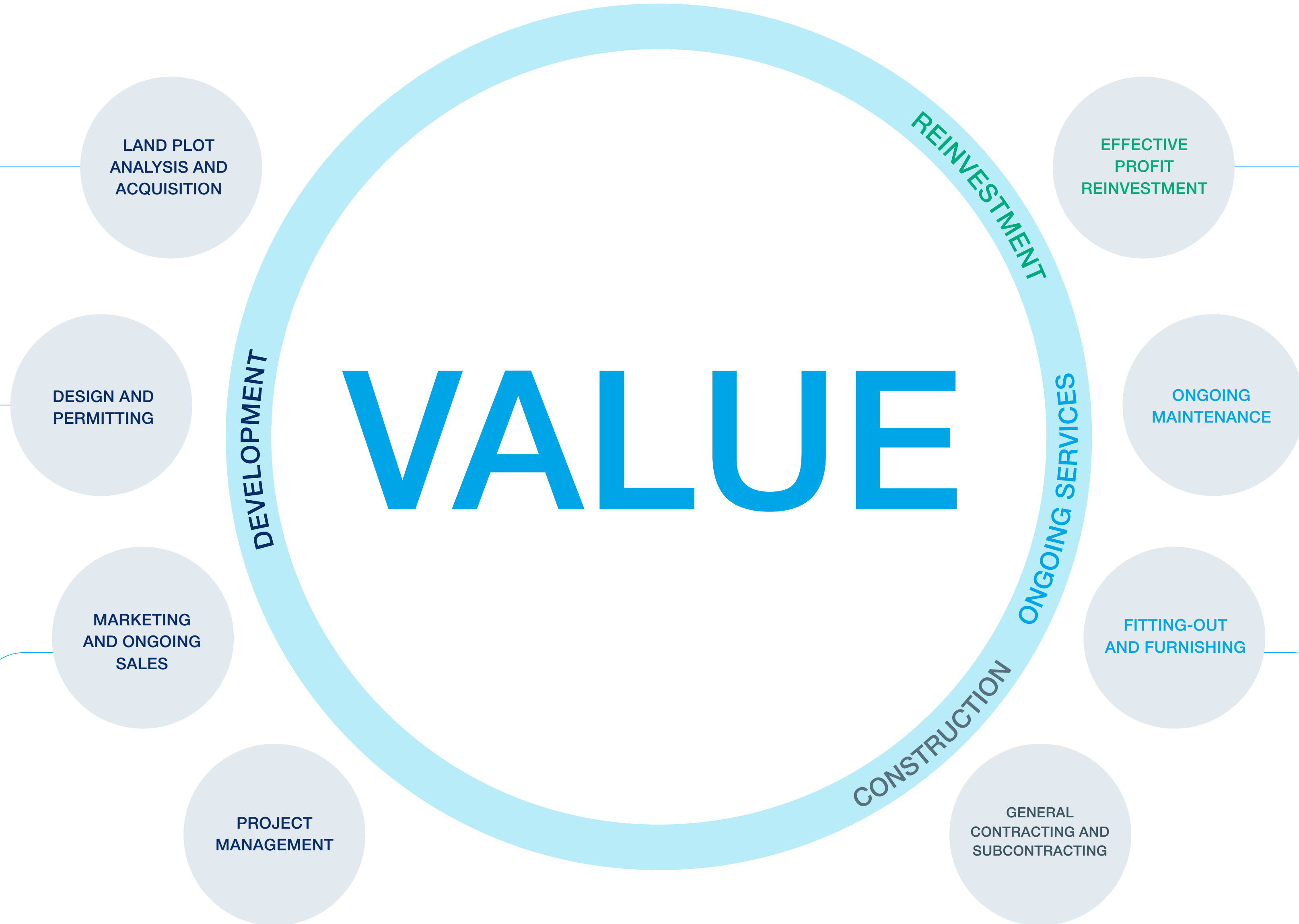
ETALON GROUP BUSINESS MANAGEMENT STRUCTURE



The regional offices in Moscow and St Petersburg are responsible for the Company's key business area: residential real estate development. A separate division performs construction work, carries out industrial construction under external contracts, and is also responsible for the operation of residential complexes built by Etalon Group.

Etalon Group is responsible for carrying out general management and strategic development, setting standards, monitoring compliance and implementing policies throughout the Company.

BUSINESS MODEL



We choose projects that provide a strong foundation for quality products, and that will ensure a high return on invested capital.

Recent developments:
As part of the digitalisation of all business processes, we are introducing AI-powered systems to analyse land plots and the competitive environment, which will allow us to quickly process incoming data and select plots that best complement our portfolio.

The full-scale implementation of a standardised-design system, which has already gone live, will enable us to calculate project budgets quickly and accurately and offer the best price for attractive plots while maintaining the required level of profitability.

We have unique expertise in project design thanks to our in-house design institute, science and technology centre, and cooperation with leading architects.

Recent developments:
The introduction of a standardised-design system based on BIM technologies will help us reduce design costs and time input and improve project quality.

We maintain effective two-way communication with our customers and maintain a leading market position despite fluctuations in the macro environment.

Recent developments:
We are constantly improving our sales system, including the development of digital channels. The introduction of digital systems to create personalised offers and improve the customer experience throughout the entire customer journey increases customer loyalty and drives repeat sales.

Our extensive project management experience helps to ensure the quality, safety and timely delivery of our projects, and also to accurately forecast resources and maintain stable returns on investment.

Recent developments:
Once our end-to-end digital architecture is completely in place, it will enable us to see all processes at a glance and to become even more flexible and efficient.

We guarantee the quality and cost-effectiveness of each project, controlling project safety using BIM technologies and guaranteeing fulfilment of the construction terms.

Recent developments:
The digitalisation of the business and the introduction of new types of industrial housing construction and their adaptation to Russian conditions will make our construction business more profitable.

By offering clients fitted-out and furnished apartments, we are able to reach a wider potential audience of buyers, thus increasing demand and providing stable returns on our operations.

Recent developments:
Extending the life cycle of customer interaction based on an understanding of customer expectations will enable us to create the most-sought-after finishing options, thereby increasing sales and product satisfaction.

Efficient ongoing service provides us with additional revenue and helps us maintain the good reputation of our projects.

Recent developments:
End-to-end digital architecture will enable us to send the operating company detailed digital models of buildings in order to ensure more effective service and maintenance and to improve the platform for service provision; feedback from residents will improve the quality and expand the range of services available, which will thus increase the demand for those services.

We invest generated income into further growth and return it to our shareholders in the form of dividends.

Recent developments:
The initiatives envisaged by the Company's new strategy are aimed at achieving leadership in terms of costs and quality. Thus, our business investments will have a much greater impact, and we will be able to pay out more generous dividends.

EQUITY STORY

Etalon Group's GDRs have traded on the Main Market of the London Stock Exchange since 20 April 2011 and in the Level 1 quotation list of Moscow Exchange since 31 January 2020 under the ticker ETLN.

WHY INVEST IN ETALON GROUP

1 ATTRACTIVE GROWTH PROFILE SUPPORTED BY A DIVERSE OFFERING AND A HIGH DEGREE OF LOYALTY TO ETALON'S PRODUCT

STRONG SALES AND REVENUE GROWTH

NEW SALES IN FY 20

79.9

BLN RUB

from RUB 47.4 bln in 2016

REVENUE IN FY 20

78.7

BLN RUB

from RUB 49 bln in 2016

For more details, see the "Operating Results" and "Financial Results" sections.

2 STRONG FINANCIAL POSITION WITH HEALTHY PROFITABILITY AND DEBT PROFILE

33 %

PRE-PPA GROSS MARGIN

in FY 20

1.2x

NET CORPORATE DEBT / PRE-PPA EBITDA

in FY 20, within a comfortable level below 2x

For more details, see the "Financial Results" section.

3 GENEROUS DIVIDEND POLICY WITH A FIXED MINIMUM PAYMENT AND AN ATTRACTIVE DIVIDEND YIELD

DIVIDEND PAYMENTS

40–70 %

OF CONSOLIDATED IFRS NET PROFIT

12

RUB PER GDR

min. annual payment

For more details, see the "Shareholder Interactions" section.

4 SUSTAINABLE AND RESPONSIBLE BUSINESS

FOCUS ON ENVIRONMENTALLY FRIENDLY AND RESILIENT URBAN DEVELOPMENT

-17 %

DECLINE IN SOLID WASTE PRODUCTION

7

THS SQM

total area of social infrastructure delivered in 2020

For more details, see the "Project Portfolio" and "Sustainability" sections.

5 IMPLEMENTATION OF ETALON GROUP'S NEW STRATEGY TO 2024 TO OPEN UP NEW OPPORTUNITIES FOR FURTHER GROWTH

STRATEGIC INCENTIVES BASED ON INNOVATIONS AND DIGITALISATION ...

... TO RESULT IN A MORE COST-EFFECTIVE, SUSTAINABLE PRODUCT AND INCREASED VALUE FOR SHAREHOLDERS AND STAKEHOLDERS

For more details, see the "Strategy" section.

2020 IN BRIEF

JANUARY

- Request for listing Etalon Group's GDRs on Moscow Exchange and admission to trading
- Approval by the Board of Directors of a new strategy to 2024 and a dividend policy with a payout range of 40–70% of IFRS net profit and a minimum payout of at least RUB 12 per share/GDR

FEBRUARY

The Company's GDRs start trading on Moscow Exchange

MARCH

Etalon Group's GDRs included in Moscow Exchange's Broad Market Index

1Q RESULTS:

NEW SALES
17.9 BLN RUB

AVERAGE PRICE (TOTAL)/SQM
142.4 THS RUB

DELIVERIES, THS SQM
88.5 ST PETERSBURG

CASH COLLECTIONS
17.6 BLN RUB

AVERAGE PRICE (APARTMENTS)/SQM
165.5 THS RUB

FINANCIAL HIGHLIGHTS:

REVENUE
78.7 BLN RUB

NET INCOME
2 BLN RUB

NET CORPORATE DEBT / PRE-PPA EBITDA
1.2x

APRIL

- Inclusion on the list of systemically important companies
- Delivery of the first phase of the **Normandy** residential complex

MAY

- Delivery of the **Schastye v Kuskovo** residential complex

JUNE

- Delivery of the **Schastye v Kuzminkakh** and **House on Kosmonavtov** residential complexes

2Q RESULTS:

NEW SALES
11.6 BLN RUB

AVERAGE PRICE (TOTAL)/SQM
122 THS RUB

DELIVERIES, THS SQM
15 MOSCOW METROPOLITAN AREA

CASH COLLECTIONS
13.9 BLN RUB

AVERAGE PRICE (APARTMENTS)/SQM
159.1 THS RUB

73 ST PETERSBURG

OPERATING HIGHLIGHTS:

DELIVERIES
540 THS SQM

RECORD NEW SALES
79.9 BLN RUB

RECORD CASH COLLECTIONS
82 BLN RUB

JULY

- The Architectural Council of Moscow approves the **ZIL-Yug project**, the Company's flagship residential district in Moscow
- Delivery of the **Botanica** residential complex
- Start of sales at the **Project on Chernigovskaya Street**

AUGUST

- Schastye residential complexes project named the winner in the **"Information Modelling for Residential Buildings"** category at the fourth Russian national competition "BIM Technologies 2019/20"

SEPTEMBER

- Etalon Group project becomes the first in Russia to undergo a digital expert state review

3Q RESULTS:

NEW SALES
24 BLN RUB

AVERAGE PRICE (TOTAL)/SQM
159.4 THS RUB

DELIVERIES, THS SQM
16 MOSCOW METROPOLITAN AREA

CASH COLLECTIONS
21.2 BLN RUB

AVERAGE PRICE (APARTMENTS)/SQM
186.3 THS RUB

SUSTAINABILITY HIGHLIGHTS:

NEW STRATEGY TO 2024
aimed at sustainable urban development and innovations

UPDATED DIVIDEND POLICY
with min. payment of RUB 12 per GDR

HIGH SAFETY STANDARDS
zero fatalities in 2020; Etalon Group's safety index reached 86 % (+6 p.p. year-on-year)

OCTOBER

- Delivery of the **Schastye na Sokole** project
- Launch of **Generation ZIL**, a public informational media platform dedicated to the development of the ZIL-Yug district in Moscow

NOVEMBER

- Start of sales at the **Schastye na Semyonovskoy** residential complex
- Company hosts a Capital Markets Day, where it presents its new strategy to 2024

DECEMBER

- Delivery of the **Schastye na Presne** and **Okhta House** projects, as well as several buildings in the **Galactica residential complex**
- The **Wings** and **Petrovskiy Landmark** residential complexes named winners at the European Property Awards 2020

4Q RESULTS:

NEW SALES
26.4 BLN RUB

AVERAGE PRICE (TOTAL)/SQM
158.4 THS RUB

DELIVERIES, THS SQM
74 MOSCOW METROPOLITAN AREA

CASH COLLECTIONS
29.2 BLN RUB

AVERAGE PRICE (APARTMENTS)/SQM
191.9 THS RUB

273 ST PETERSBURG

SERGEY EGOROV

Chairman of the Board of Directors

Dear shareholders,

In November 2020, the management team and I presented the Company's new strategy to 2024. This was a significant event not only because it marked the largely successful completion of our previous strategy, but also because it demonstrated the resilience of our business: we were able to successfully develop and approve an ambitious new development strategy while navigating the many challenges presented by the COVID-19 pandemic. This success would not have been possible without the hard work and dedication of our employees and to them I extend my sincerest gratitude.

CHAIRMAN'S STATEMENT

While the pandemic has impacted the residential development sector globally, it has also served to accelerate pre-existing trends, including the digitalisation of business processes. Etalon Group was no exception to this and in 2020 began offering customers virtual site tours and an array of documentation online, including mortgage applications.

Etalon Group's operating performance in 2020 surpassed even our most optimistic forecasts. Growth was driven by our attractive portfolio of projects, our rapid response to changes in customer behaviour and effective state measures to support the accessibility of new housing. New contract sales and cash collections reached record levels of RUB 79.9 billion and RUB 82.0 billion, respectively, in 2020. Revenue for the year amounted to RUB 78.7 billion, and we achieved a record pre-PPA gross profit of RUB 25.8 billion, with a gross margin of 33 % just slightly below the strategic target of 35 %. The Company's financial position improved during 2020, with net corporate debt / pre-PPA EBITDA ratio declining to 1.2x from 1.9x at the end of 2019.

The new strategy approved in 2020 aims to build on the success of previous years while responding to market trends and rendering Etalon Group a technology leader in its sector, both in terms of digital transformation and in terms of adopting new construction techniques.

Global trends have begun to impact residential development in Russia. Homebuyers' expectations are growing with regards to features offered by a specific building, living space and surrounding area, especially in Moscow and St Petersburg. Demand has increased due to record affordability, but has been constrained by the limited upside potential of Russian household incomes in the medium-term. This changing consumer landscape requires new approaches to planning and construction, with careful attention paid to integrating modern urban planning techniques with new and efficient construction technologies to help maintain margins.

On the supply side, the market is becoming increasingly consolidated as smaller players struggle under new project financing rules. Meanwhile, un-zoned property is becoming increasingly attractive to large developers as land becomes more expensive to buy. Moscow renovation programme has also made the mass-market segment less attractive.

In light of these major shifts in supply and demand, the Board of Directors worked with management to reinvent each step of the value chain. Our first area of focus was the end-to-end digitalisation of business processes and the creation of a fully digital architecture. As part of this, we have begun using big data–powered systems to quickly and accurately assess a land plot's potential, as well as GIS scanning and new master planning solutions to make it possible to render a detailed master plan and budget in under a day.

Our next aim is to apply these digital business processes to projects using new construction technologies. We plan to develop our existing cast-on-site technology while adding modular, cross-laminated timber and modern prefabrication techniques to our portfolio. We expect that this strategy, combined with the standardisation of our product and floor plans, will enable us to meet changing customer demand while achieving the efficiency and profitability required to provide good shareholder returns.

We will supplement our land bank structure with un-zoned land in the coming years, as we apply our expertise in rezoning to ensure development can start as soon as possible. At the same time, we plan to explore new geographies within Russia by acquiring local developers and expanding our greenfield investments. By 2024, we expect that 10 % of our portfolio will be outside of Moscow and St Petersburg.

We also plan to use digital technologies to expand the customer journey. We have already launched an update to the My Etalon Home app, which provides customers with support at every stage from search to post-sale services, and have enabled partners to integrate additional offerings to enhance the living experience in Etalon-managed buildings.

Based on these strategic priorities, we have set ambitious goals for 2024 including a 2x increase in volumes under construction and doubledigit sales growth. Our new construction technologies, new product approach and fully digital customer journey should help Etalon to achieve the highest NPS and CLV levels while our industry-leading profitability will support sales growth.

These business targets are just part of the plans we have for the years ahead. As Etalon Group grows as a business, we will continue to enhance our corporate governance practices. We have expanded the responsibilities of the Information Disclosure Committee, and are using feedback from a detailed perception study to improve our practices. In order to improve the alignment of management and shareholder interests, we have also developed the Group's incentive programmes. The short-term programme is based on key performance metrics, while the long-term programme focusses on Etalon Group's market capitalisation, with pay-outs dependent on performance over three years.

The Board is also working to improve Etalon Group's stance on sustainability. As part of this, we have selected six United Nations Sustainable Development Goals as the pillars of our sustainability development: Good Health and Well-Being, Affordable and Clean Energy, Industry, Innovation and Infrastructure, Sustainable Cities and Communities, Responsible Consumption and Production and Climate Action. We are planning to develop our internal regulatory documents in these areas further by implementing new management processes and disclosing an updated list of non-financial information in the new integrated annual report. We are also planning to set specific and ambitious ESG targets.

I am confident that Etalon Group has the right people and the right strategy to transform the business in a way that will support growth, efficiency and shareholder returns. We are developing the future today!

GENNADIY SHCHERBINA

Chief Executive Officer

Dear shareholders,

In 2020, Etalon Group successfully overcame the challenges presented by the COVID-19 pandemic to deliver record-setting operational performance and solid financial results.

With a new strategy focused on innovation in business processes and building techniques, as well as expansion in existing and new geographies, we have set a course to significantly grow the size and value of our business in the years ahead.

CEO'S STATEMENT

Operating and financial performance

In the face of the COVID-19 pandemic, Etalon Group's FY 2020 new contract sales came to 538 ths sqm of NSA worth a record RUB 80 billion. Cash collections also set a new all-time high at RUB 82 billion. These results were better than even our most optimistic updated forecast for the year. Our performance was possible thanks to a combination of factors, including timely steps by Etalon Group to move key sales functions online, state support in the form of subsidised mortgage rates and solid price growth across our portfolio.

New sales technologies like dynamic pricing enabled us to respond more precisely and flexibly to market trends, contributing to an increase in the average price for apartments to RUB 192 ths per sqm. Strong average price performance was likewise supported by further growth in the share of business-class projects in the portfolio.

Revenue for the year declined to RUB 78.7 billion, but all key profitability metrics improved year-on-year. Pre-PPA gross profit increased by 13 % to RUB 25.8 billion, with pre-PPA gross margin of 33 % almost reaching our strategic target of 35 %. Thanks to ongoing measures to control costs, SG&A expenses declined by 19 % year-on-year and amounted to 12 % of FY 2020 revenue. This contributed to year-on-year pre-PPA EBITDA growth of 47 %, while pre-PPA EBITDA margin rose by 8 p.p. to 21 %.

Etalon Group improved its net corporate debt / pre-PPA EBITDA ratio to 1.2x as of year-end 2020, compared with 1.9x a year earlier. Thanks to our stable balance sheet and strong cash collections, we are in a good position to continue to adhere to our dividend policy while also prioritising investments in replenishing our land bank during 2021.

Responding to COVID-19

The past year presented unprecedented challenges for companies across many sectors all over the world. Etalon Group and the residential development sector in Russia was no exception. While external factors like the temporary construction ban implemented in Moscow and Moscow region were beyond our control, the construction technology that Etalon Group uses enabled us to quickly restart work once the restrictions were lifted, and to accelerate the pace of construction in order to keep projects on schedule.

The Company's response to COVID-19 focused on protecting the safety of our employees and customers, while also ensuring the sustainability of the business. We transferred the majority of our office employees to remote working arrangements, while those still coming to work had regular medical checks to prevent infections from spreading in the office. For customers, we accelerated the rollout of online and virtual sales platforms, minimised the amount of paperwork requiring in-person meetings and participated in online mortgage issuance programmes offered by banks operating in Russia.

Embarking on a new strategy

We presented a new strategy to 2024 in November 2020 and have already begun to deliver results. One of the key areas of focus is implementing new building technologies such as modular, CLT and modern prefabrication. We are currently working on these technologies, and we are on track to launch our first pilot CLT-based project, subject to final approval, in 2021, with the other technologies due to launch in 2022–2023.

Using innovative technologies to achieve a digital transformation in our business practices is another key area of focus. We are already using elements of an end-to-end digital architecture that will integrate processes from market analysis and site planning to construction, sales and ongoing building servicing. We expect that full implementation of this digital architecture will significantly enhance the efficiency of our business.

As we look to grow the business, we are adapting our land bank strategy and our geographic focus. In the years ahead, in addition to zoned land plots, we will seek to acquire lower-cost unzoned plots, using our zoning expertise to streamline the process of acquiring the necessary project documentation. We will also be looking outside of Moscow and St Petersburg to other large Russian cities with sufficient demand. While prices are lower outside of Russia's "two capitals", we are confident that the efficiency of our business and quality of our offering will enable Etalon Group to achieve attractive margins.

Finally, we are using digital technologies to transform the customer experience. This includes standardisation of our products using automated planning software that will enable us to offer customers the features they want in a living space while maximising efficiency for the business. We are also refining the Etalon web platform and My Etalon Home mobile app to cover the full customer journey, from search and discovery of a new property to purchase and financing, as well as the transfer of legal title, ongoing payments and servicing. We aim to further enhance customer loyalty and improve the customer journey.

Outlook

We expect 2021 to be a year of growth for Etalon Group. In March 2021, we announced plans to conduct a potential SPO to finance acquisitions to replenish our land bank. While the global economy is still beset with the COVID-19 pandemic, demand for housing in Russia remains solid, and average price performance in the new year has been strong.

We look forward to reporting to you regularly about our progress against our updated strategy, and I am confident that we will achieve transformative change that will enhance the value we create for all of our stakeholders.

Thank you for your interest in Etalon Group.

MARKET OVERVIEW AND TRENDS

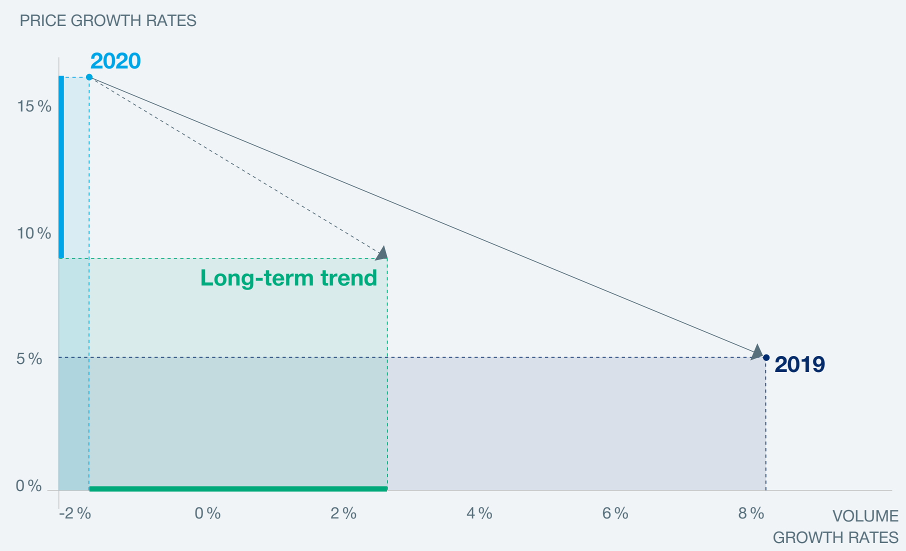
2

A NEW PHASE OF COMPETITION

Last year served as a catalyst for important structural changes in the competitive landscape. The preconditions for these changes had been forming over the past several years. Despite the fact that the number of permits issued and the availability of new projects in Moscow and St Petersburg are decreasing, the country as a whole has seen an increase in investment in development sites. Market consolidation continues: the top 20 players are consolidating their positions, and the competition between them is increasing.

Owing to the need for better living conditions and a more comfortable living environment, the demand for residential real estate in Russia is expected to continue to grow in the long term. In order to overcome the shortage of living space, renovation of buildings built between the 1950s and 1970s and redevelopment of unused sites in regions outside Moscow and St Petersburg will remain a key part of state policy. However, this has a positive impact only on companies that are capable of managing change and demonstrating flexibility in understanding changing trends and consumer preferences while reducing product costs.

PRICE PER SQM VS DELIVERY VOLUMES IN RUSSIA



Stabilisation of demand amid economic stabilisation

Increasing the volume of construction through state support measures and urban development programmes in regions beyond Moscow and St Petersburg

Source: Etalon Group analysis of data from Dom.rf

Prior to 2020, housing prices grew at moderate rates despite an acceleration in supply volumes. Amid a contraction in the market and interruptions to construction projects in 2020, supply decreased; this, combined with a rise in housing affordability and increased ability to invest in upgrading to new housing, contributed to a rise in prices.

Low interest rates together with the need to improve living conditions will support prices even after the end of the mortgage rate subsidy programme. At the same time, a recovery in supply volumes over the long term will help to stabilise prices and prevent the market from overheating.

MACROECONOMIC CONTEXT

The Russian economy has proven to be more resilient to the impact of the pandemic than European countries; this fact will also make Russia a leader in terms of the expected rate of recovery.

At the end of 2020, Russia was one of the countries least affected by the pandemic. The World Bank identified several key factors that contributed to this; in particular, fiscal stimulus measures (at 4% of GDP) and an expansionary monetary policy revitalised economic activity based on domestic demand. There was no additional downturn in the SME services sector, as restrictive measures related to the spread of the pandemic were not introduced a second time. Despite the fact that budgetary and financial support measures in Russia were relatively small compared with developed economies, they were in line with the volume of assistance provided in comparable economies. Targeted support for major sectors of the economy, including the construction industry, successfully stabilised the economy. The result was a less severe downturn with potential for a faster recovery.

Based on forecasts from Oxford Economics and the European Commission, this smaller economic decline in 2020 means that net economic growth for the period 2020 to 2022 is expected to be positive 1.1% for Russia, while the Eurozone will still be at negative 0.6%.

GDP CONTRACTION AND RECOVERY FORECASTS, % growth

Source: Data from Oxford Economics, European Commission

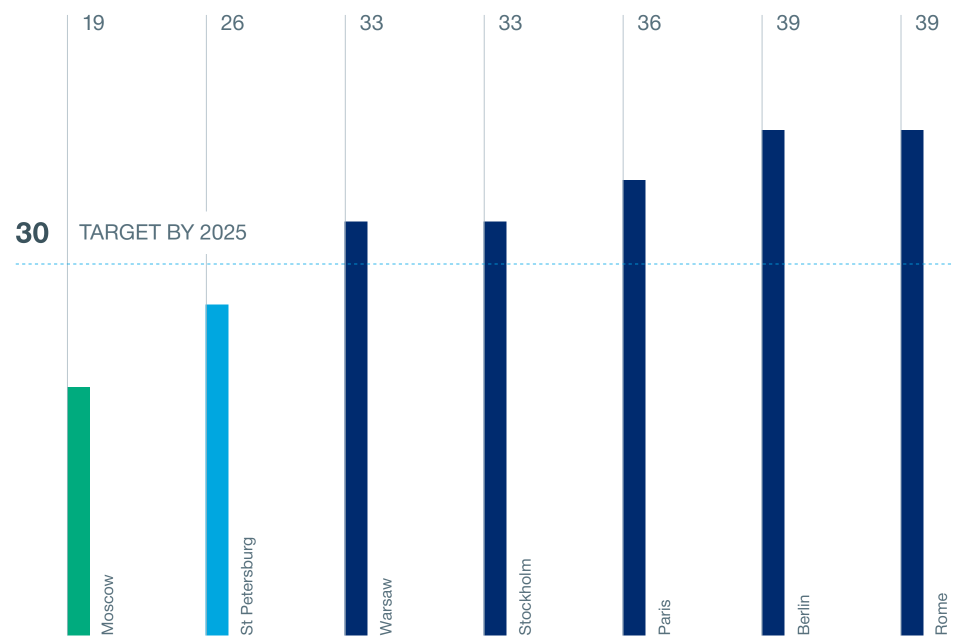
[1] The eurozone includes 28 countries

Russian state policy priorities include increasing the affordability of housing and improving the quality of living conditions.

In terms of the availability of living space per capita, Russia still trails even Eastern Europe, where there is an average of 31 sqm of living space per person. According to the Strategy for the Development of the Housing Sector of the Russian Federation to 2025, the target is to reach 30 sqm of housing stock per capita.

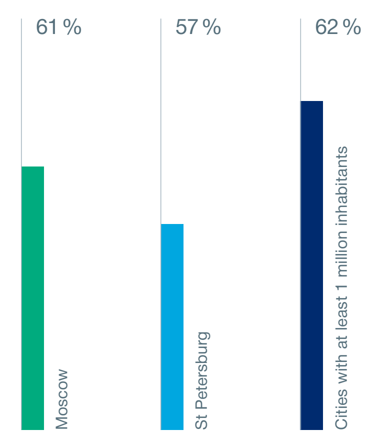
At the same time, more than 60% of the housing stock in the largest cities was built before 1990, and it does not meet the standards that current buyers look for when planning a purchase. According to Russia's Housing Ministry, about 35% of the country's housing stock was built before 1970 and needs to be renovated.

AMOUNT OF LIVING SPACE,
sqm/person[1]



Source: Rosstat, national statistical agencies

HOUSING STOCK OLDER THAN 1990



>60 %

OF THE HOUSING STOCK IN THE LARGEST CITIES WAS BUILT BEFORE 1990

Source: Etalon Group analysis

THE STATE'S TARGET PRIORITIES IN TERMS OF HOUSING CONSTRUCTION ARE

TO IMPROVE THE HOUSING CONDITIONS FOR AT LEAST

5 **MLN FAMILIES ANNUALLY**

TO INCREASE CONSTRUCTION VOLUMES TO AT LEAST

120 **MLN SQM PER YEAR**

[1] Figures for 2019

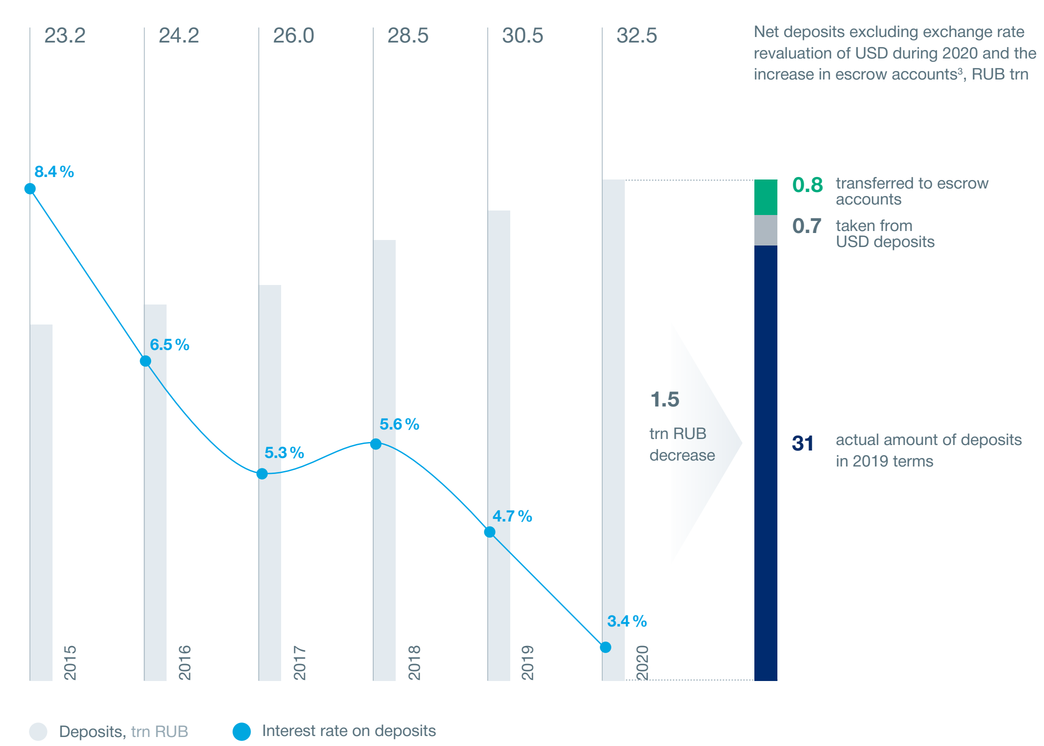
MARKET FACTORS AND THEIR IMPACT ON THE MAIN ASPECTS OF OUR BUSINESS

DEMAND FACTORS

Due to low interest rates on bank deposits and the state programme to subsidise mortgages, demand for housing increased significantly in 2020.

Falling interest rates and the introduction of taxes on income from large investments have led to a deceleration in bank deposit growth, as this has become a less attractive option for individual savings. Starting from 2015, the rates on rouble deposits have been steadily decreasing, and they were just keeping up with consumer price inflation in December 2020: deposits offered an average return of 3.4% versus CPI of 3.99%[2]. While total deposits in the Russian banking system in 2020 grew by RUB 2.0 trillion, the increase was in fact the result of funds being put into escrow accounts for the purchase of real estate (RUB 0.8 trillion) and the revaluation of FX deposits in RUB terms. Excluding these two factors and taking into account a USD 9 billion outflow from FX deposits, in RUB terms total deposits actually shrank by RUB 1.5 trillion during 2020.

DEPOSITS AND RETURNS

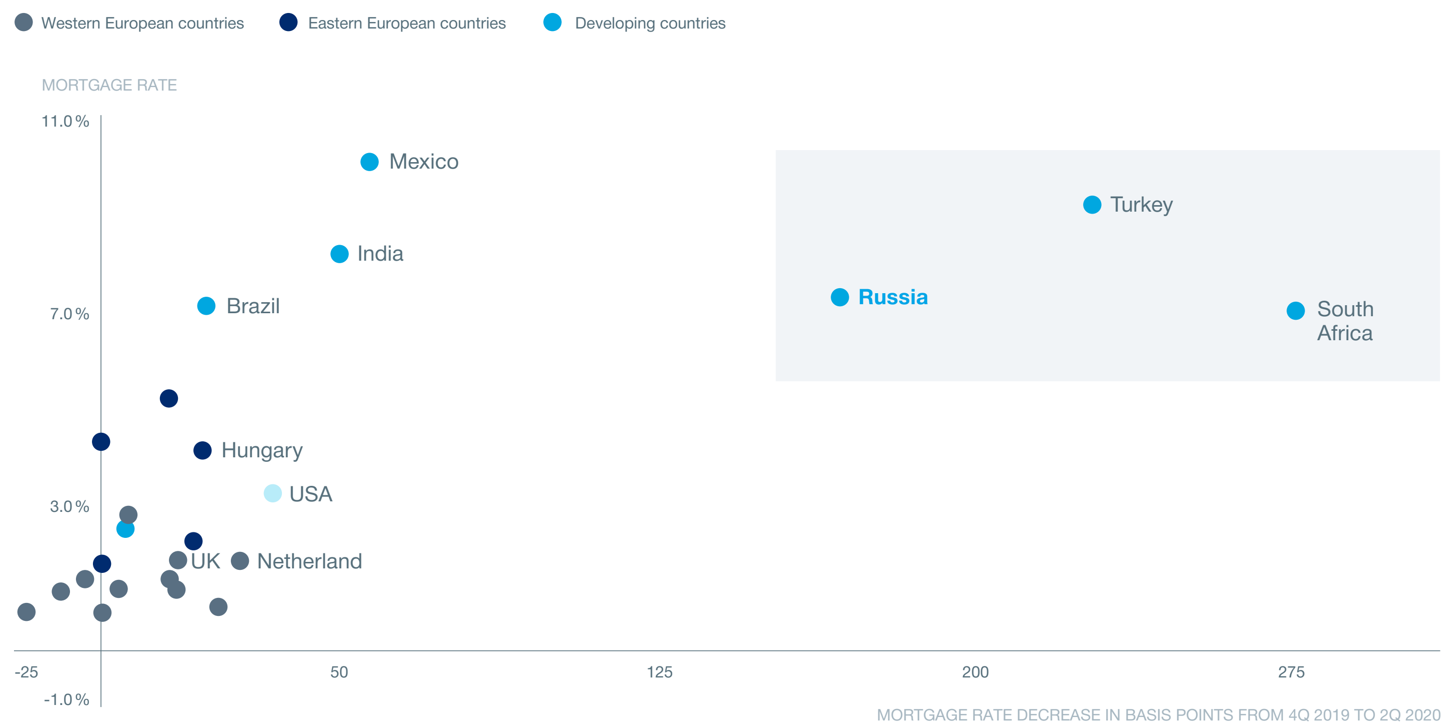


Source: Bank of Russia, National Rating Agency

[2] Bank of Russia
[3] Individual amounts in escrow accounts are recognised as savings according to the Bank of Russia's methodology; however, these sums were invested in real estate purchases and, in general, cannot be considered savings

In addition, in 2020, mortgage rates in Russia declined at one of the fastest rates in the world (down 170 basis points) compared with large economies such as Mexico, India and Brazil that have traditionally high rates. This made housing investments a more attractive option for investing savings in Russia.

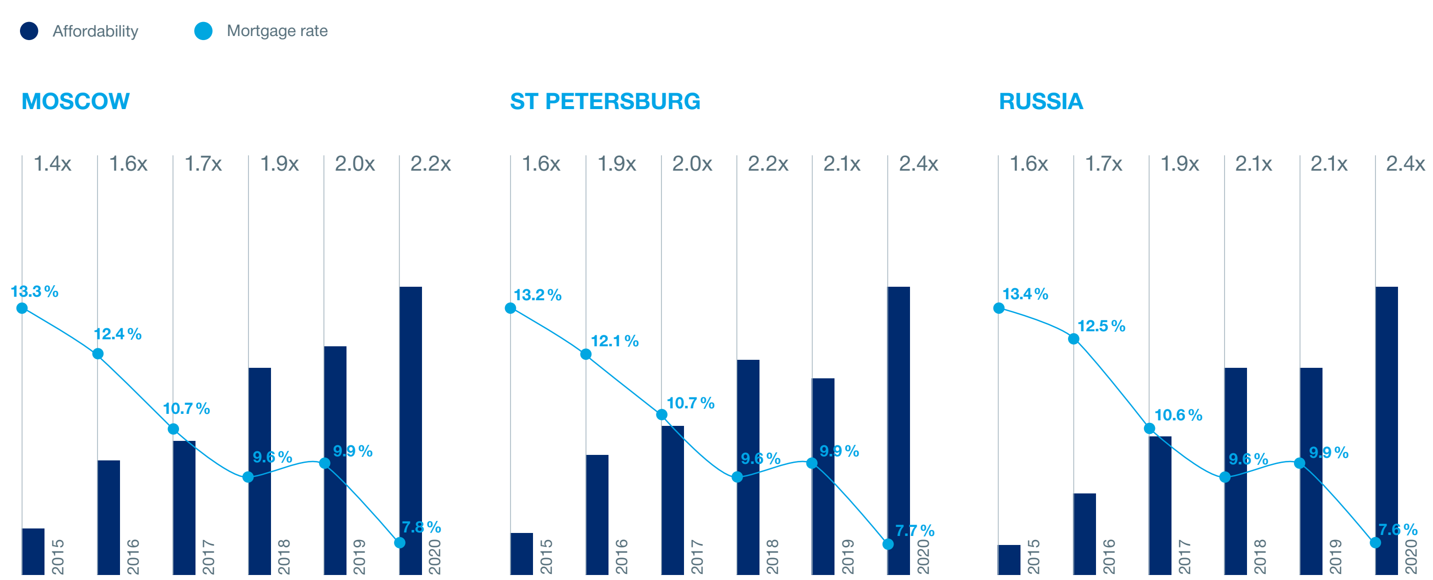
DECREASE IN MORTGAGE RATES IN THE BIGGEST ECONOMIES IN 1H 2020



Source: Bank of Russia, data from The Global Economy, the National Bank of Mexico, the Central Bank of India, the FBN, GOV.UK, the IMF

The notable decrease in mortgage rates in Russia in 2020 supported a general trend towards record housing affordability despite a temporary drop in real incomes. Housing affordability in Moscow, St Petersburg and across Russia as a whole has generally improved at a steady pace over the last five years.

HOUSING AFFORDABILITY AND MORTGAGE RATES[1]

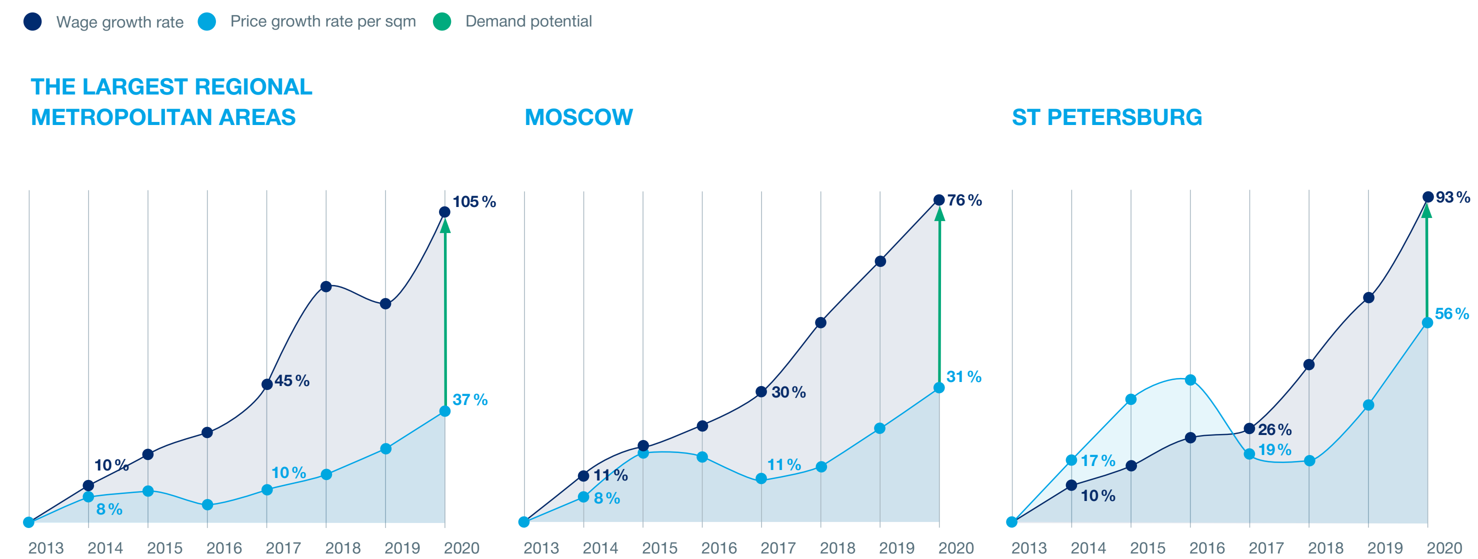


Source: Rosstat, Bank of Russia, Etalon Group analysis

[1] Ratio of average salary to average annuity payment

Wage growth in St Petersburg and Moscow noticeably outpaced the growth in price per sqm of housing, even amid the uncertain financial situation in service industries in 2020. There was a similar trend in other major cities across the country.

GROWTH IN REAL ESTATE PRICES AND WAGES SINCE 2013



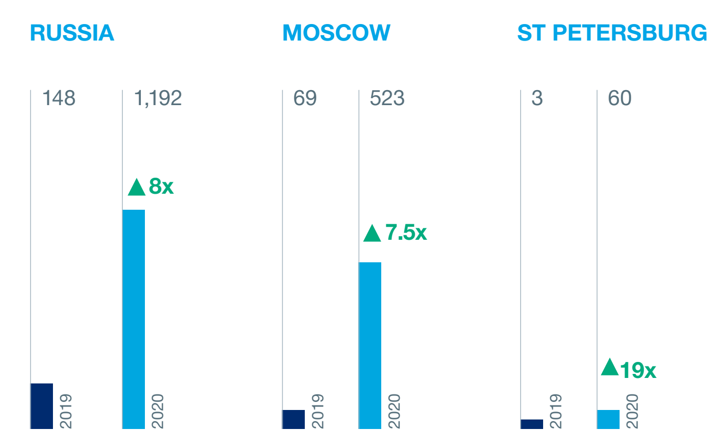
Source: Rosstat, Dom.rf, Etalon Group analysis

Another factor that made investments in real estate more attractive for individuals was the transition to the use of project financing and escrow accounts in the residential development sector, which made it possible to provide full state guarantees for investments in housing still under construction.

In December 2020, the volume of housing under construction in Russia using the new rules, which require that funds from buyers be held in escrow accounts, exceeded the volume under the old rules. According to a joint survey by the Russian Public Opinion Research Centre and Dom.rf, about 80% of Russians have a positive opinion of the reform; 77% note that, thanks to the reform, the risks to homebuyers at the construction stage have decreased.

The amount of funds that buyers of housing during the construction stage in Russia paid into escrow accounts increased eightfold over the year: as of 1 January 2021, according to the Bank of Russia, RUB 1.19 trillion had been placed in escrow for development project financing. In St Petersburg, escrow account balances increased almost twentyfold; in Moscow, growth was comparable to the national average.

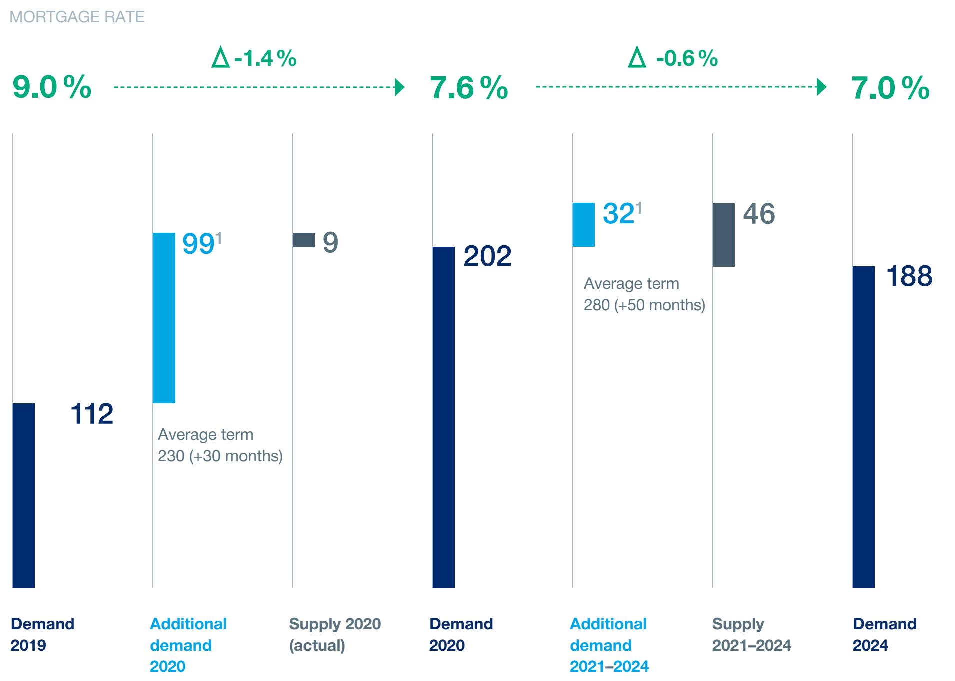
INCREASE IN DEVELOPER ESCROW ACCOUNT BALANCES FOR 2020, BLN RUB



Source: Bank of Russia, Etalon Group analysis

We estimate that 99 mln sqm of additional demand was created in our core geographies of Moscow and St Petersburg as a result of the sharp decline in mortgage rates in 2020. If mortgage rates continue to fall from an average of 7.6 % to 7.0 % by 2024, and if mortgage repayment durations continue to improve, we estimate further additional housing demand of 32 mln sqm. Taking into account the current supply volume, estimated at 46 mln sqm, as well as the annual rate of property sales, it would therefore take up to 20 years to fully meet existing demand. A portion of the demand in the lower price segment can be met through Russia's ongoing housing renovation programme; however, a considerable share of solvent buyers will continue to look to purchase higher-quality properties.

SUPPLY AND DEMAND IN MOSCOW AND ST PETERSBURG 2020–2024, mln sqm

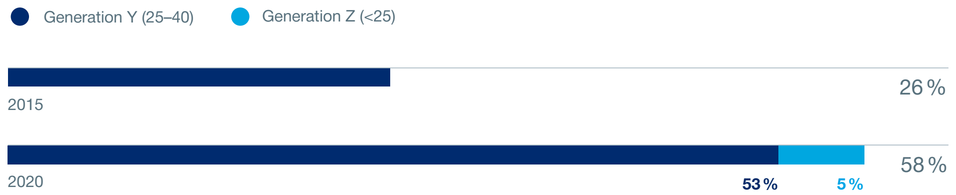


Source: Etalon Group analysis of data from the Bank of Russia, Rosstat

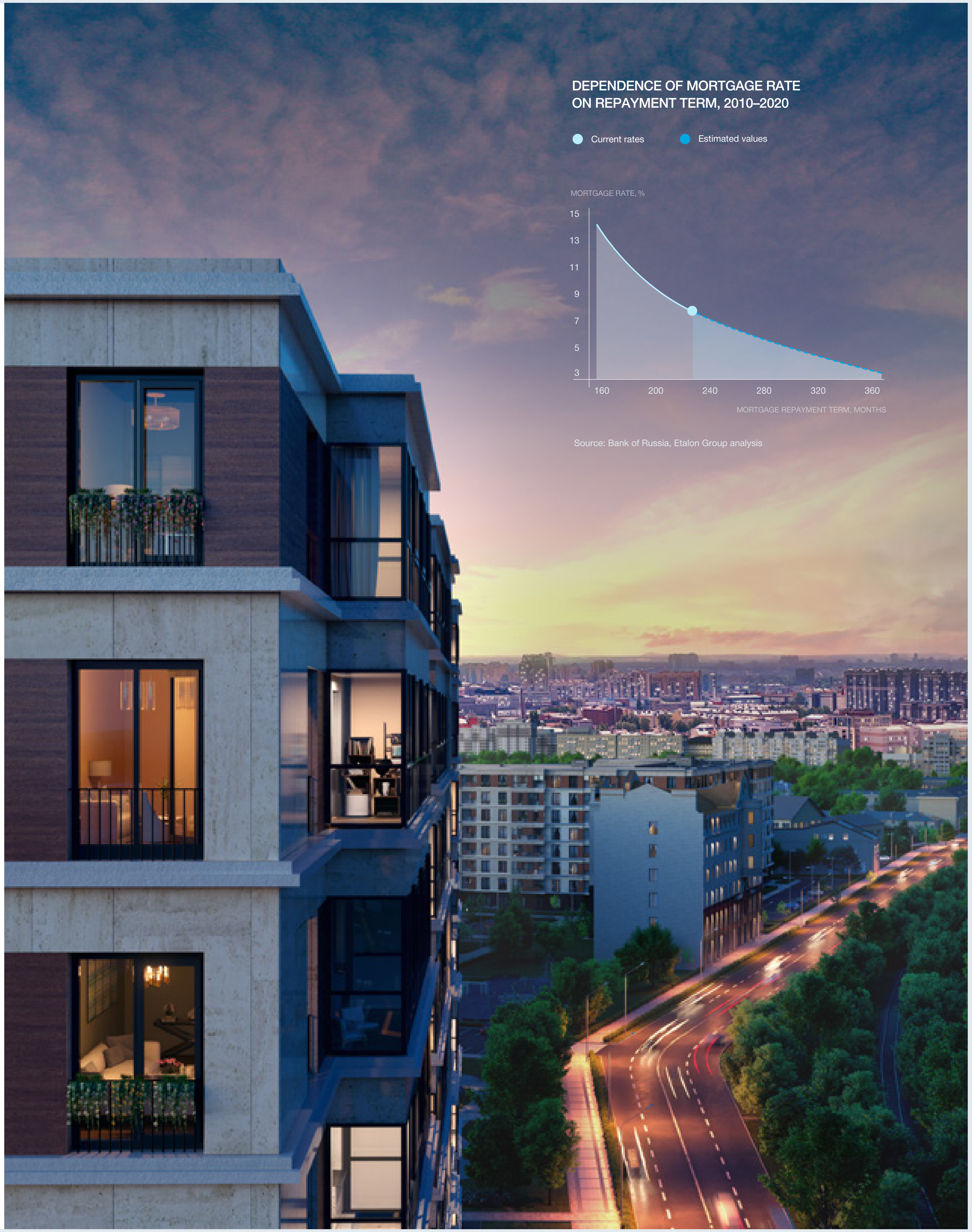
A major factor supporting demand in the long term will be a change in the makeup of buyers and their demands for product quality.

In 2015, only 26% of residential real estate buyers were under the age of 40; now millennials and older members of Generation Z account for about 60% of the demand for residential real estate. As a rule, these are people who did not have privatised housing and who made their first and subsequent purchases using mortgage financing, which prompted them—with their limited resources—to look for the best quality they could get on their available budget.

SHARE OF GENERATIONS Y AND Z (UNDER 40) WITHOUT PRIVATISED HOUSING



Source: Etalon Group analysis

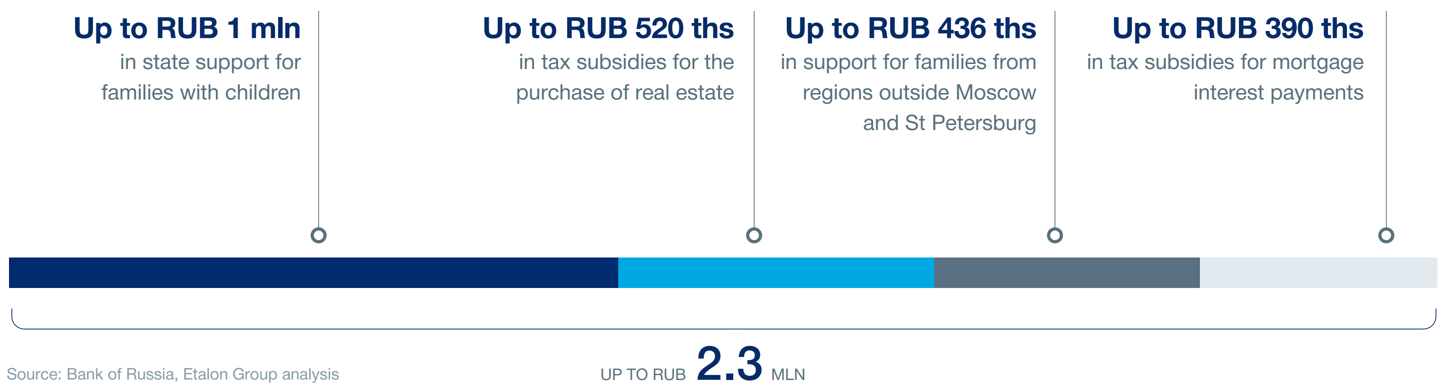


[1] Includes mortgage rate decrease, term increase, impact of wages increase and of change in GDP

The Russian state is taking unprecedented measures to support this category of potential homebuyers, in the form of various tax deductions and programmes to support families with children

The share of people in Moscow who were able to buy an apartment with a mortgage in 2020 increased to 40% of total households; in Russia as a whole, this figure reached 50% on average. It is precisely this generational shift, supported by record affordability in Etalon Group's core geographies, that is creating the preconditions for sustainable demand even after the preferential mortgage programme is phased out in July 2021.

STATE SUPPORT PROGRAMMES FOR THE POPULATION



Source: Bank of Russia, Etalon Group analysis

Generational changes in the consumer makeup are also having an impact on market development in terms of consumer preferences; young people (late Generation Y and Generation Z) value different characteristics than Generation X, and they are willing to pay extra for them.

About 70% of Generations Y and Z are ready to increase their purchase budget if residential properties are more energy-efficient, have all the necessary amenities and are made of more environmentally friendly materials.

According to a joint study by Etalon Group and the research company Celebrium-X, safety is a common value shared by all groups of buyers purchasing business-class homes: they are all willing to pay extra for a well-lit courtyard; they all understand the additional costs of providing around-the-clock security; the vast majority would agree to pay more for an apartment if the residential complex provided a facial recognition system at the entrance to the property grounds and an around-the-clock concierge service. Smart home systems are another common preference for consumers. Nearly all respondents agree (with a confidence index of 69–75) that this option costs extra, and they're willing to pay more.

Buyers are demanding greater variety and the ability to choose. There is growing demand for the development of mixed types of residential spaces, where there is an opportunity for the development of new-economy clusters and creative industries: for example, modern studios where one can live and work (light industrial) or office space for small businesses on the ground floors of buildings where the employees of those businesses live (live & work).

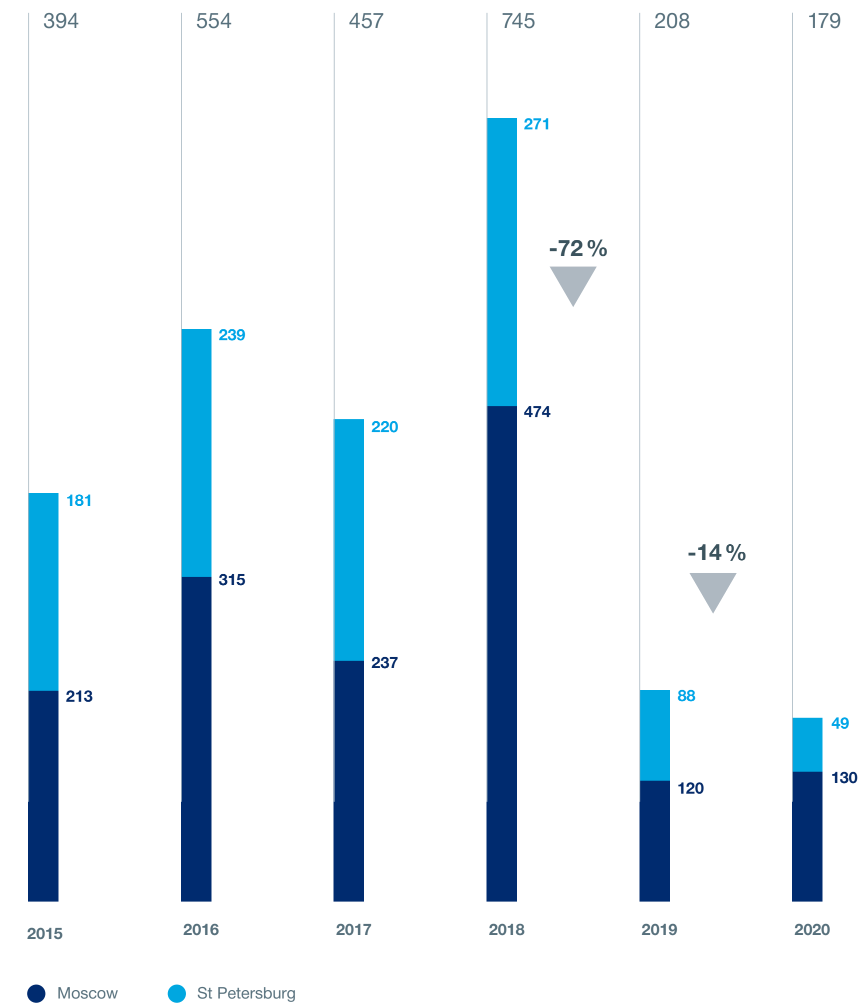
SUPPLY AND LAND AVAILABILITY

The change in industry regulations together with an expanded role for banks is facilitating a further reduction in supply.

The general decline in the number of building permits issued is driving a continuation in the contraction in supply that began earlier. The overall number of building permits issued for housing in Moscow and St Petersburg decreased by 14% year-on-year in 2020. The number of building permits issued in St Petersburg decreased by 44% year-on-year in 2020. In Moscow, the number of permits increased by 8% year-on-year, but the volume of housing covered by the 2020 permits represented a decrease of 48% year-on-year.

The cost of changing the permitted use of a project in Moscow, depending on the complexity of the project and its location, is becoming a regular part of the acquisition of land plots. This factor also holds back small players. The cost of changing the permitted use will represent a significant part of the budgets for development projects in New Moscow, which, before the change, already accounted for about 10–15% of the total investment.

NUMBER OF BUILDING PERMITS ISSUED FOR HOUSING DEVELOPMENT

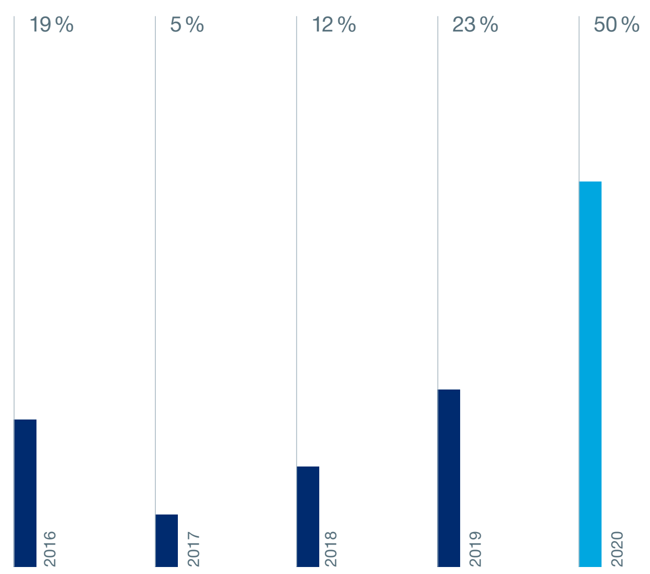


Source: Federal Service for State Registration, Cadastre and Cartography; State Construction and Expert Review Service of St Petersburg; Committee of State Construction Supervision of Moscow

Developers have started to build up their portfolios again, while the number of sites is decreasing; competition for new land among the top 20 players is increasing, driven by industry consolidation in key regions.

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

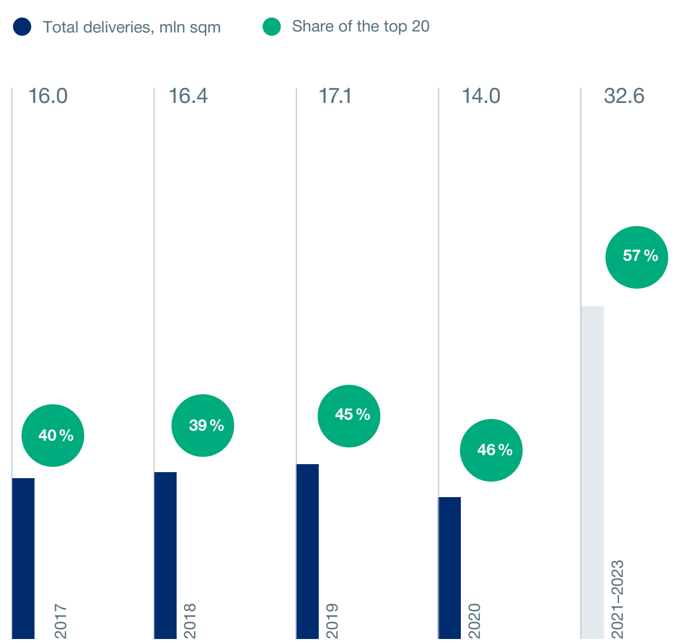
CHANGES IN THE SHARE OF INVESTMENTS IN SITES FOR HOUSING DEVELOPMENT IN THE OVERALL STRUCTURE OF REAL ESTATE INVESTMENTS



Source: Knight Frank

The consolidation trend in the industry continues and is picking up pace. By 2023 the top 20 developers are expected to account for a record 57% of the supply in Moscow and St Petersburg, while the number of small and medium-sized players will continue to decline.

THE TOP 20 DEVELOPERS WILL STRENGTHEN THEIR POSITION



Source: Etalon Group analysis of ERZ data

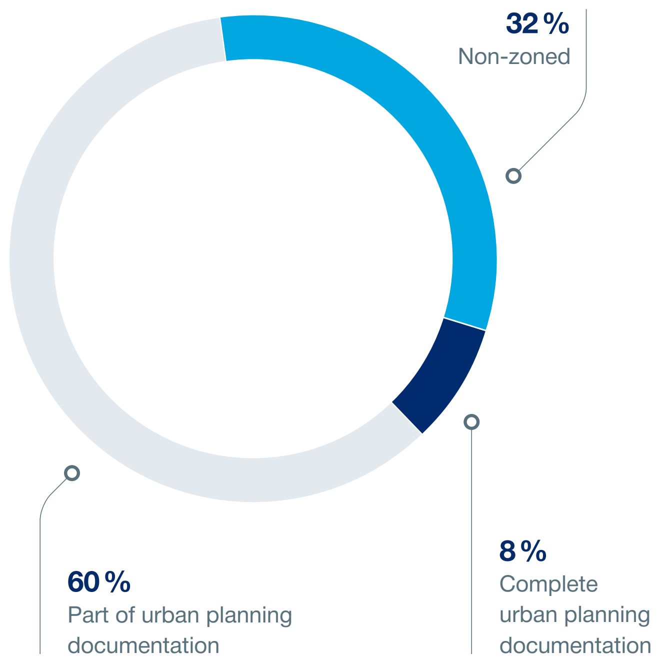
This is largely due to the fact that project financing is too expensive for small players but comfortable for market leaders; these larger companies often prefer to use projects owned by smaller industry players to expand their own portfolios. Accumulating sufficient reserves in escrow accounts to qualify for reduced rates is a difficult challenge for second-tier developers.

In Russia's regions outside Moscow and St Petersburg, this change in regulations could even lead to a situation where local players are unable to start new projects.

We believe that this creates an opportunity for the largest "federal" players to enter new regions and consolidate a significant market share for themselves.

An additional factor holding back the rapid growth of supply is the shortage of quality land plots in Moscow and St Petersburg. Only 8% of land plots have all the permits required for development. Another 60% have only a portion of the required documentation.

SHORTAGE OF LAND SUITABLE FOR BUILDING IN MOSCOW AND ST PETERSBURG



Source: Real Estate and Construction journal

Longer-term, the conditions for entry into projects and the role of the developer will change; the ability to address the needs of a wide range of stakeholders is becoming an important attribute.

Today the concept of housing quality is inextricably linked with the quality of the living environment and lifestyle; it includes the functionality of residential districts and the development of local facilities, transport accessibility, the provision of social infrastructure facilities, the connectivity of pedestrian routes and the zoning of property grounds and common areas.

One indicator of the quality of urban master planning in cities is the ability to propose a strategy for sustainable economic development and the well-being of residents. Spatial planning documents are increasingly focused on structuring mutually beneficial terms and distributing risks between city businesses, property owners, city administrations and developers. Key targets for development projects are no longer square metres but indicators such as declining unemployment, the percentage of people employed in the service and innovation economy, improvements in public health and the city's economic growth.

The ability to structure high-yield projects that have a considerable positive socioeconomic impact on the area will play an increasing role in real estate development companies' business models.

CONSTRUCTION COSTS

Temporary cost increases during the COVID period are not long-term.

Last year, the introduction of restrictions resulted in a labour shortage at construction sites and an increase in costs related to workplace management during the pandemic. The depreciation of the rouble and a rise in prices for rolled steel and rebar, which are key materials used in construction, also impacted construction costs in 2020. At the same time, temporary regulatory measures taken by the government have stabilised the situation. The average increase in construction costs in Russia during 2020 was below 1 %.

Streamlining production processes and cost reductions will enable business expansion and entry into regional markets over the long term.

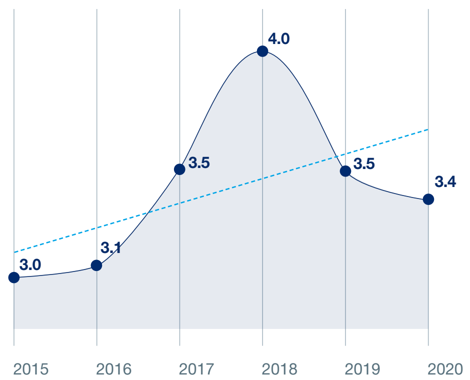
In contrast to Moscow and St Petersburg, where the largest developers have focused their operations, the regional market remains largely fragmented. In Russia's biggest cities, the share of the top 20 players is about 6%; in 2020, they delivered around 0.5 mln sqm out of total deliveries of 8 mln sqm.

At the same time, both the volume of new housing and the number of building permits issued are decreasing in regional markets, while new housing volumes in the traditional regions of operations of St Petersburg and Moscow, which is dominated by large federal players, remain above 2015 levels, despite recent declines.

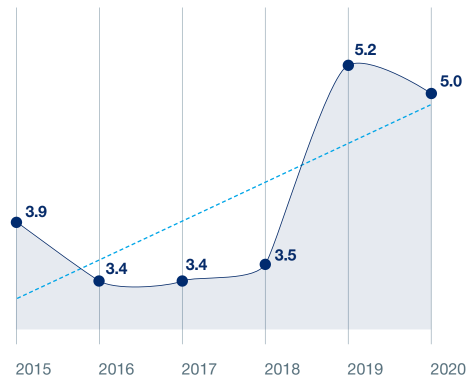
NEW HOUSING SUPPLY, mln sqm

● Mln sqm --- Linear trend

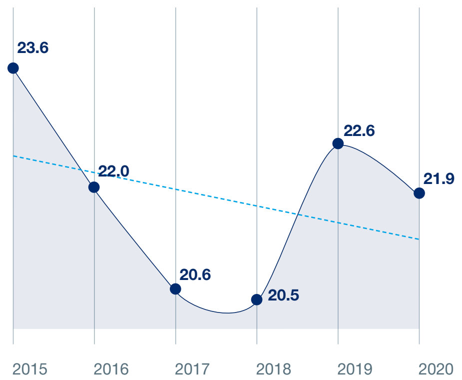
ST PETERSBURG



MOSCOW



THE LARGEST REGIONAL METROPOLITAN AREAS

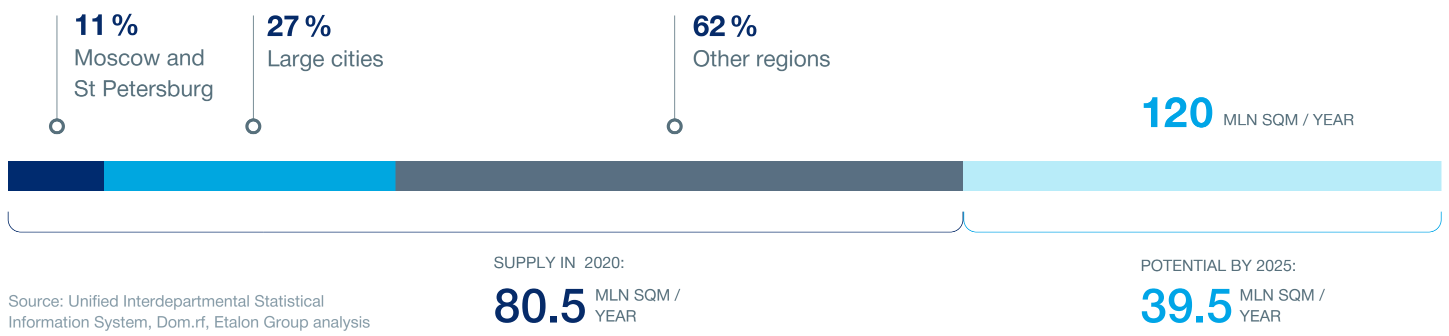


Source: Unified Interdepartmental Statistical Information System

The implementation of a renovation programme and integrated development projects in regions beyond Moscow and St Petersburg will require the involvement of large professional players. Their participation in official renovation projects, accompanied by opportunities to develop large land plots, will not only reduce the risk of low-quality supply but also help to ensure that new residential areas are created with adequate consideration for creating jobs and social infrastructure. Cities that choose this approach will benefit from the large-scale redevelopment experience of major federal players in developing a comprehensive master plan, as opposed to dividing territories up into small plots for individual development by small local players.

Moreover, involvement of federal players that are likely to expand into regions outside Moscow and St Petersburg will make it possible to achieve the target indicators of the Housing National Project, which calls for the delivery of 120 mln sqm of housing per year.

SHARE OF NEW HOUSING SUPPLY AND POTENTIAL UNDER THE NATIONAL PROGRAMME

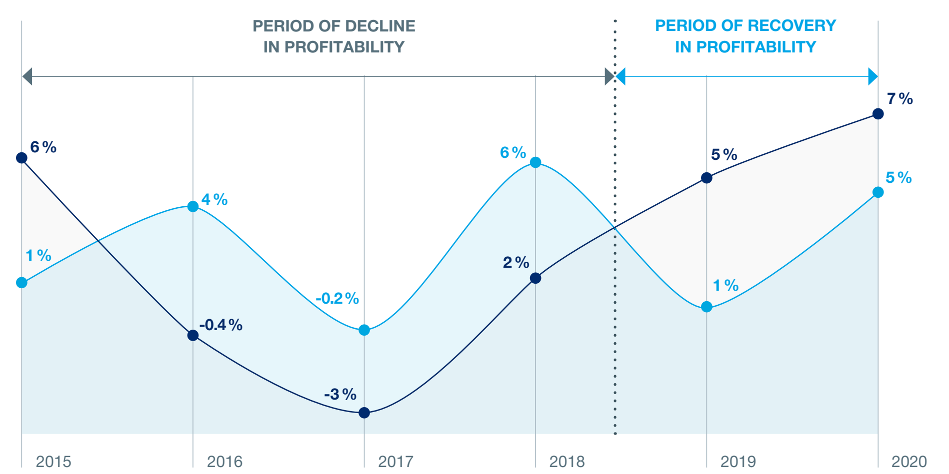


Source: Unified Interdepartmental Statistical Information System, Dom.rf, Etalon Group analysis

CHANGES IN THE CONSTRUCTION COST AND AVERAGE PRICE PER SQM OF HOUSING IN THE LARGEST METROPOLITAN AREAS OUTSIDE MOSCOW AND ST PETERSBURG

In turn, rising housing prices in the past year created the preconditions for large developers to enter regions beyond Moscow and St Petersburg.

● Price, cities with at least 1 million inhabitants
● Cost, cities with at least 1 million inhabitants (growth rate)



Source: Unified Interdepartmental Statistical Information System, Dom.rf, Etalon Group analysis

Lower average prices in regional markets mean that effective cost control measures are necessary to achieve profitability levels comparable to Moscow and St Petersburg. The ability to offer a quality product at affordable prices will remain a key factor for successful expansion in regional markets outside Russia's two largest cities.

To achieve this by optimising their value chains, construction companies are:

- improving the precision and depth of exploratory studies, including by working with big data analytics
- using technologies and materials that reduce labour costs or the time needed for construction and installation works
- implementing BIM technologies and developing tools for collaboration and information exchange between all project participants
- standardising and optimising their product, including by increasing net sellable area by correctly designing partition walls, creating useful niches and controlling the thickness of interior partition walls.

In the future, once the impact of these steps has been exhausted, changes in construction technologies should create additional opportunities to further improve management of costs and construction timelines. One significant trend, for example, is the shift towards modularisation and off-site production, which should rebalance the construction value chain.

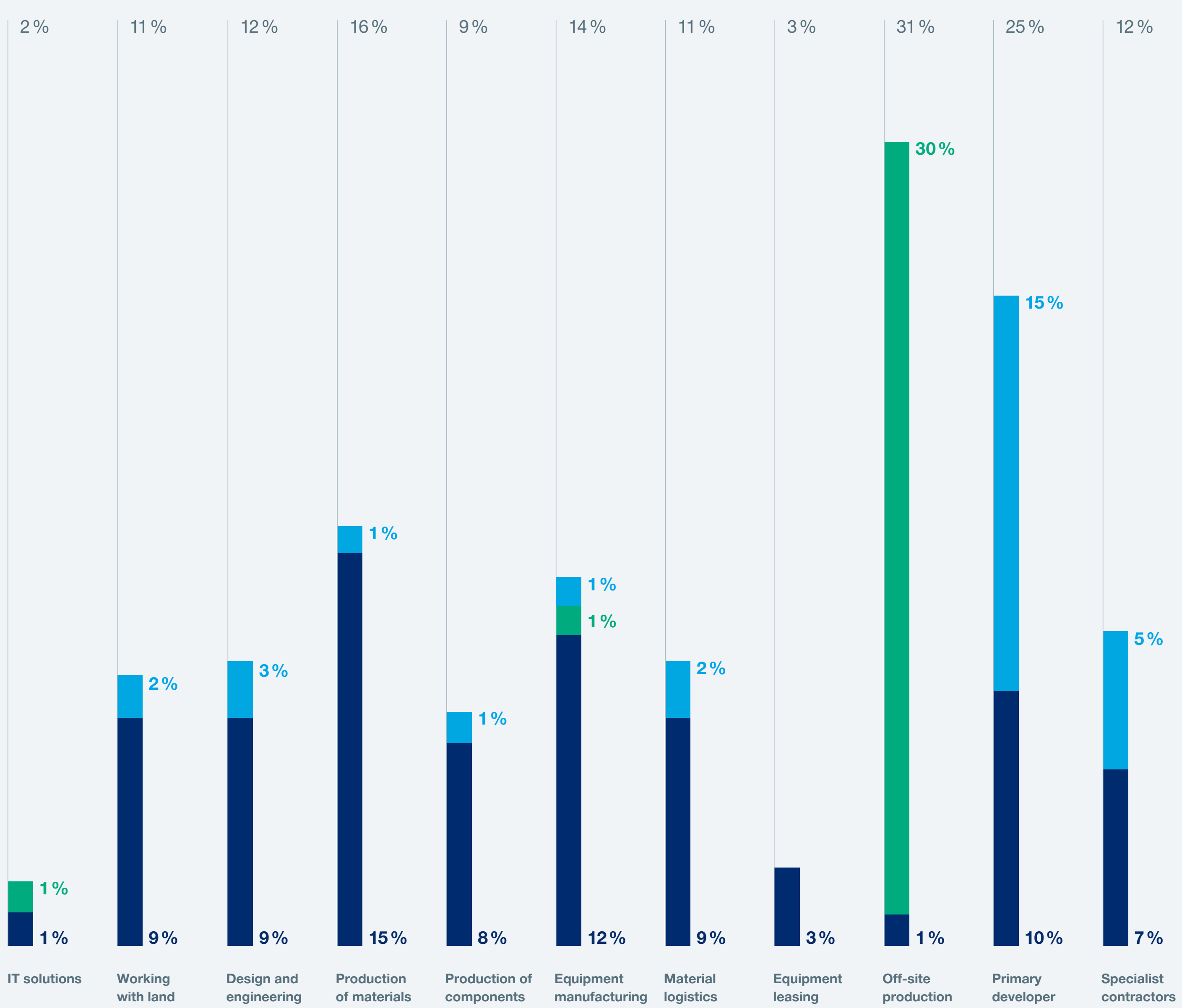
McKinsey & Company forecast significant changes in the construction business value chain

New production technologies provide opportunities like industrialisation and a shift toward off-site production. Such changes could lead to a 15–20 % decrease in costs.

The construction industry holds great potential for players able to quickly innovate and achieve productivity gains to achieve significant breakthroughs compared to peers. According to an analysis by McKinsey, the industry globally loses about USD 1.6 trillion in economic value added per year. Worldwide, labour productivity growth in construction has averaged only 1 % a year over the past two decades, compared with growth of 2.8 % for the total world economy and 3.6 % in manufacturing.

Significant factors behind low productivity in the construction industry include poor project management and execution, inadequate skills, inadequate design processes, and inadequate investment in skills development, R&D and innovation.

TECHNOLOGICAL IMPACT ON REDISTRIBUTION IN THE VALUE CHAIN BY 2025, % value in productised value chain



Source: McKinsey & Company

AVERAGE VALUE ADDED BY EMPLOYEES PER HOUR WORKED

PRODUCTIVITY LAG

1.63 TRN USD

Source: McKinsey & Company

To achieve these structural changes, companies need to develop their own R&D capabilities, which initially will inevitably affect the cost of the product. According to McKinsey & Company data, global R&D spending by the top 2,500 construction companies grew by 77 % from 2013 to 2017. In addition, nearly two-thirds of the interviewed decision-makers believe that the COVID-19 crisis will accelerate industry transformation, and half have already raised investment in line with the shifts.

In Russia, where demand is heightened due to the attractiveness of housing as a way of investing savings and measures to make housing more affordable, companies still have an opportunity to revise their business models and to introduce new technological solutions that will radically change the quality and speed of construction.

An overall assessment of the factors that are going to influence the growth of the development business indicates that there is great potential for development in the long term despite increasing competition.

ASSESSMENT OF FACTORS AFFECTING THE MAIN COMPONENTS OF THE BUSINESS

Business impact ▲ Positive ▼ Negative ▶ Negligible

	OVERALL ASSESSMENT OF THE IMPACT OF FACTORS		
BUSINESS MODEL COMPONENTS	Previously	In the short term	In the long term
SALES	▶	▲ ▲	▲
AVAILABILITY OF SITES AND TERMS OF ENTRY	▲	▶	▼
CONSTRUCTION COST	▶	▼	▶
		Challenges requiring market leaders to review their strategies	

Source: Etalon Group analysis

STRATEGY

3

Our strategy is aimed at strengthening Etalon Group's leading position in residential development and creating a product that exceeds customers' expectations. We see the path to achieving these goals in the development of sound and sustainable solutions that are based on new technologies and that meet the needs of society – both today and in the future.

With the fast pace of change, industry development trends and an understanding of available resources in mind, our strategy involves rethinking all business processes: from the purchase of land and project design to construction, sales and living in our residential complexes.

STRATEGY OVERVIEW

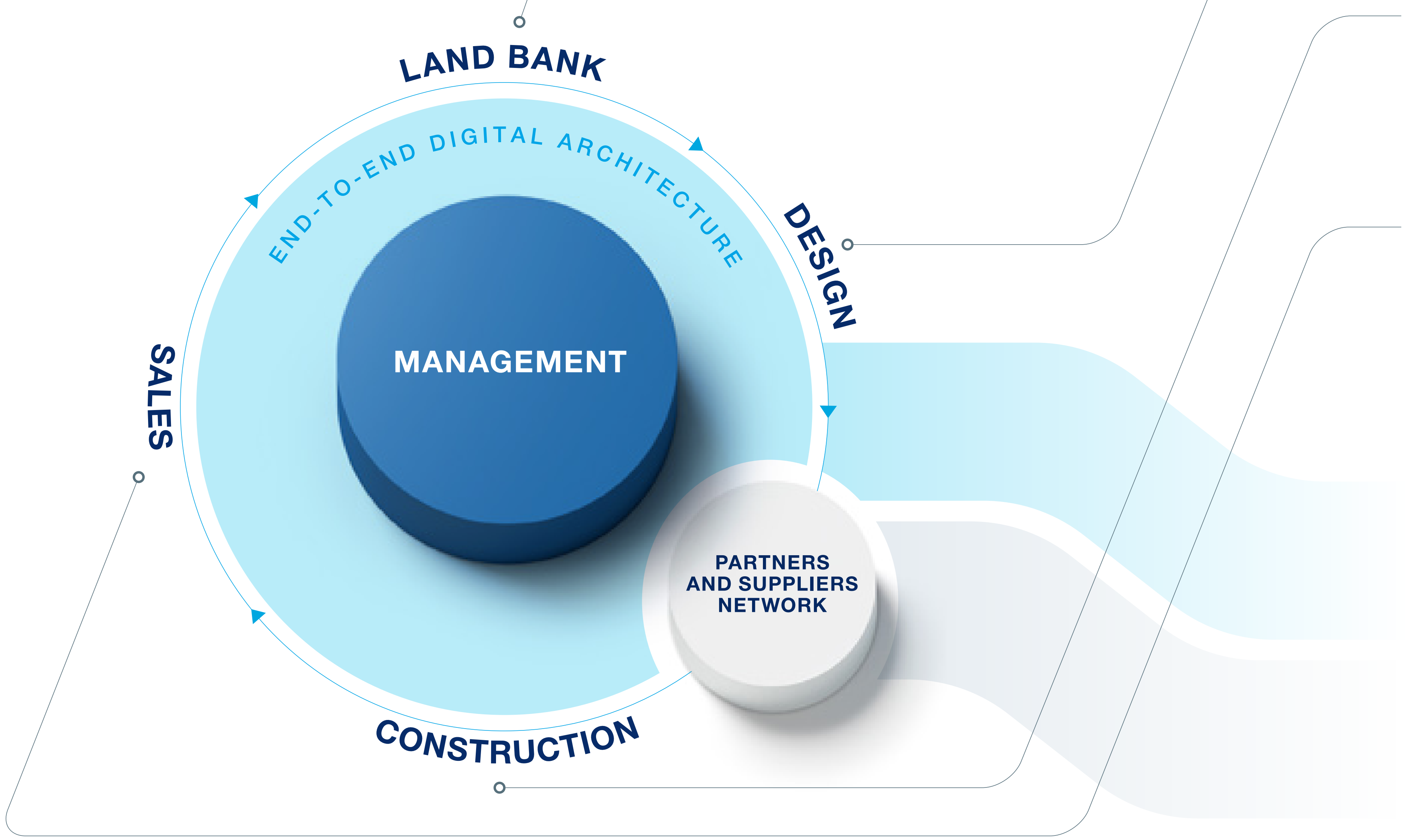
Etalon Group's previous strategy, which was presented to the market in 2017, proved to be quite successful, despite the fact that certain circumstances beyond our control prevented us from meeting all of our targets.

RESULTS OF 2017–2021 STRATEGY IMPLEMENTATION

	STRATEGIC GOALS STATED IN 2017	TARGET	STATUS	
1	TO BECOME ONE OF THE LARGEST DEVELOPERS IN THE ST PETERSBURG AND MOSCOW MARKETS	15% MARKET SHARE IN ST PETERSBURG; 7% IN MOSCOW		Successfully achieved in Moscow with 7 % market share Failed in St Petersburg due to lack of appropriate land bank
2	TO BECOME ONE OF THE MOST PROFITABLE PLAYERS IN THE RUSSIAN RESIDENTIAL DEVELOPMENT MARKET	20% CAGR FOR NET INCOME		Failed to achieve due to weaker profitability and numerous accounting adjustments
3	TO MAINTAIN A STRONG FINANCIAL POSITION	2x NET DEBT / EBITDA RATIO		1.9x net corporate debt / pre-PPA EBITDA despite large-scale M&A transaction in 2019
4	TO CONTINUOUSLY INCREASE DIVIDEND DISTRIBUTION	40% ► 70% OF IFRS NET PROFIT		Despite a low net profit base, Etalon updated its dividend policy, introducing a guaranteed minimum dividend of RUB 12 per GDR/share
5	TO MAINTAIN A DISCIPLINED APPROACH TO REGIONAL EXPANSION AND ACHIEVE FURTHER PORTFOLIO DIVERSIFICATION	ONLY VALUE-ACCRETIVE EXPANSION		Successful entry into business- and premium-class segments with higher profit margins Avoided expansion into new regions, with current product focused on Moscow and St Petersburg

THE STRATEGY TO 2024 AIMS TO REINVENT EACH STEP OF THE VALUE CHAIN

Current conditions and trends in industry development, as well as the goal of improving business efficiency in changed circumstances, have led us to a radical revision of our business model and the formation of a new strategy to 2024. With the fast pace of change and an understanding of available resources in mind, the strategy involves – with fairly limited investments – the renewal of all business processes.



1

Long-term focus on replenishing the land bank, supported by the acquisition of unzoned plots, broadening the geography of projects through expansion and inorganic development

KEY EXPECTED RESULTS:

- increase in portfolio size to over 6 mln sqm
- a balanced structure of land assets and long-term growth in sales

2

Design based on modern principles and urban planning standards, offering in-demand housing formats and surroundings

KEY EXPECTED RESULTS:

- improved product quality
- highly transparent processes
- reduction of the time frame from site search to the start of construction by up to six months
- creation of a unified system for standardised design and implementation of R&D

3

Speed and cost leadership thanks to product standardisation across the entire range and leadership in new building technologies

KEY EXPECTED RESULTS:

- pre-PPA gross profit margin of 35%
- twofold increase in construction volumes with stable overhead costs

4

Extending the life cycle of interaction with customers based on an understanding of their expectations from the purchase of a new property through inhabitancy and the use of services

Product personalisation and the tailoring of promotions through big data analysis and the use of artificial intelligence

KEY EXPECTED RESULTS:

- sustained double-digit sales growth with the industry's highest NPS and CLV scores
- reduction of marketing costs by up to 20%

5

End-to-end data transfer across the entire value chain through the introduction of a unified digital architecture

KEY EXPECTED RESULTS:

- Decrease in SG&A to revenue to the level of 4.5–5.5%

6

Leadership through partnership and the creation of a best-in-class platform for housing construction

KEY EXPECTED RESULTS:

- A new management model with seamless architecture that is open to partners and suppliers, enabling rapid innovation and cost reduction

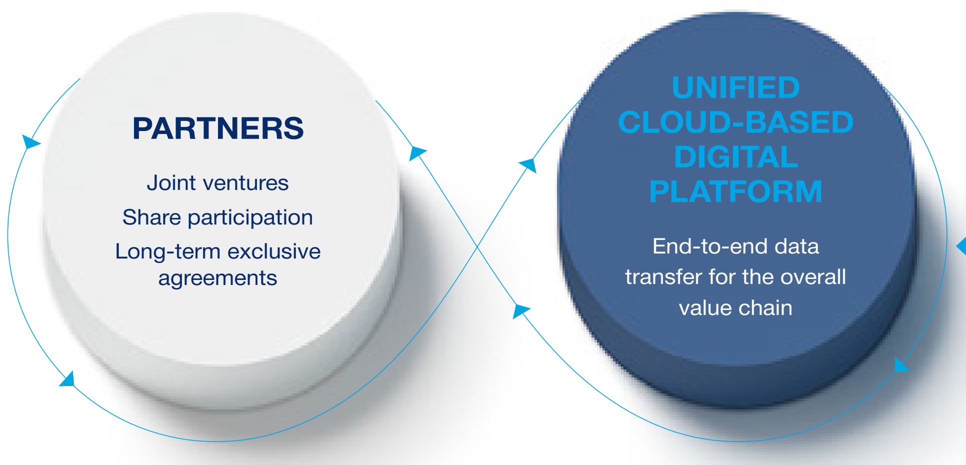
PRINCIPLES FOR ACHIEVING STRATEGIC GOALS

- Innovation: new technologies and standards enable us to achieve new goals in the market by reducing costs and increasing the efficiency of business processes
- Customer-centricity allows us to prioritise the main features of our product and customer experience, putting customer needs at the heart of our efforts to improve our management model
- The sustainability of solutions and processes underlying the development of our business allows us to contribute in a meaningful way to improving the sustainability of the cities where we operate

WAYS TO ACHIEVE OUR STRATEGIC GOALS

1 INTRODUCTION OF A UNIFIED DIGITAL ARCHITECTURE

Our business will employ a digital architecture that enables end-to-end data transfer across the entire value chain.
Our openness to new partners and suppliers will enable us to build competencies quickly and at minimal cost. To do this, we are implementing the Etalon.Partnership programme, which any company or start-up can take part in.



In selecting each new project with the help of an automated land search system, and taking into account the customer experience for comparable projects, we will decide which product is best suited to a particular location.

A big data-driven predictive analytics system will analyse the current and future competitive environment for any promising project, as well as price levels and possible volumes of property sales.

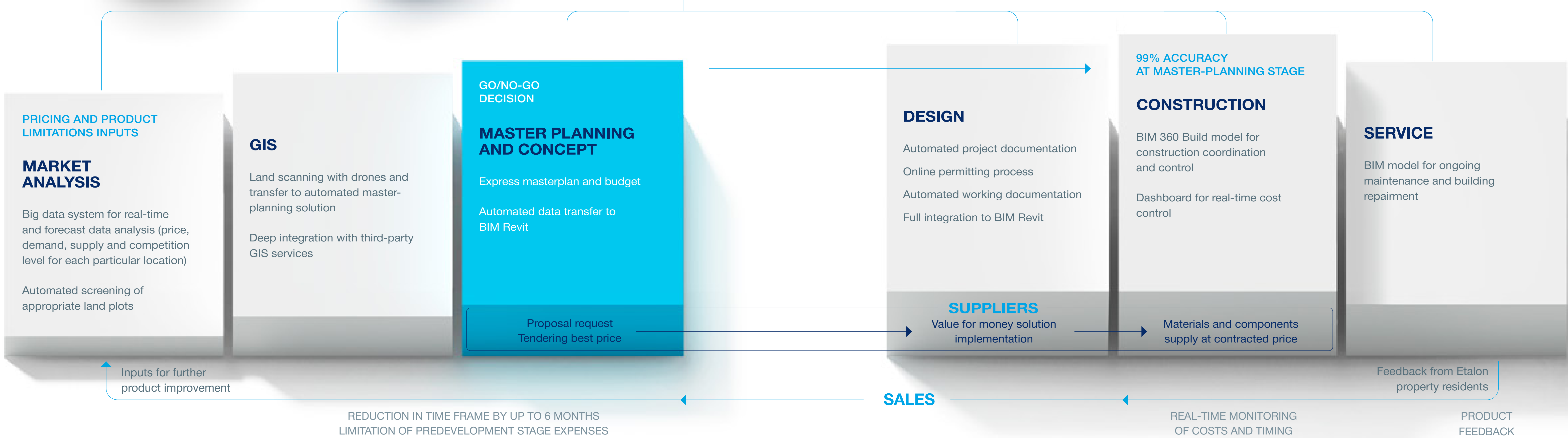
After building a GIS map of the area, the computer-aided design system will make it possible:

- to develop a detailed master plan and project budget in just one day,
- to begin preparing the design and working documentation,
- to complete a project appraisal in a completely electronic format,
- to quickly transfer data to the BIM environment and modify projects manually, and
- to subsequently use the design model to supervise and coordinate construction.

This will enable Etalon Group to make all processes as transparent as possible, to reduce costs considerably and also to shorten the time frame from site search to the start of construction by up to six months.

After the completion of construction, the design model in the BIM system will be transferred to the service company, which will then be able to use it for current and future building repairs and renovations.
In addition, we will continue to collect feedback from residents of the new property to further improve our product. This creates a closed loop aimed at the constant improvement of our product and the customer experience.

End-to-end digital architecture saves time, money and materials



2

DESIGN AUTOMATION

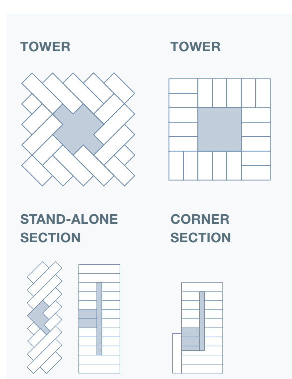
The computer-aided design system uses a library of standardised structural elements to create a large number of unique product options in line with specifications. At the same time, the quality of design solutions will improve, while the costs and time frames for preparation of the design documentation will be reduced. In addition, the system makes it possible to continuously develop standardised projects to keep them up to date and in line with customer requests.

During the reporting year, we agreed on an exclusive partnership with a leading Russian design automation company. To further improve our system, a joint venture was created that will deal with modifications and fine-tuning, including for more complex tasks facing Etalon Group.

The system already makes it possible to choose the technology to be used for the construction of a property, factoring in the potential of the land plot. In the near future, we plan to automate the master-planning stage, which will enable us, right up to the moment of acquiring a project, to understand its future economics – in just one day – with a high degree of accuracy. By 2022, we plan to automate the process of preparing design and working documentation, to integrate outgoing estimates from our system with suppliers' databases and also to enable online certification of all of our new projects thanks to the complete integration of our CAD system with BIM Revit.

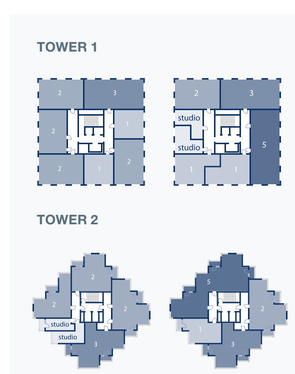
MAINTAINING A DIVERSE OFFERING WHILE STANDARDISING OUR PRODUCT

MULTIPLE COMBINATIONS OF REPEATED ELEMENTS



Multiple combinations based on standardised elements

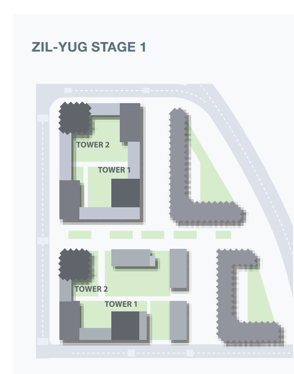
STANDARDISED SECTION LAYOUTS



Different buildings — same approach

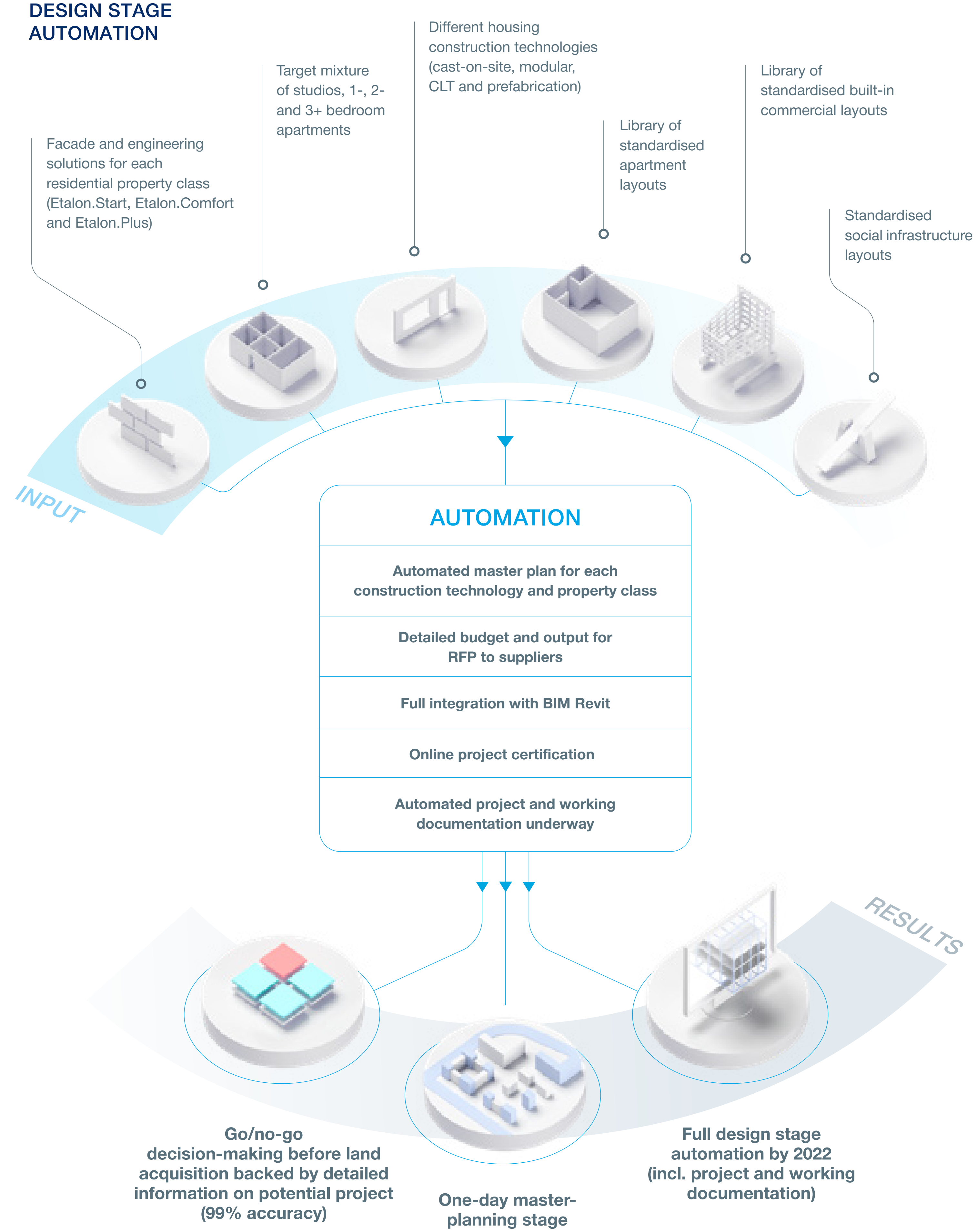
Same building – different apartment layouts for each floor

STANDARDISED MASTER PLAN LAYOUT



Fitted to the form of each land plot

DESIGN STAGE AUTOMATION



3

STATE-OF-THE-ART INDUSTRIAL TECHNOLOGIES FOR HOUSING CONSTRUCTION

Achieving cost leadership is impossible without improving the construction process for residential properties. As part of our new strategy, we plan to supplement a technology we have traditionally used – cast-on-site construction – with three new methods of industrial housing construction:

MODULAR CONSTRUCTION

ADVANTAGES

- 40% shorter construction cycle
- >20% lower construction costs
- Limited CAPEX
- Zero waste
- Fully fitted out

FOCUS AREA

Short term:

- Apartments (as developer)
- Hotels (as general contractor)

Medium term:

- Etalon.Start and Etalon.Comfort residential buildings for mass- and mid-market segments

We are developing modular technology in Russia in partnership with a British company. In 2021, we plan to begin the process of certifying the technology for the construction of multi-apartment residential buildings, and also to roll out a mobile factory on the grounds of our ZIL-Yug project for the production of modules.

Before we receive full housing construction certification, we will be able to launch pilot projects in the form of non-residential apartments, while also acting as a general contractor and supplier of modules for the construction of modular hotels. We plan to launch our first project using modular technology in 2022.

CONSTRUCTION USING CLT PANELS

ADVANTAGES

- 25% shorter construction cycle
- Same costs as cast-on-site
- No CAPEX
- Same strength as monolithic technology
- Climate positive
- Acoustic advantage

FOCUS AREA

Short term:

- Facades for residential buildings
- Hybrid CLT apartments (as developer)
- Office buildings (as general contractor)

Medium term:

- Etalon.Plus residential buildings for the high-end segment

The first pilot project using hybrid technology is planned for launch at the end of 2021 in collaboration with Segezha Group. Thanks to the exclusive terms of cooperation, we were able to jointly develop a project concept and adapt production to the concept.

In the near future, we plan to use CLT for our buildings' facade elements and for the construction of non-residential apartments in the upper price segment for this technology, and also for the construction of office buildings as a general contractor. On the strategic horizon, we, together with Segezha Group, expect to complete the certification of the technology for the construction of residential complexes in the upper and – possibly in the future – mid-price segments.

MODERN PREFABRICATION

ADVANTAGES

- 30%-50% shorter construction cycle compared to traditional poured concrete cast-on-site technology
- Construction costs lower by up to 20%
- Good energy efficiency and ergonomics characteristics
- Construction generates less waste than traditional buildings, including a 30% reduction of steel waste
- Greater quality control due to a controlled and consistent environment

FOCUS AREA

Short term:

- Create a library of design solutions related to new construction methods
- Pilot use of prefabrication technology

Medium term:

- Product standardisation and transfer to Unified 2.0 product using hybrid technology

The idea behind modern prefabrication is to assemble as many building components as possible at the factory: from reinforced concrete products to engineering systems and finishing. We are currently looking for a partner with international experience who will be ready to manufacture prefabricated components for our projects with a guarantee of future capacity utilisation.

The supplementation of our product line does not imply that we are giving up on cast-on-site technology – the most flexible technology available. However, we plan to completely rethink our approach to using it:

- Version 2.0 of Etalon Group's cast-on-site blocks will involve complete standardisation of planning and technological solutions;
- R&D improvements will allow us to further reduce costs and construction time using this technology.

4

CONSTRUCTION

SHORTENING PRODUCTION TIME

The introduction of new technologies will shorten production time by three to six months. Shorter construction time will create an opportunity for us to lengthen the presale period by a comparable amount, and, as a result, to reduce the project financing rate to almost zero.

5

LAND BANK

LONG-TERM FOCUS ON EXPANDING OUR LAND BANK

We have supplemented our standard approach to replenishing our project portfolio and will now consider acquiring not just zoned but also unzoned land plots. This approach will allow us to reduce expenditures on land in our cost structure and to put optimal design solutions in place. This is largely a consequence of our experience in carrying out integrated development projects, such as Galactica and ZIL-Yug, which enabled us to strengthen our competencies in this area.

LAND BANK STRATEGY WILL SHIFT TO LONG-TERM PLANNING TO ENSURE SUSTAINABLE NEW SALES GROWTH

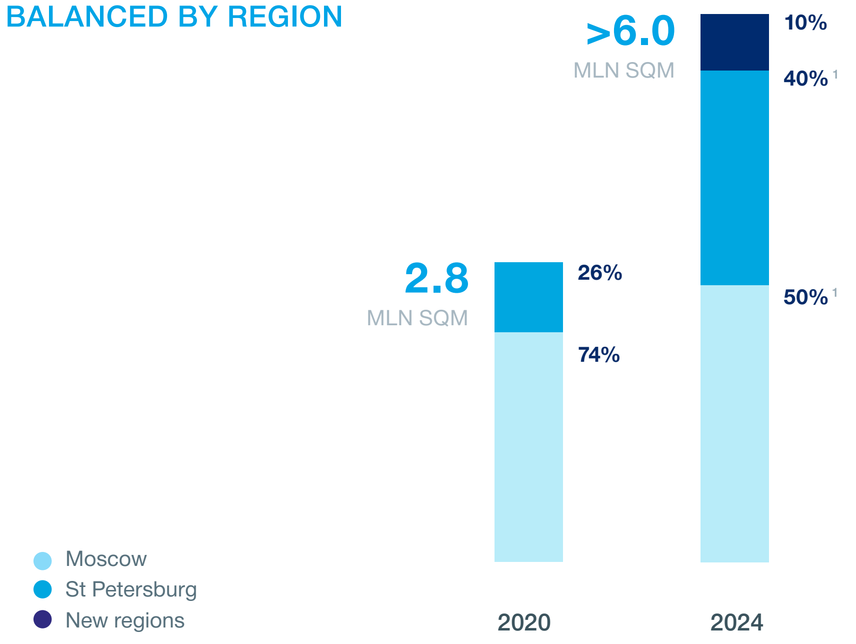
	NOW	STRATEGY
FOCUS	MOSCOW, ST PETERSBURG	MOSCOW, ST PETERSBURG PLUS NEW REGIONS
PERMITTING STAGE	PREFERABLY ZONED WITH PROJECT DOCUMENTATION	UNZONED WITH AND WITHOUT LANDLORD GUARANTEE OF RECEIPT OF PLANNING PERMISSION, PLUS ZONED TO COMPENSATE FOR DEFICIT IN CORE REGIONS
TIME TO LAUNCH SALES	6–12 MONTHS	24–36 MONTHS
PERMITTING RISK	LOW	MODERATE
INVESTMENT HORIZON	SHORT	LONG
ACQUISITION COST	HIGH	MODERATE
IMPACT ON PROFITABILITY	NEGATIVE TO MODERATE	POSITIVE

LAND BANK REPLENISHMENT PRINCIPLES:

- **Deficit compensation** in St Petersburg of c. 1 mln sqm, including up to 0.8 mln sqm by the end of 2021
- **Annual land bank replenishment** by at least the same amount as Etalon Group plans to sell during the period
- **Acquisition of new unzoned land** in Moscow and St Petersburg to ensure market share growth by 2023–2024
- **Only value-creative regional expansion** with limited entry cost
- Targeting presence in at least **five regions** by 2024
- Target balanced portfolio of large-scale, mid- and small-sized projects to ensure diversified product offering

In addition to implementing projects in Russia's two biggest cities, we see good opportunities to rapidly increase the scale of our business through regional expansion. The main criterion is the possibility of maintaining profitability levels comparable to those of our key regions. In this regard, we will consider, first of all, cities with a population of 1 million (or just under a million) where at least 20–30% of the population is capable of buying the most affordable of our future products. We plan to enter new regions both through the launch of pilot projects and through partnerships with or the acquisition of local players.

LAND BANK STRUCTURE BALANCED BY REGION



Our approach to M&A remains practically unchanged. Facing a portfolio deficit in St Petersburg, as well as a desire to increase our presence in other regions, we are ready to consider the possibility of inorganic growth if certain conditions are met:

- Land bank size of c. 1 mln sqm
- Only value-accretive transactions (gross profit of 35%; ROIC of >20%)
- Limited overlap of project portfolio in core regions
- High degree of transparency of both business and ownership structure
- Considerable operating synergies
- Ability to implement new design and construction solutions that are aligned with the Company's target offering

At the same time, we have accumulated, since the acquisition of Leader-Invest, vast experience in successfully integrating a large portfolio of projects that can be used in the future. The basis for inorganic growth will be the creation of a new product that offers higher margins and that will enable us to maximise synergies.

1 Including 20–30% of unzoned land for potential development

6

CONSTRUCTION

PRODUCT STANDARDISATION

B2C

State-of-the-art industrial housing construction technologies and a unique digital architecture enable us to make extensive use of the flexibility of standard elements to create a high-quality standardised product.

We have identified the most promising construction technologies for each housing class, and we are developing our own facade solutions, concepts and layouts for common areas, engineering solutions, as well as ground-level layouts and plans for parking lots. We have already created a unified database of standardised apartment layouts that contains at least 380 of the most popular options that we can apply in each segment.

OUR NEW CUSTOMER OFFERING IN RESIDENTIAL REAL ESTATE DEVELOPMENT

	Standardised product for:	% of new residential property offering	
ETALON. START	Mass-market residential housing (economy)	20%	St Petersburg regions
ETALON. COMFORT	Mid-market segment (comfort and business)	70%	Moscow St Petersburg regions
ETALON. PLUS	High-end property (premium and above)	10%	Moscow St Petersburg

B2B

After updating its value chain, Etalon Group will be able to offer an expanded range of services for business that offer higher margins than general contracting: from analytics and design to fee development and a single point of contact for new housing construction technologies. Development in this area will enable us to reduce the R&D costs that we incur when creating our new digital architecture.

7

SALES

EXTENDING THE CUSTOMER LIFE CYCLE

One of the key elements of our strategy is to create a better customer experience, including through the further development of online sales, as well as the creation of a single client platform for buyers and residents of our properties – the Etalon My Home app 2.0 – which should become the basis for increasing engagement with our customers on issues related to further improvement of our product. As part of this project, we plan to expand the range of added services in cooperation with new partners and to add a cashback option for additional services for homebuyers, which will create more opportunities for us to increase the share of secondary purchases and an influx of new buyers.

8

SALES

PRODUCT PERSONALISATION AND TAILORING OF PROMOTIONS

The introduction of a big data analytics system has enabled us to better understand our customers: their patterns of behaviour, interests, movements and channels of communication. On the basis of predictive analytics, we continue to improve our communication policy and to develop precise targeting tools and our competence in terms of analysing one of the most difficult stages of the customer journey – choice.

We currently have strong NPS scores in the sales-related stages of the customer journey – at the level of around 60–70. We are developing a system for evaluating and analysing customer feedback at all stages of the customer journey (online platforms, calls, visits, transactions, living in finished apartments) and for improving procedures in order to increase customer satisfaction.

Our most important task is the full-fledged transformation of our business processes based on an analysis of the problems facing our customers, and the introduction of intelligent decision-making tools that also speed up the decision-making process within the Company. This is the key aspect of our strategy to 2024 that will ensure a progressive increase in customer loyalty through the creation of value for them and its qualitative embodiment in the finished product.

OUR AMBITIONS ON THE STRATEGIC HORIZON

The implementation of Etalon Group's new strategy will enable us to become not just a developer but a technology company whose foundation is a fully digital architecture that allows us to quickly adapt all processes in accordance with the situation or established goals. For investors and shareholders, this means a good return on investment thanks both to improved performance and a higher EBITDA multiple.

1 CREATE AN EASILY SCALABLE BUSINESS MODEL

2 DOUBLE THE VOLUME OF ONGOING CONSTRUCTION WHILE MAINTAINING CONSTANT OVERHEAD COSTS

3 BECOME A LEADING NATIONWIDE PLAYER

4 PROMOTE A CONCEPT OF SUSTAINABLE AND PEOPLE-CENTRED CITIES

5 ACHIEVE DOUBLE-DIGIT SALES GROWTH

6 BECOME A LEADER IN TERMS OF NPS AND CLV

7 ACHIEVE INDUSTRY-LEADING PROFITABILITY

FINANCIAL TARGETS

1H 2020[1]		2024
FLATTISH YEAR-ON-YEAR	NEW CONTRACT SALES GROWTH	STRONG DOUBLE-DIGIT
29%	PRE-PPA GROSS MARGIN	35%
14.1%	SG&A TO REVENUE	10%
< REVENUE GROWTH	PRE-PPA EPS GROWTH	> REVENUE GROWTH
1.8×	NET CORPORATE DEBT TO PRE-PPA EBITDA	2–3×
NEGATIVE	REPORTED OCF	POSITIVE
12 RUB PER GDR	DIVIDENDS	MIN. RUB 12 PER GDR + NET PROFIT GROWTH UPSIDE

[1] Based on financial results as of 30.06.2020 (Financial position on 30.09.2020) and operating results for 9 months 2020

PROJECT PORTFOLIO

4

CONFIDENT GROWTH

YEAR-ON-YEAR

+8%

MARKET VALUE OF PROJECT PORTFOLIO

BLN RUB

191

Our excellent reputation and high-quality portfolio of projects in Moscow and St Petersburg are key to ensuring steady sales that enable stable performance, even through the most challenging times. At year-end 2020, we had a well-balanced portfolio of over 2.8 mln sqm of NSA in a variety of segments and at different stages of construction.

191

BLN RUB MARKET VALUE OF ETALON GROUP'S PROJECT PORTFOLIO

on 31 December 2020

2.8

MLN SQM UNSOLD NET SALEABLE AREA

on 31 December 2020

CURRENT PROJECT PORTFOLIO

The market value of Etalon Group's project portfolio as of 31 December 2020 was RUB 191 billion. The portfolio includes 63 projects with unsold NSA of 2.8 mln sqm divided between St Petersburg and the Moscow Metropolitan Area.

About 98 % of our portfolio involves projects in the mid- and upper price segments. At the same time, we have enjoyed equal success in developing not only medium-sized and small projects but also large-scale integrated developments, such as Emerald Hills and Galactica, which has an area of close to 1 mln sqm.

More than half of the projects in our land bank are at various stages of construction. These include both projects where sales were recently launched and partially completed residential properties. This product range allows us to offer clients a wide selection of quality housing for any preferences—even on a limited budget.

20

CURRENT PROJECTS IN ST PETERSBURG AND MOSCOW METROPOLITAN AREA

on 31 December 2020

#	Projects	Status	Total NSA (THS SQM)	Unsold NSA (THS SQM)[1]	Unsold parkings (LOTS)	OMV (Mln rub)	Income from sales (Mln rub)[2]	Construction budget (Mln rub)[3]	Outstanding budget (Mln rub)[3]
	CURRENT PROJECTS								
	ST PETERSBURG								
1	Galactica	Construction	764	245	1,916	21,620	77,863	49,017	20,103
2	Project on Chernigovskaya Street	Construction	110	68	972	5,359	18,383	8,939	6,557
3	Petrovskiy Landmark	Construction	89	40	322	4,941	15,316	6,716	4,222
4	Etalon on the Neva	Construction	77	35	374	3,233	9,349	4,520	1,412
5	Domino	Construction	39	33	312	2,696	7,199	3,262	2,965
	TOTAL ST PETERSBURG		**1,078**	**420**	**3,896**	**37,849**	**128,111**	**72,454**	**35,259**
	MOSCOW METROPOLITAN AREA[4]								
1	ZIL-Yug	Design	1,403	1,307	10,113	64,121	360,185	166,078	165,473
2	Emerald Hills	Construction	857	28	290	1,519	60,209	39,799	3,614
3	Nagatino i-Land	Construction	329	301	1,467	23,237	73,177	31,493	29,981
4	Summer Garden	Construction	278	36	270	1,494	31,812	17,409	4,022
5	Silver Fountain	Construction	226	121	1,587	17,973	45,493	18,745	6,719
6	Wings	Construction	184	48	483	2,769	30,947	16,087	7,782
7	Normandy	Construction	124	29	198	3,029	15,989	7,002	880
8	Letnikovskaya Street	Design	63	63	717	6,814	20,315	8,980	8,405
9	Mytishinskiy District	Design	93	82	322	1,256	7,678	4,469	4,469
10	Fotievoi 5	Design	11	11	72	1,533	4,243	1,640	1,639
11	Bolshaya Cherkizovskaya	Design	7	7	46	714	1,526	556	556
12	Electrozavodskaya 60	Design	9	9	63	676	2,382	1,192	1,147
13	Zorge 3	Design	12	12	99	392	2,881	1,941	1,905
14	Schastye na Semyonovskoy (Izmailovskoye Shosse 20)	Construction	6	5	34	868	1,517	729	463
15	Schastye na Lomonosovskom	Construction	6	3	37	860	2,092	1,217	689
	TOTAL MMA		**3,609**	**2,062**	**15,798**	**127,255**	**660,446**	**317,337**	**237,743**
	TOTAL CURRENT PROJECTS		**4,687**	**2,482**	**19,694**	**165,104**	**788,558**	**389,791**	**273,002**
	COMPLETED PROJECTS								
	Residential property in completed projects		3,332	350	6,799	25,195	283,567		
	Completed stand-alone commercial properties		8	8	55	591			
	TOTAL COMPLETED PROJECTS		**3,340**	**358**	**6,854**	**25,786**	**283,567**		
	TOTAL ETALON GROUP PROJECTS		**8,027**	**2,840**	**26,548**	**190,890**	**1,072,125**	**389,791**	**273,002**
	PRODUCTION UNIT					12,640			
	Production Unit's business and properties			18		12,640			
	TOTAL ASSETS VALUE		**8,027**	**2,858**	**26,548**	**203,530**	**1,072,125**	**389,791**	**273,002**

Source: Colliers International estimate as of 31 December 2020

[1] Including parking: parking area in launched projects with partially sold parking lots is calculated as 30 sqm per parking space
[2] Income from sales includes potential and received incomes as of 31 December 2020
[3] Excluding land acquisition costs
[4] Moscow, New Moscow and Moscow region within 30 km from Moscow Ring Road

ADDITIONS TO THE PROJECT PORTFOLIO

Considering our strategic initiatives to 2024, our goal is essentially to double our portfolio to more than 6 mln sqm.

MOSCOW METROPOLITAN AREA:

The acquisition of Leader-Invest in 2019 enabled us to add more than 1.5 mln sqm to our Moscow portfolio. This volume is enough for us to carry out our development projects for the next few years. Nevertheless, we continue to analyse and consider for purchase promising land plots in attractive areas of the capital.

ST PETERSBURG:

Our land bank in St Petersburg is limited, but we are working hard to add to our portfolio in the region. In 2021, we expect to add about 800 ths sqm to our land bank in St Petersburg.

Making up for the shortage in St Petersburg and subsequently adding—on an ongoing basis—at least as much space as we plan to sell the following year will help us balance our portfolio in Moscow and St Petersburg and further strengthen our positions in Russia's two largest cities.

OUR APPROACH TO FURTHER DIVERSIFICATION OF OUR PORTFOLIO:

1

OPTIMAL PORTFOLIO STRUCTURE IN TERMS OF PROJECT SIZE

We adhere to a land bank structure with one anchor project of about 1 mln sqm, 5–6 medium-sized projects and up to 10 infill development projects.

2

OPTIMAL RATIO OF PROJECTS BY HOUSING CLASS

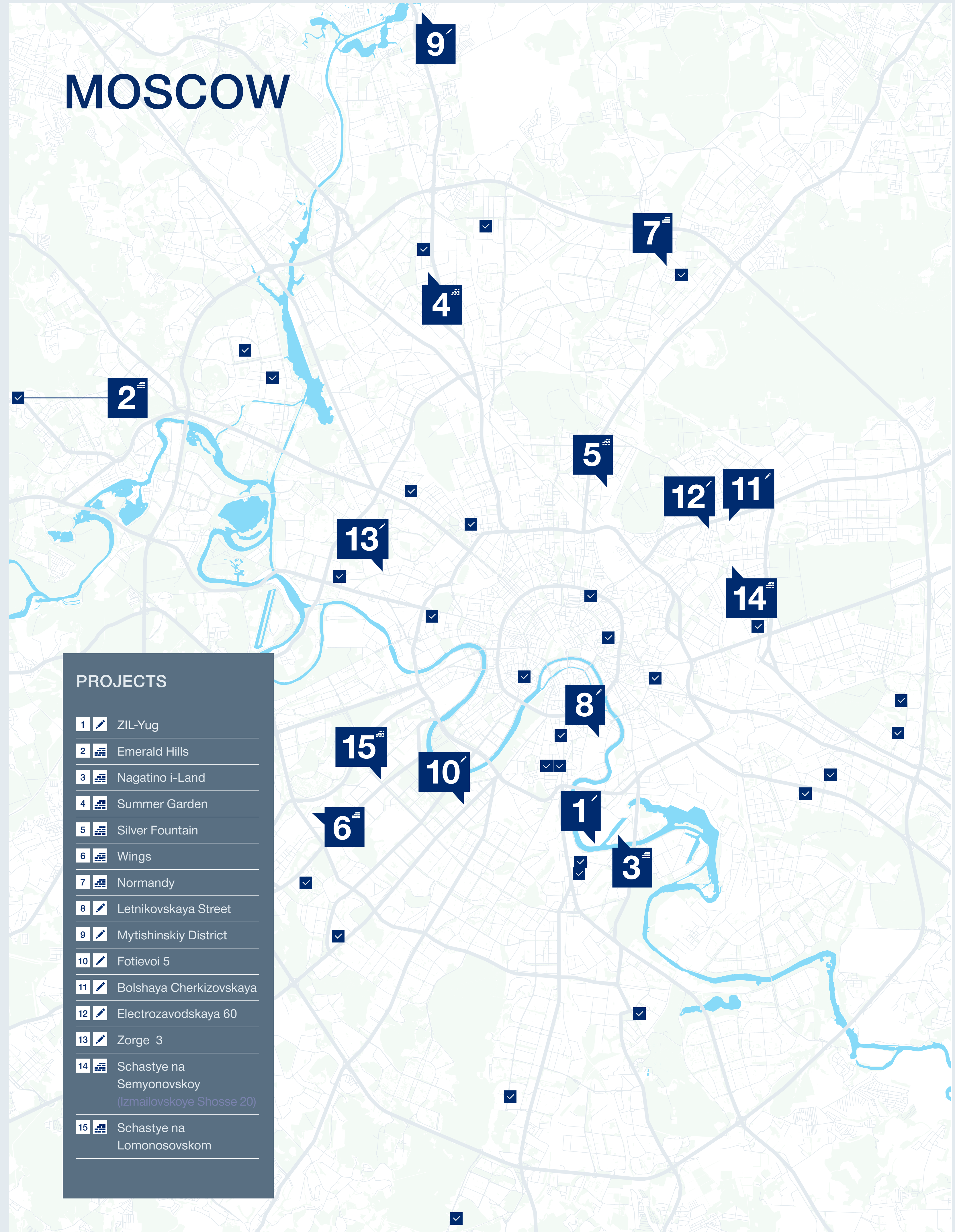
We have enjoyed significant success in the higher-class segment, starting with the launch of our Silver Fountain project in 2017; our share of business- and premium-class projects reached 71 % of our portfolio at the end of 2020.

3

SHIFTING FROM A SHORT-TERM TO A LONG-TERM FOCUS

Due to the rising cost of land, the shortage of quality land for construction and our improved zoning competencies, we are considering the purchase of unzoned land and zoning it independently. This approach has several distinct advantages despite the longer time horizon to the start of construction.

First, purchase and independent zoning reduces the cost of land in a project's cost structure. Second, independent zoning makes it possible to include optimal architectural solutions and a site development concept from the very beginning. At the same time, we are considering purchasing zoned plots to make up for the shortage in the coming years.



Design stage Under construction Completed

Design stage Under construction Completed

INTEGRATED DEVELOPMENT PROJECTS

BUSINESS CLASS

ZIL-YUG

MOSCOW

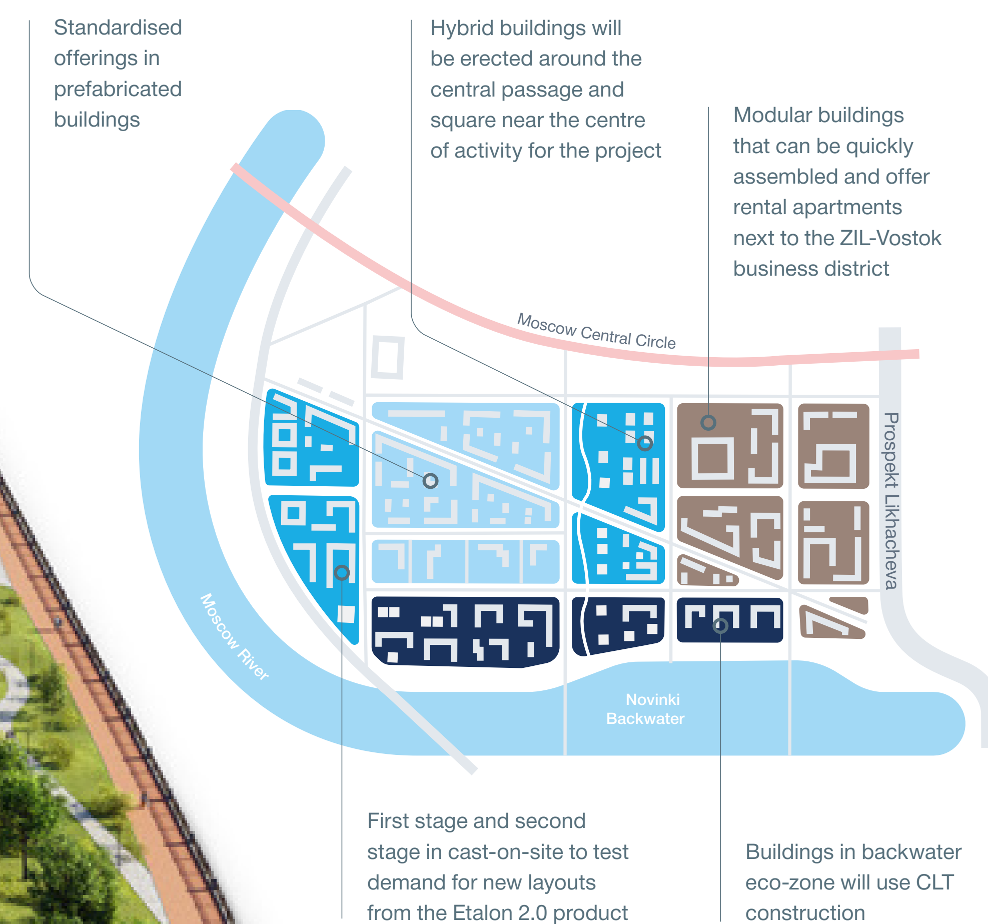
ZIL-Yug is a large-scale redevelopment project on the grounds of the former ZIL plant in Moscow. With an area of over 109 hectares, it is based on the “15-minute city” concept and uses state-of-the-art technologies.

The development project was designed in collaboration with the Dutch urban planning and architectural company KCAP and leading Russian urbanists. Plans call for the construction of 1.4 mln sqm of housing, commercial real estate and public infrastructure by 2030. In terms of architectural quality and comfort, the ZIL-Yug project will be able to compete with the central districts of Moscow.

It will be home to modern residential areas and parks, pedestrian embankments linking ZIL’s northern and southern sites, as well as two pedestrian bridges and three bridges for both vehicle and foot traffic. Two mooring berths for water transport—ZIL and Planet ZIL—will be built on an adjacent property.

In the summer of 2020, the city was presented with the architectural and urban planning concept for the development of the first phase of the ZIL-Yug residential area, which is a model for the entire district—the principles underlying the ZIL-Yug master plan were clearly laid out:

- **advanced technologies:** from various housing types and variable building heights to the use of state-of-the-art prefabricated elements, modular construction and CLT panels;
- **the principle of a 15-minute walking distance** to the main commercial, business and public spaces from anywhere in the residential area—half of all movement in the district will be carried out on foot or by non-motorised transport (thanks to this approach, people will be able to live, work and relax in one place, which will make ZIL-Yug a new point of attraction for city residents and businesses);
- **the “smart city” concept**, which calls for the creation of advanced digital infrastructure.



The district is located on the Moscow River Embankment and the Naberezhnaya Nagatinskogo Zatona, next to Tyufeleva Roshcha and Kozhukhovo National Park. The area's biggest potential is linked to the river, which should become not only a key recreational area but also an important transport channel connecting the ZIL-Yug residential complex with other parts of the city.

The residential district is adjacent to a large transport hub and Prospekt Likhacheva. Its proximity to Moscow's main thoroughfares—the Third Ring Road and Prospekt Andropova—will enable residents to reach the historic city centre in about 30 minutes by car or 25 minutes by public transport. The ZIL and Tekhnopark metro stations are within walking distance of the ZIL-Yug complex.

10 km	**25 minutes** to Red Square
7 km	**15 minutes** to the Garden Ring

NET SELLABLE AREA[1]

THS SQM

1'403

MARKET VALUE[1]

MLN RUB

64'121

SALES REVENUE[1]

MLN RUB

360'185

FUTURE-ORIENTED HOUSE-BUILDING TECHNOLOGIES IN LINE WITH GLOBAL TRENDS:

- the separation of pedestrian and traffic flows will ensure hassle-free movement throughout the area
- relatively even distribution of public spaces, parkland and social and commercial facilities will ensure that every resident is able to reach a variety of infrastructure within a 15-minute walk
- high-standard urban-space design—“my street” and “my district”
- excellent neighbourhood of low-rise and high-rise buildings
- landscaped terraces on the roofs of buildings
- close proximity to a new business cluster on the ZIL-Vostok site (more than 500 ths sqm of office space by 2028)
- the developed Marc Chagall embankment with a length of more than 6 km (comparable to the Naberezhnaya Parka Gorkogo and Naberezhnaya Vorobyovykh Gor)
- a residential area near water built to the highest standards in terms of the urban environment and quality of life is a rare find in any city

[1] Colliers International estimate as of 31 December 2020

COMFORT CLASS

GALACTICA

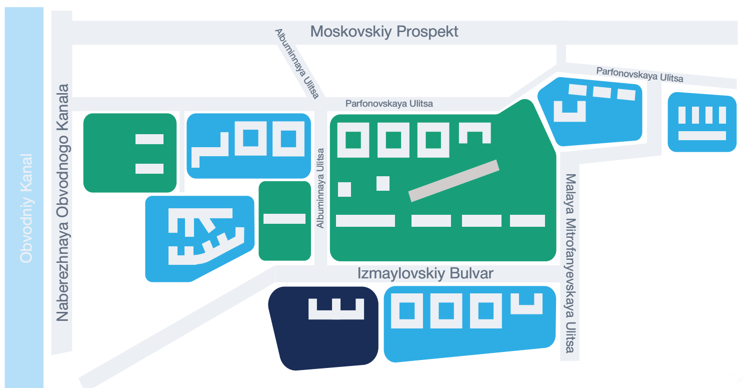
NET SELLABLE AREA[1]
764 THS SQM

MARKET VALUE[1]
21,620 MLN RUB

SALES REVENUE[1]
77,863 MLN RUB

ST PETERSBURG

The Galactica residential area on the grounds of the former Warsaw railway station is the largest redevelopment project in the centre of St Petersburg.



16 km	**25 minutes** to the airport
5 km	**10 minutes** to Nevskiy Prospekt

The large-scale integrated development project is situated across two districts—Admiralteiskiy and Moskovskiy—on an area of about 36 hectares. The residential complex includes 30 multi-storey brick-monolithic buildings, which form an avenue that runs lengthwise with closed courtyards between them. There are also 3 schools, 10 preschools and public recreational space. The northern and southern parts of the complex are home to the Galactica Premium and Galactica Pro business-light properties, which stand out thanks to their apartment layouts and unique building features. In 2020 the Galactica residential complex won an Urban Award for the best integrated development project.

The area where the Galactica residential complex is located is flourishing as part of the historic centre redevelopment programme. Thus, the complex combines the advantages of a central location with the diverse social and commercial infrastructure of a residential district. Nearby are preschools, schools, high schools, vocational schools and post-secondary institutions, Lenta and Prisma grocery stores, supermarkets, general stores, sports centres, cafes and restaurants, museums and public gardens. Varshavskiy Ekspress, a large shopping centre with a cinema, a concert venue and a fitness area, is within easy reach of the project.

The area has a well-developed network of surface public transport, and there are three metro stations within walking distance: Frunzenskaya, Baltiyskaya and Moskovskie Vorota. The area is conveniently located near important transport routes: Moskovskiy Prospekt, Naberezhnaya Obvodnogo Kanala and Mitrofanievskoye Shosse, as well as an access road onto the Western High-Speed Diameter. The airport can be reached within 20 minutes by car.

[1] Colliers International estimate as of 31 December 2020

NAGATINO I-LAND

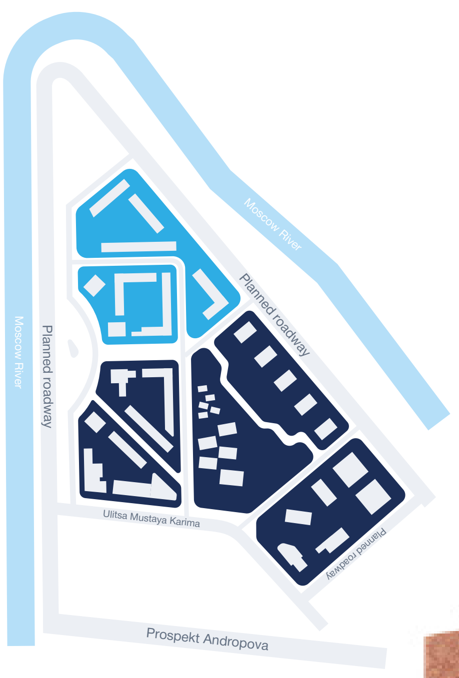
BUSINESS CLASS

NET SELLABLE AREA[1]
329 THS SQM

MARKET VALUE[1]
23,237 MLN RUB

SALES REVENUE[1]
73,177 MLN RUB

MOSCOW



Nagatino i-Land is a multifunctional development project with an NSA of 329 ths sqm on a land plot of more than 14 hectares in the Danilovskiy district, one of the most promising parts of the capital.

Developed in collaboration with the British firm AHR Architects according to the “city within a city” concept, the project combines an existing business cluster with residential and commercial development.

11 km	**15 minutes** to Red Square
7 km	**10 minutes** to the Garden Ring

Buildings with heights varying from 5 to 22 storeys will be used to form residential areas with closed courtyards, inside which will be public spaces for recreation, games, socialising and sports. The layouts are diverse and, along with traditional apartment formats, include apartments with separate entrances and patios, as well as penthouses with excellent views and ceilings up to 3.9 metres high. Special attention was paid to the grounds’ landscape design, which included the development of a landscape park, pedestrian boulevards and improvements to the embankment.

Nagatino i-Land is being built on the banks of the Moscow River, in an area with established infrastructure. In the immediate vicinity is a modern office cluster and two large shopping centres—Megapolis and Riviera. The Moscow City business centre is only 20 minutes away by car. Located not far from the residential complex are three well-maintained parks—Kolomenskoye, Kozhukhovo National Park and Tyufeleva Roshcha—and the largest amusement part in Russia, Dream Island.

With the Tekhnopark and ZIL metro stations located within walking distance, the project offers excellent transport accessibility. There are also convenient access roads onto Prospekt Andropova, Kozhukhov Bridge and the Third Ring Road.

[1] Colliers International estimate as of 31 December 2020

BUSINESS-CLASS PROJECTS

BUSINESS CLASS

SILVER FOUNTAIN

NET SELLABLE AREA[1]
226 THS SQM

MARKET VALUE[1]
17,973 MLN RUB

SALES REVENUE[1]
45,493 MLN RUB

MOSCOW

Silver Fountain is Etalon Group's first green-certified business-class project in Moscow.

The multifunctional residential complex being built in the Alekseevskiy district in the North-Eastern Administrative Division combines architectural traditions with advanced technological solutions and high environmental standards. The project includes a free-standing office building and three rows of residential buildings of different heights, each of which forms an inviting, self-sufficient residential area. Surrounded by an old linden park, the state-of-the-art buildings that make up the complex form an seamless architectural composition with cultural heritage properties.

To reduce operating costs, the project uses advanced engineering solutions and elements of a smart home system, including the installation of energy- and water-efficient equipment, as well as an automated water and electricity metering system. Silver Fountain's high degree of energy efficiency and environmental friendliness have been confirmed by a Green Zoom platinum certificate.

Located within a 5–10-minute walk from the Alekseevskaya metro station, next to Prospekt Mira—one of the capital's main transport arteries—the project offers excellent accessibility for both vehicle and pedestrian traffic. Sokolniki Park, Ekaterininskiy Park, VDNKh, Ostankinskiy Garden and the Botanical Garden are all within walking distance.

10 km	**30 minutes** to Red Square
5 km	**20 minutes** to the Garden Ring
1 km	**10 minutes** to Sokolniki Park

[1] Colliers International estimate as of 31 December 2020

BUSINESS CLASS

WINGS

NET SELLABLE AREA[1]	MARKET VALUE[1]	SALES REVENUE[1]
184 THS SQM	2,769 MLN RUB	30,947 MLN RUB

MOSCOW

Created in collaboration with the British architectural firm Aedas and the Moscow architectural firm ABD architects, the project is located in a prestigious green area of Moscow and successfully combines state-of-the-art technical and architectural solutions and functional public areas with carefully designed layouts.

16 km	**30 minutes** to Red Square
10 km	**20 minutes** to the Garden Ring
6 km	**10 minutes** to Botanical Gardens

The residential complex includes three multi-storey residential buildings, an office and shopping centre, a school, a kindergarten, a fitness centre with a swimming pool, and underground parking. Common areas inside the buildings—each individually designed—have no fewer than 10 zones for various functional uses. The main lobby will house a reception area and a lounge area, storage rooms for bicycles and prams, and rooms for washing pets. There are plans to outfit the roofs of the complex with spacious green terraces.

Due to the lack of dense development, the apartments in the Wings residential complex will offer beautiful views of Sparrow Hills, Moscow State University, Moscow City and green parkland. Every apartment will be equipped with touchpads for home management. An application will give residents access to various services, including food delivery, dry cleaning and CCTV monitoring of the grounds surrounding their building, as well as the ability to pay their utility bills. In addition, residents will be able to take advantage of a unique service offering fresh vegetables—based on the “from garden to plate in one day” principle—thanks to state-of-the-art automated facilities for growing vegetables in urban settings that use the latest lighting, energy-saving, climate control and operating technologies.

The project is located in Ramenki, one of the most environmentally friendly and picturesque areas of Moscow—and completely devoid of industrial enterprises. The property offers convenient access to several main transport arteries: the Moscow Ring Road, the Third Ring Road, Michurinskiy Prospekt and Lobachevskogo Street. The Michurinskiy Prospekt metro station is located within a 10-minute walk.

[1] Colliers International estimate as of 31 December 2020

BUSINESS CLASS

PETROVSKIY LANDMARK

ST PETERSBURG

The Petrovskiy Landmark business-class residential complex is being built in one of the most interesting and most promising areas of central St Petersburg, on the picturesque shores of Petrovskiy Island.

The complex includes three modern residential buildings, each with its own individualised appearance. At the same time, the buildings share European-style brick architecture of the late 19th and early 20th centuries. The project also includes an underground parking garage. For its combination of architectural traditions and new technologies, the project won an award at the third Golden Trezzini Awards for Architecture and Design competition in 2020.

Its location near the Malaya Neva is one of the property's great advantages, and it was used in the project's design. The complex is home to apartments with oversized windows, panoramic or corner glazing, or floor-to-ceiling windows offering access to open balconies, enclosed balconies with floor-to-ceiling windows or open terraces, or glazed winter gardens.

The project is located in one of the most prestigious locations in the central part of St Petersburg, in close proximity to the banks of the Neva River, parks and garden squares. Various recreational areas, including a yacht club, upscale restaurants, Petrovskiy Park and parks on nearby Krestovskiy Island, as well as stadiums and sports facilities, are located nearby. And since the island's bridges are not raised at night, there won't be any delays reaching the city's business centre.

NET SELLABLE AREA[1]
89 THS SQM

MARKET VALUE[1]
4,941 MLN RUB

SALES REVENUE[1]
15,316 MLN RUB

30 km	**30 minutes** to the airport
15 km	**20 minutes** to the Lakhta Centre
7 km	**10 minutes** to the Spit of Vasilievskiy Island

[1] Colliers International estimate as of 31 December 2020

BUSINESS CLASS

SCHASTYE NA PRESNE

NET SELLABLE AREA[1]
6 THS SQM

MARKET VALUE[1]
66 MLN RUB

SALES REVENUE[1]
1,643 MLN RUB

MOSCOW

The Schastye na Presne residential complex is located in the prestigious Presnenskiy district in the very centre of Moscow, not far from the Moscow International Business Centre (Moscow City).

This residential complex's varied-height tower (from 19 to 21 storeys) offers apartments with ceiling heights ranging from 3.6 to 5.1 metres. Panoramic windows will allow residents to enjoy breathtaking views of the Moscow City business centre, the Moscow River Embankment, Krasnogvardeyskie ponds and other attractions in the centre of the capital.

The Schastye na Presne residential complex is within a 15-minute walk from the Ulitsa 1905 Goda metro station and near the Third Transport Ring and Zvenigorodskoye Shosse. Just 100 metres from the property is the picturesque and green Krasnogvardeiskiy Bulvar, with its cascade of ponds, behind which are Krasnaya Presnya Park and the Moscow River Embankment.

Shops, two preschools, a sports centre and the Expocentre can be found within walking distance of the complex.

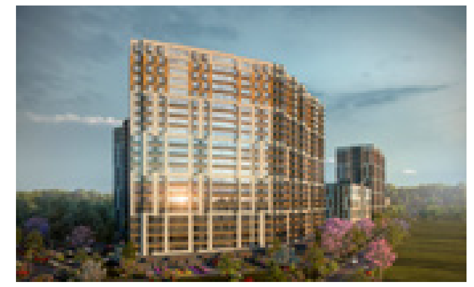
7 km	**12 minutes** to Red Square
4 km	**9 minutes** to the Garden Ring
2 km	**5 minutes** to Krasnaya Presnya Park

[1] Colliers International estimate as of 31 December 2020

COMFORT-CLASS PROJECTS

ST PETERSBURG

OKHTA HOUSE



COMFORT CLASS

NET SELLABLE AREA[1]
130 THS SQM

MARKET VALUE[1]
5,849 MLN RUB

SALES REVENUE[1]
13,122 MLN RUB

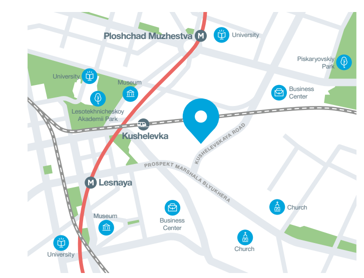
The Okhta House project consists of four residential buildings, as well as underground and above-ground parking. The ground floors of the buildings house commercial infrastructure. The residential part was designed in accordance with the Company's new approach to creating an improved product. Available to buyers is a wide selection of apartments that meet different needs and tastes, including finished apartments. Playgrounds, recreational areas and sports facilities are available on the adjacent grounds. The property is built on a site free of tightly packed buildings, near the Okhta River and numerous parks, such as Polyustrovskiy Park, Ilyinskiy Garden and Armashevskiy Skver Park. Located in such surroundings, Okhta House will enable residents to enjoy countless opportunities for outdoor activities and walks in the fresh air. Schools, preschools, healthcare facilities, shops, beauty salons and sports centres are all within walking distance.

The Okhta House residential complex is in the Krasnogvardeiskiy district, which offers excellent transport accessibility. The area has two metro stations and a well-developed road and rail network. The Bolsheokhtinskiy and Nevskiy Bridges provide convenient connections to the city centre.

ST PETERSBURG

HOUSE ON BLYUKHERA

COMFORT CLASS



NET SELLABLE AREA[1]
105 THS SQM

MARKET VALUE[1]
26 MLN RUB

SALES REVENUE[1]
8,411 MLN RUB

The House on Blyukhera residential complex includes two 17-storey residential buildings connected by a stylobate ground floor. The colour scheme of the facades—with terminal-section projections—gives the project a compact and distinctive appearance.

When developing plans for the buildings' apartments and public spaces, the Company was guided primarily by the desire to create a comfortable living environment for future residents. A wide range of apartments with classic and European layouts, taking into account the latest trends in the housing market, includes living areas with well-designed, functional use of space, large kitchens and living rooms facing scenic streets, and walk-in closets.

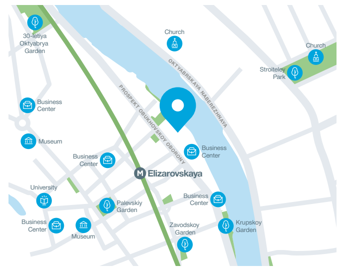
The House on Blyukhera residential complex is located in the vicinity of some of the largest parks in St Petersburg: Polyustrovskiy Park, the Forestry Academy Park, the Polytechnic University Park and Sosnovka. The property is located next to the Evropolis shopping centre.

Within walking distance of the project are two metro stations: Lesnaya and Ploshchad Muzhestva. Numerous public transport routes pass along Prospekt Marshala Blyukhera and Kushelevskaya Road. The major arterial roads nearby—Kantemirovskaya Street, Prospekt Marshala Blyukhera, Lesnoy Prospekt, Ushakovskaya Naberezhnaya and Vyborgskaya Naberezhnaya—provide easy access for vehicles, and Nevskiy Prospekt can be reached in 15 minutes by car.

[1] Colliers International estimate as of 31 December 2020

ST PETERSBURG

ETALON ON THE NEVA



COMFORT CLASS

NET SELLABLE AREA[1]
77 THS SQM

MARKET VALUE[1]
3,233 MLN RUB

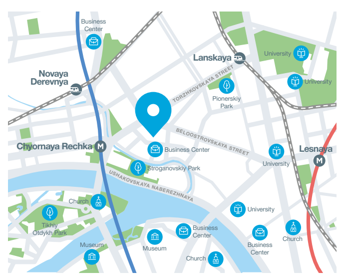
SALES REVENUE[1]
9,349 MLN RUB

The Etalon on the Neva residential complex, consisting of 16 variable-height sections, is located in the historic part of St Petersburg's Nevskiy district. The project combines modern design with a well-crafted living environment, creating a remarkable atmosphere of privacy and comfort. Due to its location along the Neva River, the residential complex offers outstanding views. One feature of the project is the extraordinary apartment layouts: one- and two-level "urban villas" with direct access to adjacent grounds and the Neva Embankment, as well as apartments with large patios.

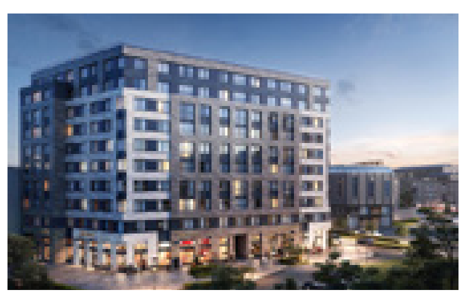
The property is a seven-minute walk from the Elizarovskaya metro station. Cafes and restaurants can be found on the embankment next to the residence. Within walking distance of the complex are preschools, schools, colleges and universities, sports facilities, a swimming pool and an ice rink. The pleasant green courtyards, parks and garden squares surrounding Etalon on the Neva will enable residents to enjoy family walks at any time of the year. The city centre is very close: it takes no more than seven minutes to reach Ploshchad Aleksandra Nevskogo and Nevskiy Prospekt.

ST PETERSBURG

DOMINO



COMFORT CLASS



NET SELLABLE AREA[1]
39 THS SQM

MARKET VALUE[1]
2,696 MLN RUB

SALES REVENUE[1]
7,199 MLN RUB

The Domino comfort-class project on Beloostrovskaya Street in the Primorskiy district of St Petersburg is a 10-storey building with underground and above-ground parking for 219 vehicles. The residential complex offers a wide range of apartments with a variety of floor plans. Most of the apartments are equipped with spacious open or enclosed balconies; apartments with panoramic windows are also available. One of the features of the project will be a closed, pedestrian-only courtyard with a playground for children, sports facilities, a recreation area and an amphitheatre.

The Domino residential complex is located in a pleasant area near the Naberezhnaya Chyornoy Rechki. The Saltykovskiy Garden, Stroganovskiy Park and Ushakovskaya Naberezhnaya are also located nearby. The project offers excellent transport accessibility: several public transport stops and the Chyornaya Rechka metro station are within a seven-minute walk. The residential complex also offers convenient exits onto Primorskiy Prospekt and the Western High-Speed Diameter, which will allow residents of the property to quickly reach other districts and resort suburbs of St Petersburg.

MOSCOW REGION

EMERALD HILLS

UPPER ECONOMY

NET SELLABLE AREA[1]
857 THS SQM

MARKET VALUE[1]
1,519 MLN RUB

SALES REVENUE[1]
60,209 MLN RUB

The Emerald Hills residential complex was the Company's first—and is one of its largest—projects in the Moscow region. It is located just 9 kilometres from the Moscow Ring Road and consists of 20 brick-monolithic buildings, schools, preschools, a clinic for adults and children with an inpatient medical centre, an art school, commercial infrastructure and underground and above-ground parking.

The residential complex is located in one of the most pristine parts of the Moscow region and is surrounded by forested parkland. A part of the forest adjoining the complex has a landscaped park with recreational areas and dedicated paths for pedestrians and cyclists. Some of the apartments offer forest views. In addition, most of the grounds of the complex itself is reserved for landscaping and the installation of recreational areas, sports facilities and children's playgrounds. The project includes an open-air space museum.

The proximity of the Volokolamskoye Shosse provides convenient vehicle access to the Moscow Ring Road. Moscow can be reached by surface transport by suburban train from the Opalikha railway station or by the second Moscow Central Diameter rail line.

MOSCOW

ETALON CITY

COMFORT CLASS

NET SELLABLE AREA[1]
366 THS SQM

MARKET VALUE[1]
1,725 MLN RUB

SALES REVENUE[1]
29,203 MLN RUB

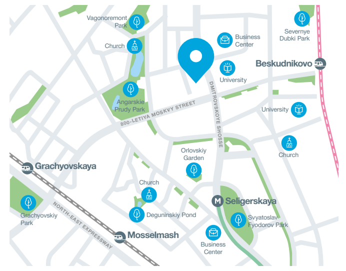
The Etalon City residential complex is located in an environmentally friendly area with well-developed infrastructure straddling North and South Butovo. Surrounded by forest, the property is adjacent to Butovo Forest Park, the largest park in the Moscow region, with an area of over 1.5 ths hectares. The grounds of Etalon City feature a landscape park and equipped playgrounds and recreational areas; a preschool for 225 children was completed in early 2021, and a school for 625 pupils is being built. The ground floor of the high-rise buildings houses a fitness centre with an area of 10 ths sqm and three swimming pools. The project offers convenient access to the Moscow Ring Road, Kaluzhskoye Shosse and Varshavskoye Shosse, and it is within walking distance of the Ulitsa Skobelevskaya metro station.

The project concept features facades with the appearance and atmosphere of world capitals. Each building has a unique facade and interior design reflecting the architecture and views of one of the cities. The facades of the second row of high-rises, known as the Tokyo Towers, are decorated with motifs from one of Japan's most famous engravings, The Great Wave off Kanagawa.

[1] Colliers International estimate as of 31 December 2020

MOSCOW

SUMMER GARDEN



COMFORT CLASS

NET SELLABLE AREA[1]
278 THS SQM

MARKET VALUE[1]
1,494 MLN RUB

SALES REVENUE[1]
31,812 MLN RUB

The Summer Garden residential complex consists of 11 multi-storey residential buildings, a block of non-residential apartments, a school for 800 children, a preschool for 150 children and a three-storey shopping and entertainment centre with a cinema with an area of about 30 ths sqm. State-of-the-art, high-performance technological solutions were used in developing the property.

The project is divided into residential areas, each of which has its own colour facades. This highlights every square in each residential property and, at the same time, lends the complex as a whole a unique, vivid appearance. The concept for landscaping the adjacent grounds was developed with the idea of different gardens in mind. The complex is designed in accordance with the “city within a city” concept—that is, all of the residential areas have the necessary infrastructure for living, which makes it possible to work, relax and live in one area. Inviting entrance lobbies, designer courtyards and walking areas also create a comfortable living environment. The 38-hectare Angarskiye Prudy Park and an equestrian centre are within a 10-minute walk from the complex.

The complex’s convenient location at the intersection of Dmitrovskoye Shosse from the west and 800-letiya Moskvy Street from the south makes it possible to reach any place in the city quickly and easily.

MOSCOW

NORMANDY

COMFORT CLASS

NET SELLABLE AREA[1]
124 THS SQM

MARKET VALUE[1]
3,029 MLN RUB

SALES REVENUE[1]
15,989 MLN RUB

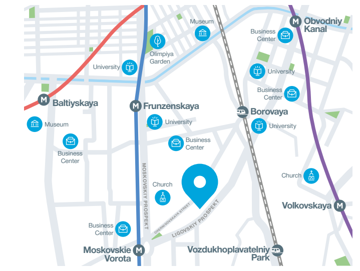
The Normandy residential complex consists of five buildings of 7 to 24 floors with tranquil, unadorned facades and bright architectural accents. The interior is designed and planned down to the last detail in terms of aesthetics and comfort. Convenient pram storage rooms, spacious halls, waiting areas for guests and a concierge area are available for the convenience of residents.

The project is conveniently located in a picturesque green area in the north-east of Moscow, near Losiny Ostrov National Park. A low building density, well-developed infrastructure and an abundance of parks make this area of the capital attractive for living and recreation. Several large recreational areas are within walking distance, including Yauza River Park, Torfyanka Park and Dzhamgarovskiy Park with its cascade of ponds.

The property offers convenient transport accessibility, with two metro stations, two suburban train stations and surface public transport stops nearby. The Moscow Ring Road is less than a five-minute drive away, which can then take residents wherever they might want to go in the region.

ST PETERSBURG

PROJECT ON CHERNIGOVSKAYA STREET



BUSINESS LIGHT

NET SELLABLE AREA[1]
110 THS SQM

MARKET VALUE[1]
5,359 MLN RUB

SALES REVENUE[1]
18,383 MLN RUB

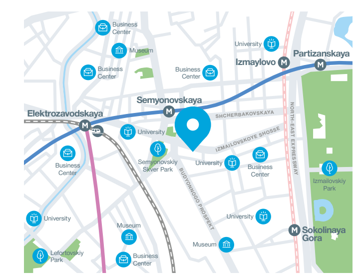
The residential complex on Chernigovskaya Street, known as the Che Quarter, is being built in a historic part of St Petersburg near the Moscow Gate. On the grounds of the project will be six monolithic buildings of 8–12 storeys, two preschools, above-ground and underground parking, and interactive areas for recreation, socialising and sports.

The residential complex was conceived as a new-format project combining the best features of classical and modern approaches. The residential area offers a wide selection of apartments with a variety of layouts and areas with high ceilings (up to 3.6 metres on the upper floors), French balconies with glazing to the floor and spacious open-concept kitchen-living rooms. The project won the Premiere of the Year award for urban residential property at the 2020 Urban Awards in Moscow.

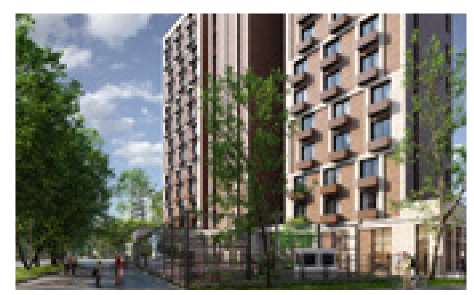
The Che Quarter offers excellent transport connections thanks to its location in the Moskovskiy district, not far from the centre of St Petersburg. The Moskovskie Vorota metro station is a seven-minute walk away, and the proximity of some of the city’s main thoroughfares—Moskovskiy Prospekt, Ligovskiy Prospekt and Naberezhnaya Obvodngo Kanala—is a great benefit for motorists. The Western High-Speed Diameter can be reached in nine minutes by car; the Ring Road, in 16 minutes; and Pulkovo Airport, in half an hour.

MOSCOW

SCHASTYE NA SEMYONOVSKOY



COMFORT CLASS



NET SELLABLE AREA[1]
6 THS SQM

MARKET VALUE[1]
868 MLN RUB

SALES REVENUE[1]
1,517 MLN RUB

The Schastye na Semyonovskoy residential complex will consist of a 13-storey residential building with underground parking and a parking lot for guests. One of the features of the project will be apartments with a variety of floor plans, including highly glazed apartments, as well as apartments with enclosed balconies or French balconies. In addition, the apartments will not have internal load-bearing walls, which will enable future residents to arrange the space however they see fit. The ground floor of the residential complex will house commercial and social infrastructure facilities with a separate entrance, as well as a spacious lobby, a pram storage room and other public spaces necessary for the comfort of residents. On the private landscaped grounds adjacent to the complex, there will be a children’s playground, sports facilities and a softscaped recreational area.

The Schastye na Semyonovskoy residential complex is located in a developed green area of Moscow near some of the capital’s largest parks: Sokolniki Park and Izmailovskiy Park. The pleasant Semyonovskiy Park and Public Garden is 250 metres from where the future residential complex will be. Schools, preschools, medical centres, shops, shopping and entertainment centres and sports facilities, including the Krylya Sovetov Stadium, are within walking distance. The property’s proximity to the Semyonovskaya and Elektrozavodskaya metro stations and Izmailovskoye Shosse, as well as convenient exits onto the North-East Expressway and the Third Ring Road, will offer residents excellent transport accessibility.

[1] Colliers International estimate as of 31 December 2020

OPERATING RESULTS

OPERATING RESULTS

Despite a challenging start to the year, Etalon Group achieved its best-ever operating results, easily exceeding even its most optimistic forecast.

NEW CONTRACT SALES

THS SQM in 2020

538.2

8 % ABOVE TARGET

2018	2019
628.0	630.4

NEW CONTRACT SALES

BLN RUB in 2020

79.9

UP 3 % YEAR-ON-YEAR;
9 % ABOVE TARGET

2018	2019
68.7	77.6

CASH COLLECTIONS

BLN RUB
in 2020

UP 5 % YEAR-ON-YEAR
17 % ABOVE TARGET

2018	2019
62.8	77.7

AVERAGE PRICE

THS RUB/SQM
in 2020

UP 21 % YEAR-ON-YEAR

2018	2019
109	123

OPERATING RESULTS AT A GLANCE

Etalon Group fully achieved its delivery and sales targets, having completed the construction of 540 ths sqm of net sellable area at 12 projects and having sold over 538 ths sqm of NSA in residential properties that have been completed or are still under construction. Record-high new contract sales in monetary terms and cash collections, which amounted to RUB 80 billion and RUB 82 billion, respectively, demonstrate the efficacy of the Company's pricing policy and sales strategy, which focuses on monetary value as opposed to volume, while also bolstering the Company's financial performance.

Cash collections of RUB 22.9 billion held in escrow accounts during the year enabled us to benefit from a reduced financing rate of less than 3.5 % for projects that we are building, in accordance with the new regulations—and almost as low as 0 % for some projects. At the same time, cash collections in escrow still only make up 28 % of the total. We can use the remaining 72 %—an excellent basis for our operating cash flow—for work on ongoing projects.

ROUBLE-DENOMINATED GROWTH DRIVEN BY PRICING POLICY AND NEW SALES STRATEGY

In response to new industry regulations last year, we changed our pricing policy by increasing the price per sqm for projects that were being built according to the old rules. In addition, as part of the new strategy introduced in the reporting year, the Company deployed a dynamic pricing system that made it possible to respond more quickly and more flexibly to changes in demand and to increase the profitability of property sales across Etalon Group as a whole. The new approach to pricing drove up the price per sqm and resulted in sales in rouble terms performing better than sales in volume terms. The average price per sqm for all types of properties increased by 25 % over the year and reached RUB 158 thousand in 4Q, up from RUB 127 thousand a year earlier. The cost of apartments increased by 23 % to RUB 192 thousand; in St Petersburg, dynamic pricing increased the price per sqm for apartments in comparable projects by even more—25 %.

AVERAGE PRICE PER SQM IN 2019

127 THS RUB IN 4Q

AVERAGE PRICE PER SQM IN 2020

158 THS RUB IN 4Q

INCREASE IN AVERAGE PRICE OVER THE YEAR

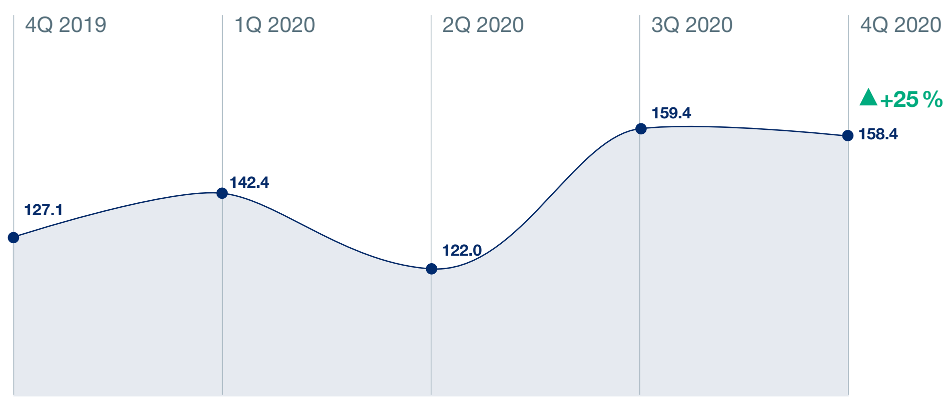
25 %

IN 2020, AVERAGE PRICE PER SQM FOR ALL TYPES OF REAL ESTATE ROSE BY

25 % year-on-year

In 2020, average price per sqm for all types of real estate rose by 25% year-on-year, while for apartments the average price per sqm increased by 23% year-on-year. Although our St Petersburg portfolio saw prices rise quarter-on-quarter throughout the year, overall performance was impacted by the strict lockdown measures introduced in the second quarter of 2020, especially in Moscow. Prices recovered quickly in the third quarter, however, and the average price per sqm for apartment prices grew in both quarters during the second half of the year.

AVERAGE PRICE, THS RUB/sqm



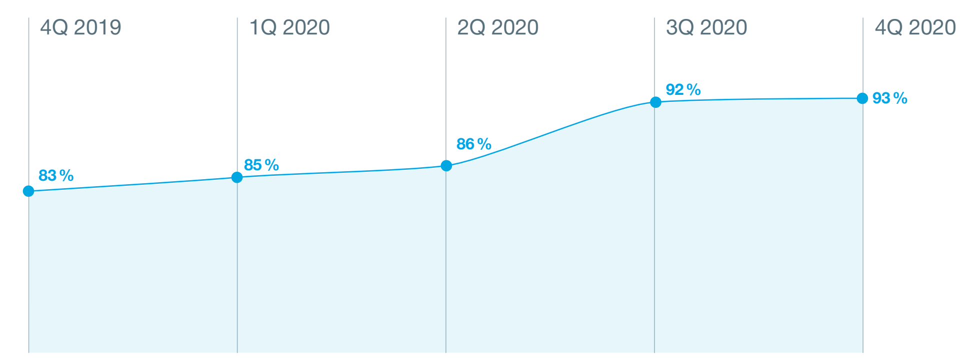
AVERAGE PRICE (APARTMENTS), THS RUB/sqm

RECORD DOWN PAYMENTS DRIVE INCREASED CASH FLOW

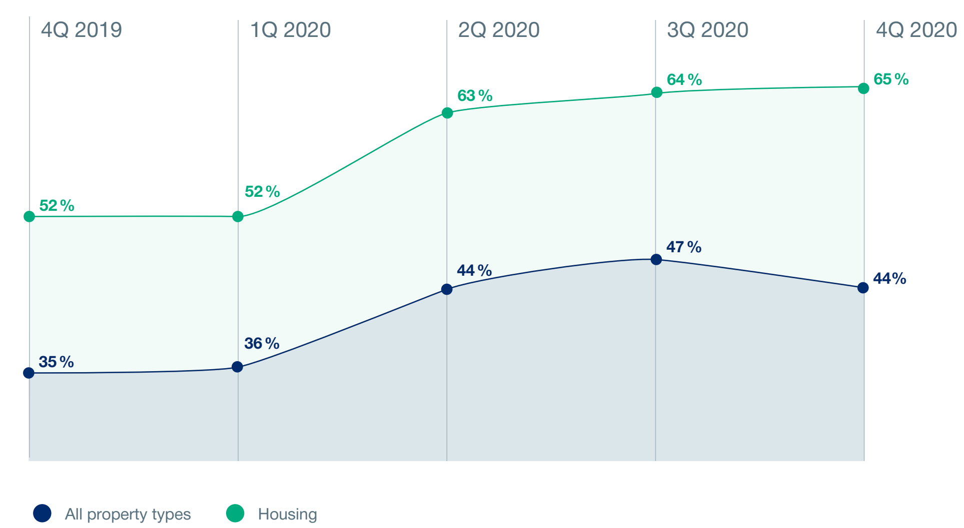
The average down payment remained high, at 92–93 %, over the last two quarters, up from 83 % in 4Q 2019. Supporting factors were the investment demand for real estate, a state-backed mortgage support programme and, of course, the considerable share of business-class projects that we offer (these apartments are usually paid for in full upon purchase).

Amid an unprecedented decline in interest rates, mortgage sales increased throughout the year, reaching a record 65 % of all home purchases in the fourth quarter. With the extension of the preferential mortgage programme until July 2021, we have reason to expect a further expansion of mortgage sales this year. At the same time, we do not see any reason to expect a significant decrease in demand for mortgages in the mid-market segment even once the programme is phased out, since the Bank of Russia's key rate is still at a historically low level, which will keep mortgage rates at a comfortable level for our target audience.

AVERAGE DOWN PAYMENT



SHARE OF MORTGAGE CONTRACTS



4Q 2020: MARKET RECOVERY AND A RAPID IMPROVEMENT IN PERFORMANCE

Despite the decrease in sales in the first half of the year due to the spread of COVID-19, the market quickly recovered in the second half of 2020. We also saw by the end of 2020 the first results from the introduction of new technologies and approaches to product creation established by Etalon Group's new strategy. The last quarter of the year, which was the best in the Company's history in terms of the value of new contract sales and cash collections, made a major contribution to results for the full year. We sold 167 ths sqm at a cost of RUB 26.4 billion. Cash collections from sales of RUB 29.2 billion represented 36 % of the annual volume and were up by 55 % year-on-year.

QUARTERLY OPERATING RESULTS:

	4Q 2020	3Q 2020	2Q 2020	1Q 2020	4Q 2019	CHANGE YEAR-ON-YEAR IN 4Q 2020, %
New sales, sqm	166,788	150,451	94,984	125,971	171,530	-3 %
New sales, RUB mln	26,418	23,983	11,585	17,936	21,795	21 %
Number of contracts	3,137	2,706	1,559	2,323	2,931	7 %
Cash collections, RUB mln	29,203	21,235	13,942	17,604	18,791	55 %
Average price, RUB/sqm	158,392	159,405	121,971	142,384	127,060	25 %
Average price (apartments), RUB/sqm	191,853	186,327	159,063	165,481	156,271	23 %
Deliveries, sqm	347,396	15,570	88,847	88,513	308,294	13 %

OPERATING RESULTS BY REGION

Sales in the Moscow region were a major contributor to quarterly results, with strong double-digit gains in all operating indicators. In 4Q 2020, sales growth in St Petersburg was constrained by limited supply; nevertheless, even with lower sales volumes in sqm terms from a year earlier, sales were comparable in monetary terms, and cash collections increased by 21 %.

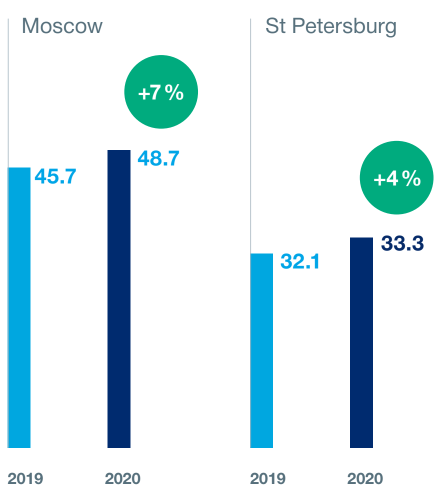
A considerable improvement in nearly every indicator in 4Q helped offset the decline in sales seen at the beginning of the year amid uncertainty and restrictions related to the spread of COVID-19. In St Petersburg, despite the limited supply of new projects, sales in monetary terms were just 4% lower than the year before, while increasing by 8 % year-on-year in Moscow. Cash collections in both regions were up from the previous year.

REGIONAL DYNAMICS:

	4Q 2020	4Q 2019	CHANGE, %
MOSCOW AND MOSCOW REGION			
New sales, sqm	86,470	70,084	23 %
New sales, RUB mln	15,315	10,651	44 %
Number of contracts	1,715	1,167	47 %
Cash collections, RUB mln	18,436	9,888	86 %
Average price, RUB/sqm	177,110	151,971	17 %
Average price (apartments), RUB/sqm	221,118	196,420	13 %
Deliveries, sqm	73,967	102,482	-28 %
ST PETERSBURG			
New sales, sqm	80,318	101,445	-21 %
New sales, RUB mln	11,103	11,144	0 %
Number of contracts	1,422	1,764	-19 %
Cash collections, RUB mln	10,767	8,903	21 %
Average price, RUB/sqm	138,241	109,850	26 %
Average price (apartments), RUB/sqm	162,723	130,579	25 %
Deliveries, sqm	273,429	205,812	33 %

NEW CONTRACT SALES, BLN RUB

CASH COLLECTIONS, BLN RUB



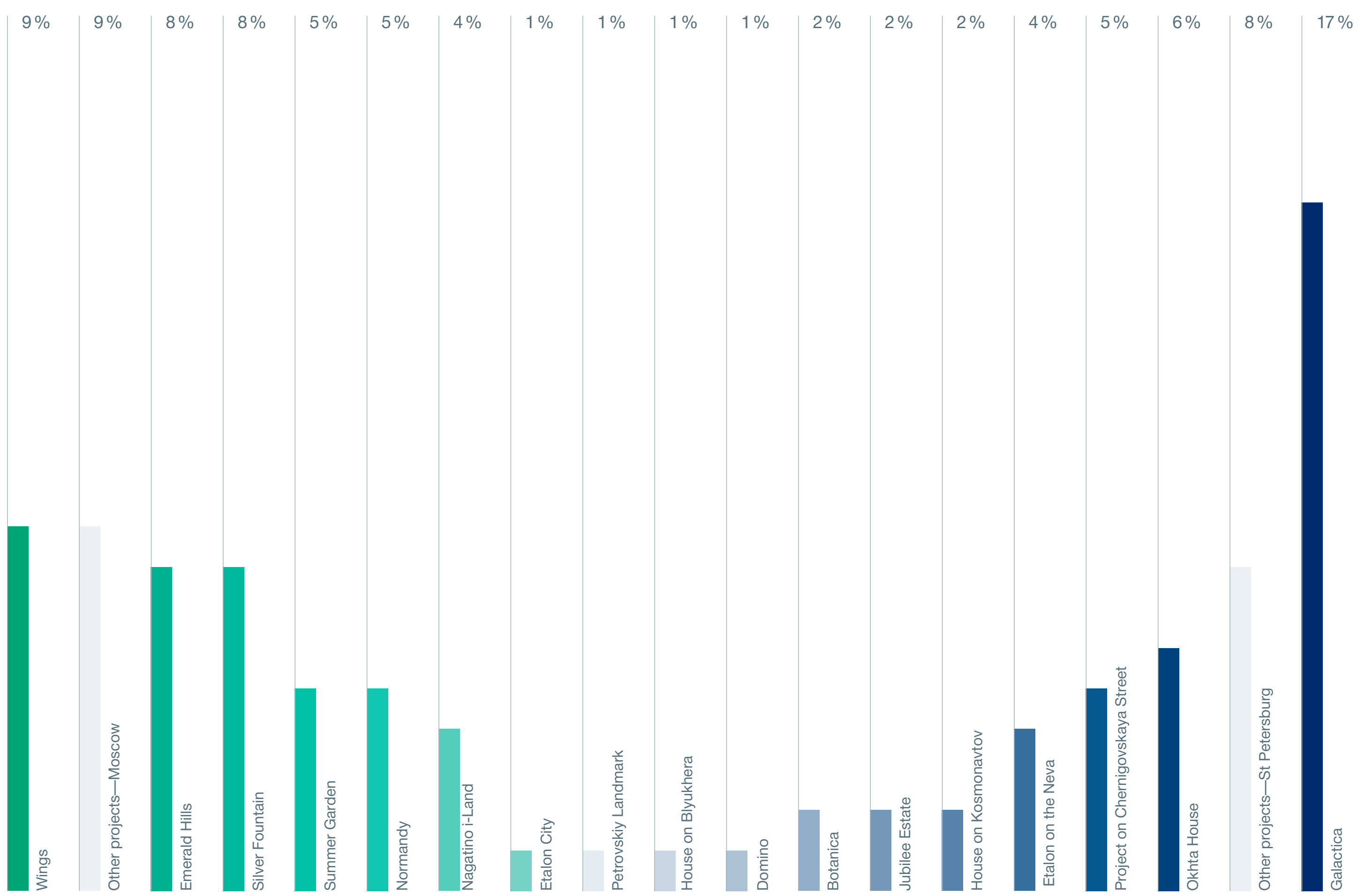
AN EVEN MORE ATTRACTIVE PROJECT PORTFOLIO

An important component of the Company's success in the reporting year was its project portfolio, which is well balanced by region and housing class. The share of business-class projects for the year increased from 18 to 30 % by volume and from 31 to 45 % in monetary terms.

Despite the steady demand for our comprehensive development projects, such as Galactica, which brought in 17.4 % of annual sales in volume terms, we have noticed the increasing popularity of projects in the higher-class segment. For example, our Wings project generated over 9 % of sales for the year, and 74 % of the property's apartments had been sold by the end of 2020. The Silver Fountain project is also in great demand, accounting for 8 % of sales for the year.

SALES IN 2020[1]

sqm



TOTAL SHARE OF CONTRACTS

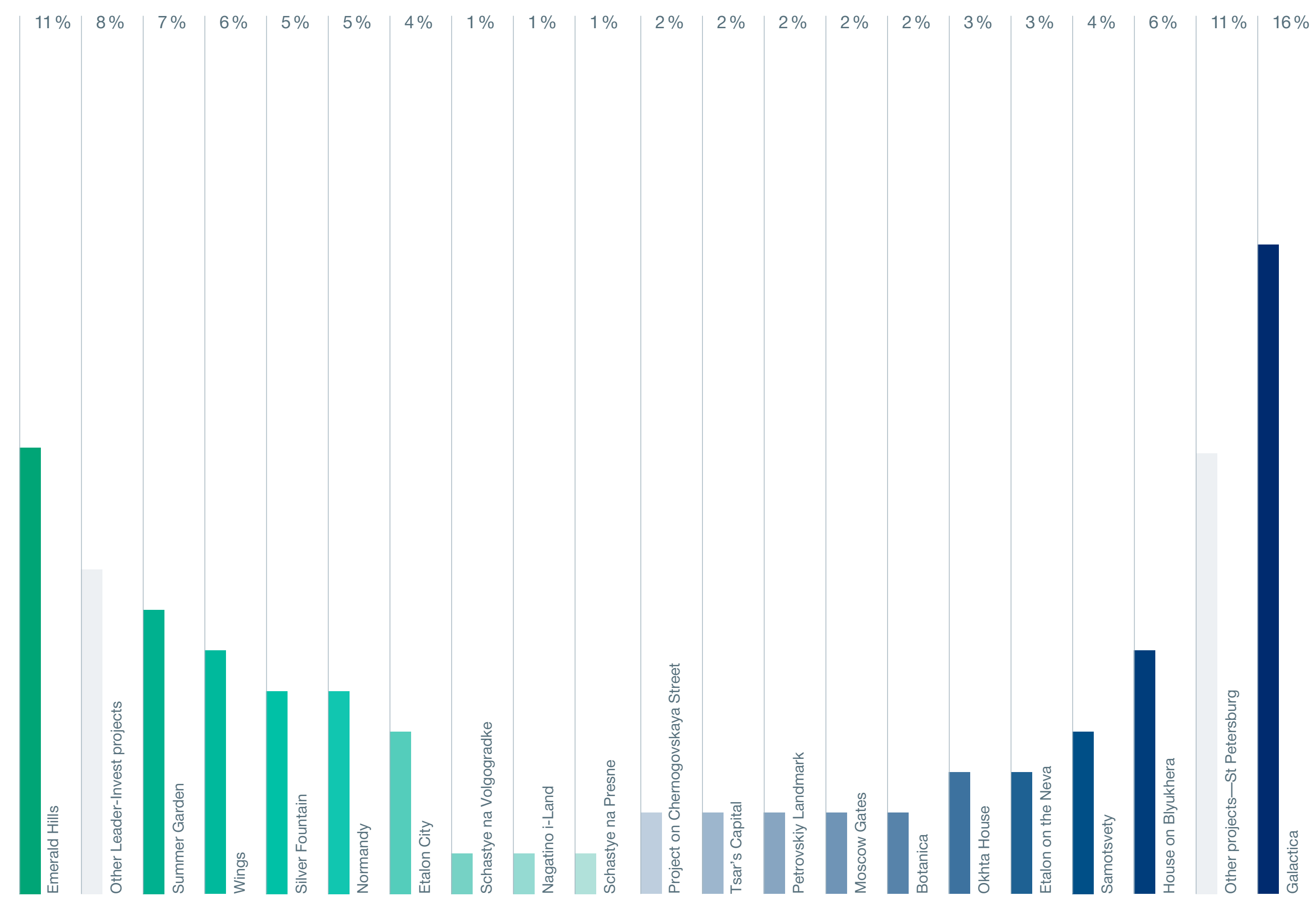
51 % IN MOSCOW

TOTAL SHARE OF CONTRACTS

49 % IN ST PETERSBURG

SALES IN 2019[2]

sqm



TOTAL SHARE OF CONTRACTS

48 % IN MOSCOW

TOTAL SHARE OF CONTRACTS

52 % IN ST PETERSBURG

[1] Percentages may not add up due to rounding

[2] Percentages may not add up due to rounding

REGIONAL SALES

Etalon Group's residential complexes are of interest not only to residents of Moscow and St Petersburg but also to regional buyers planning to move to Russia's two biggest cities.

Our regional network covering 59 cities throughout Russia has always played a role in building sustainable sales growth, and it became a competitive advantage during the first wave of COVID-19. When our sales offices were closed and we were adapting to a new, remote form of interaction with clients, our regional network helped us support property sales by selling apartments to buyers in regions where severe restrictions had not been introduced. In 2020, about 33 % of all sales transactions were concluded through the regional network.

ETALON GROUP'S REGIONAL SALES GEOGRAPHY[1]

REGION	SHARE OF TOTAL CONTRACTS
Leningrad region	2.8 %
Yamalo-Nenets AD	1.6 %
Khanty-Mansi AD	1.4 %
Krasnoyarsk Krai	1.2 %
Murmansk region	1.0 %
Khabarovsk Krai	0.9 %
Krasnodar Krai	0.9 %
Sakha	0.7 %
Arkhangelsk region	0.7 %
OTHER RUSSIAN REGIONS	20.5 %
FOREIGNERS	0.7 %
TOTAL	32.5 %

OUTLOOK

We expect that further adherence to the strategic course introduced by Etalon Group in November 2020 and the launch of new projects, in which we have fully incorporated our strategic approach to creating modern, technology-driven space, will strengthen our position and contribute to a further expansion of our business. A steady increase in sales even under the challenging conditions we faced in 2020 gives us reason to believe that Etalon Group will continue its strong performance in 2021. At the same time, higher real estate prices give us confidence in the fact that the course we have chosen to increase the profitability of our business will not only continue but will even see a slight uptick relative to earlier reporting periods.

[1] Company data for FY 2020

FINANCIAL RESULTS

6

Etalon Group has strengthened its financial position substantially due to its ongoing implementation of strategic initiatives and its balanced pricing policy. The Company has achieved significant growth across almost all of its key financial metrics.

78.7

BLN RUB

ETALON GROUP 2020 REVENUE

25.8 +13 % YEAR-ON-YEAR

BLN RUB
PRE-PPA (PURCHASE PRICE ALLOCATION) GROSS PROFIT

33 % +6 P.P. YEAR-ON-YEAR

PRE-PPA
GROSS MARGIN

16.5 +47 % YEAR-ON-YEAR

BLN RUB
PRE-PPA EBITDA

21 % +8 P.P. YEAR-ON-YEAR

PRE-PPA
EBITDA MARGIN

1.2x VERSUS 1.9X FOR 2019

NET CORPORATE DEBT / PRE-PPA EBITDA

19.6 -9 % YEAR-ON-YEAR

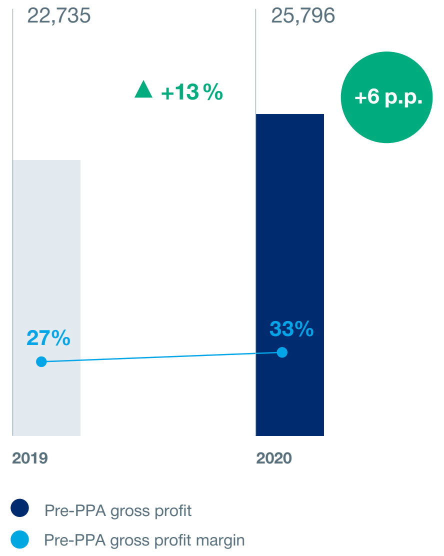
BLN RUB
NET CORPORATE DEBT

as of 31 December 2020

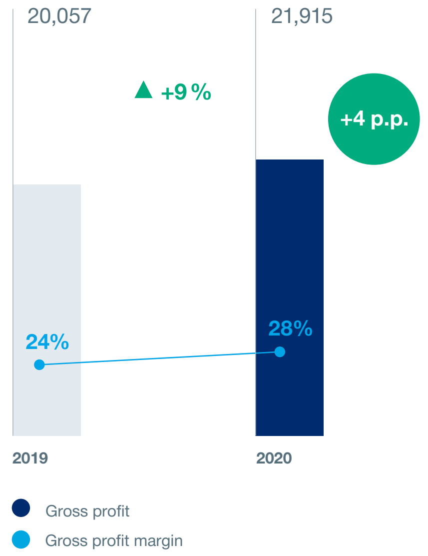
P&L STATEMENT

The Company achieved record gross profit of RUB 22 billion for 2020, up 9 % year-on-year; this was despite revenue dropping slightly due to construction restrictions in Moscow and the Moscow region in the first half of the year due to COVID-19. Pre-PPA gross profit increased by 13 % year-on-year in 2020 to RUB 25.8 billion. Meanwhile, the gross margin expanded by 6 p.p. to 33 %, approaching the 35 % target in Etalon Group's development strategy through 2024.

PRE-PPA[1] CONSOLIDATED GROSS PROFIT, MLN RUB

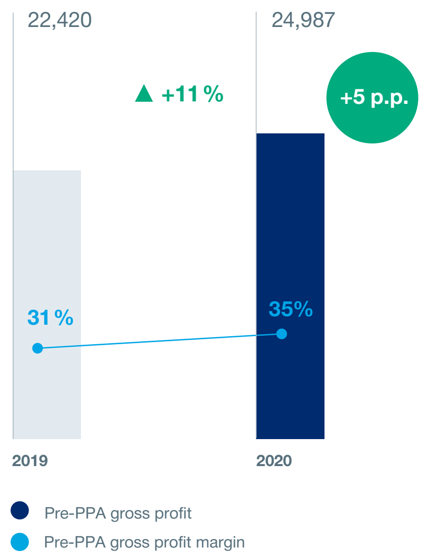


CONSOLIDATED GROSS PROFIT, MLN RUB

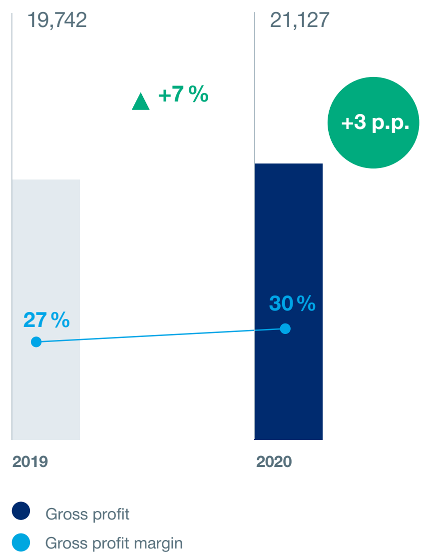


In its main residential development segment, the Company offset much of the revenue decrease that occurred in the first half of the year due to temporary construction restrictions in Moscow. Etalon Group's residential development revenue for the 12 months of 2020 fell by just 4 % year-on-year to RUB 70.5 billion, while gross profit increased by 7 % to RUB 21.1 billion. The segment's pre-PPA gross profit rose 11 % year-on-year to RUB 25 billion with a 35 % margin.

PRE-PPA[1] RESIDENTIAL DEVELOPMENT GROSS PROFIT, MLN RUB



RESIDENTIAL DEVELOPMENT GROSS PROFIT, MLN RUB

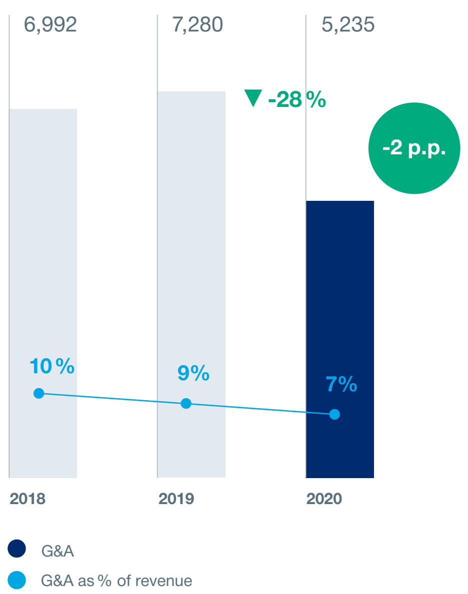


The pre-PPA gross margin widened to 33 %, close to the 35 % target in Etalon Group's strategy. The pre-PPA margin for the residential real estate development segment was 35 %.

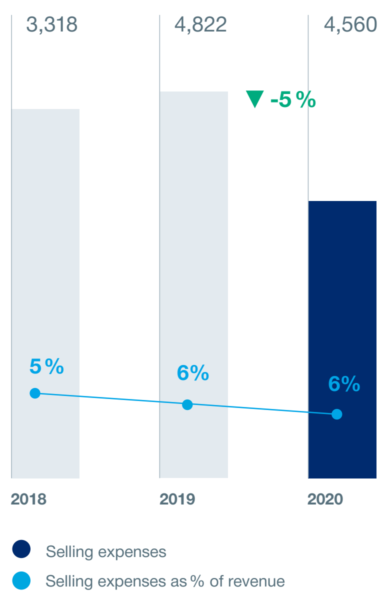
[1] Purchase price allocation capitalised in cost of sales

One of the Company's key priorities remains further optimising commercial and administrative expenses, which fell by 19 % in absolute terms in 2020 and totalled 12 % of revenue versus 14 % in 2019. Meanwhile, selling expenses decreased by 5 % in absolute terms despite sales growing by 3 % year-on-year.

GENERAL AND ADMINISTRATIVE EXPENSES, MLN RUB

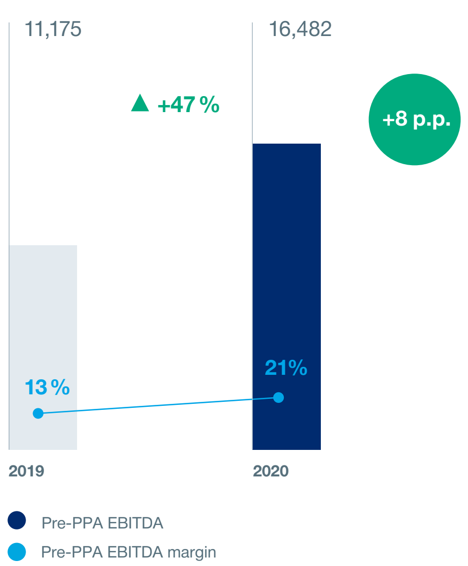


SELLING EXPENSES, MLN RUB

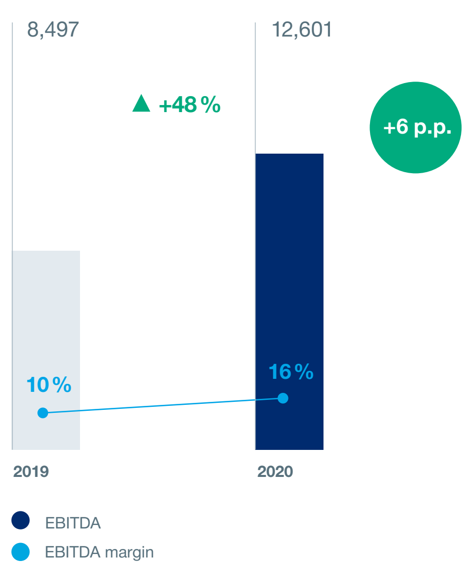


The cost reduction in turn led Pre-PPA EBITDA to increase by 47 % to RUB 16.5 billion. The Pre-PPA EBITDA margin widened by 8 p.p. to 21 %. EBITDA increased by 48 % year-on-year to RUB 12.6 billion, while the EBITDA margin expanded by 6 p.p.

PRE-PPA[1] EBITDA, MLN RUB



EBITDA, MLN RUB

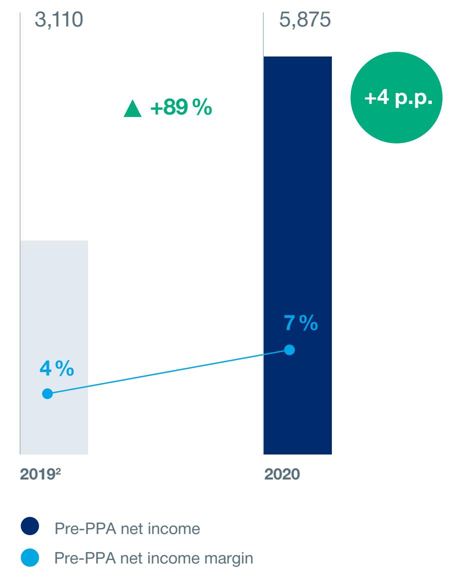


[1] Purchase price allocation capitalised in cost of sales

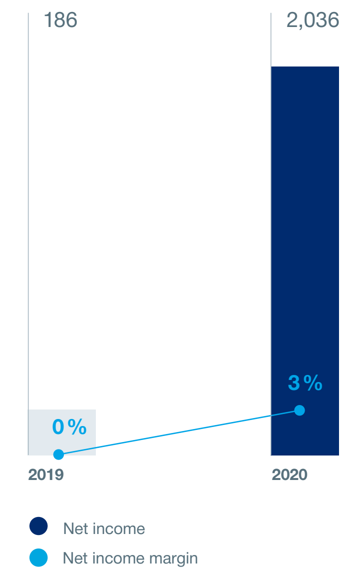
Pre-PPA net income nearly doubled year-on-year to RUB 5.9 billion.

Net income was RUB 2,036 million versus RUB 186 million for 2019, while pre-PPA net income grew an impressive 89 % from RUB 3,110 million for 2019 to RUB 5,875 million for 2020.

PRE-PPA[1] NET INCOME, MLN RUB



NET INCOME, MLN RUB



CASH FLOWS

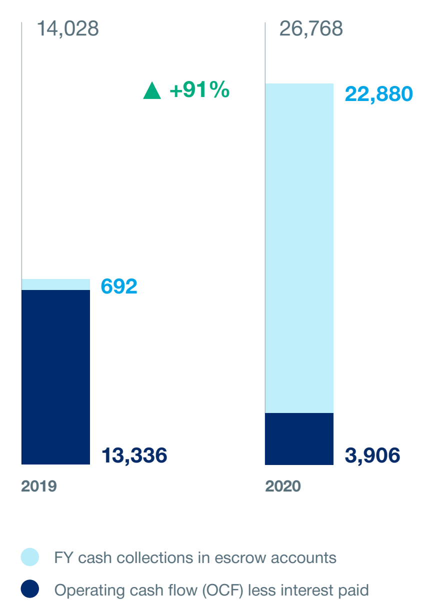
Strong sales figures enabled Etalon Group to accelerate its cash-flow generation. Even excluding funds in escrow accounts, the Company generated a positive operating cash flow less interest paid of RUB 3.9 billion. Meanwhile, operating cash flow before interest payments adjusted for funds arriving in the escrow account for 2020 almost doubled, reaching a record RUB 26.8 billion. Net cash flow adjusted for proceeds deposited in escrow returned to positive territory, totalling RUB 22.3 billion.

The balance of funds in escrow accounts as of 31 December 2020 was RUB 23.6 billion, while cash collection on escrow for 2020 came to RUB 22.9 billion. After the transition period ends and escrow accounts begin to open, the Company is set to return to generating robust positive operating and free cash flows.

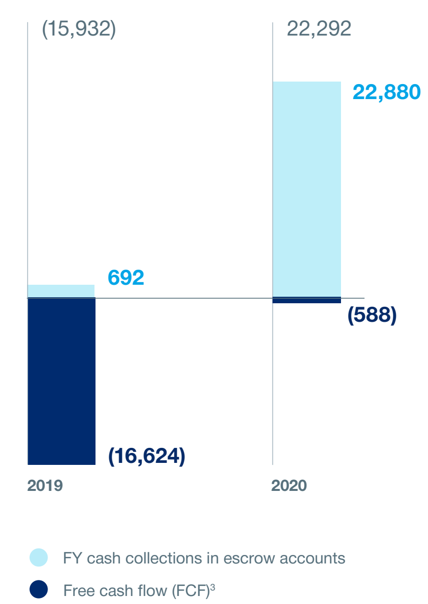
26.8

BLN RUB
CASH FLOWS ADJUSTED FOR CASH COLLECTION IN ESCROW ACCOUNTS

OPERATING CASH FLOW, MLN RUB



FREE CASH FLOW, MLN RUB

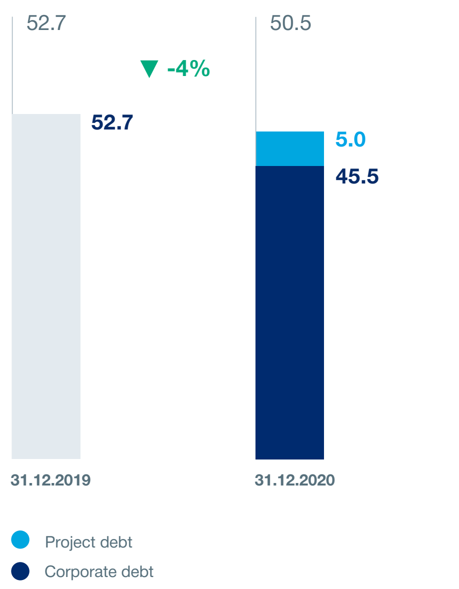


[1] Purchase price allocation
[2] Pre-PPA net income for FY 2019 adjusted for gain from Leader-Invest bargain purchase, one-off acquisition and integration expenses
[3] Free cash flow is calculated as profit for the year adjusted for depreciation, share-based payments, impairments, interest, taxation, change in working capital, and change in invested capital

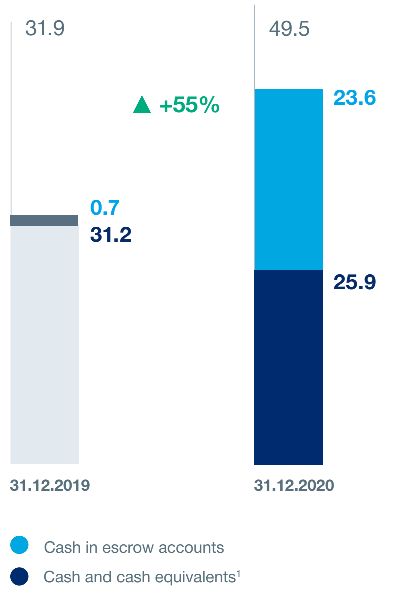
BALANCE SHEET

The Company had strengthened its financial position by the end of 2020. Gross debt was down to RUB 50.5 billion, while cash and equivalents, including funds in escrow accounts, increased by 55 % to RUB 49.5 billion. Net corporate debt fell by 9 % to RUB 19.6 billion. The Net corporate debt / pre-PPA EBITDA ratio was just 1.2x. Taking into account funds held on escrow, our net debt today would stand at just RUB 1 billion, one of its lowest levels in recent years.

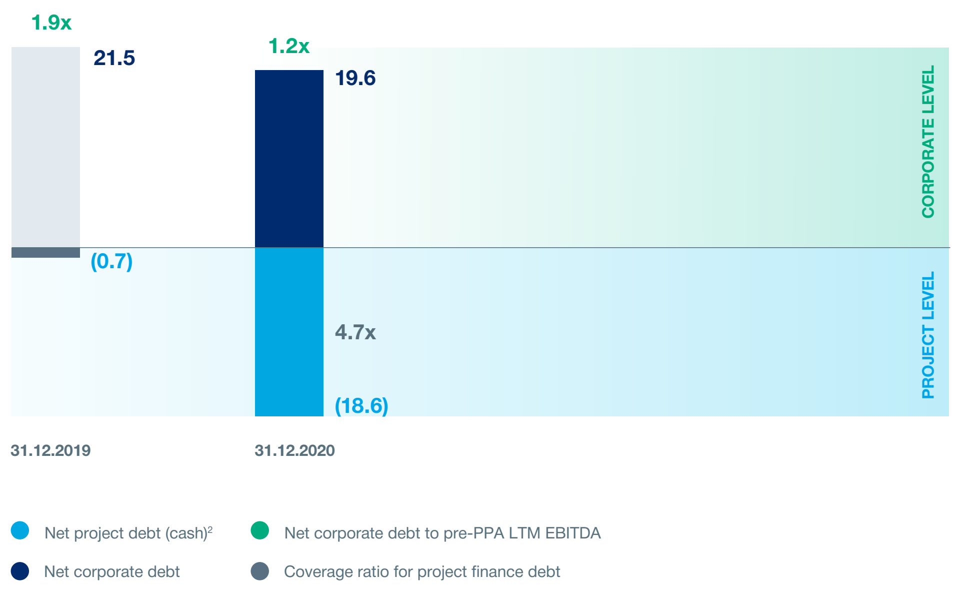
TOTAL DEBT,
BLN RUB



CASH AND CASH EQUIVALENTS,
BLN RUB



NET DEBT (CASH),
BLN RUB



Our debt obligations are still entirely rouble-denominated. A decrease in financing costs on floating-rate loans and the refinancing of existing loans caused the average rate for our loan portfolio to drop from 9.4 % at the end of 2019 and to 8.3 % as of 31 December 2020. This leaves Etalon Group in good standing to achieve its strategic goals and pay dividends.

CASH AND EQUIVALENTS

increased by 55 %
in 2020

TO 49.5 BLN RUB

[1] Including bank deposits over 3 months; excluding cash collections in escrow accounts
[2] Project finance debt less cash in escrow accounts

SUSTAINABILITY

7

INTRODUCTION

One of the most important benchmarks for Etalon Group is the sustainability of its business. The Company seeks to proactively integrate ESG principles throughout its entire production cycle, striving to reduce its negative impact on the environment, to contribute to the development of the regions where it operates and to promote the principles of fair competition and social responsibility.

REPORTING PRINCIPLES AND FRAMEWORK

For 2020, the Company is once again publishing a report on its sustainability performance as part of its integrated annual report. The report examines our performance in our two key geographies: St Petersburg and the Moscow Metropolitan Area[1]. The financial indicators included in the report are sourced from the financial statements of Etalon Group or its subsidiaries. Information regarding Etalon Group's employees is based on the Company's internal records. Statistics on Occupational health and safety, environmental protection, as well as other non-financial information, are based on the Company's own data or those submitted by its subcontractors. Our assessments and forward-looking statements are mainly based on our current expectations, estimates of future events and trends that affect the activities of Etalon Group or that may affect them in the future. These forecasts may not take into account certain risk factors that could have a serious impact on the implementation of the strategy and results of Etalon Group, such as macroeconomic changes.

DISCLOSURE STANDARDS

When making disclosures, we are guided by individual GRI standards (GRI Standards 2016, Water 2018, Occupational health and safety 2018, Waste Management 2020). From year to year, we aim to improve our transparency and increase the volume of information disclosed. In the reporting year, for example, we expanded the disclosure of information related to corporate governance: the number of meetings of the Board of Directors, issues addressed by the Board of Directors and information on gender and ethnic equality. As part of the implementation of our strategy, we are now introducing a number of new housebuilding technologies and improving business processes to further improve resource efficiency and reduce our environmental impact, which is also reflected in this report.

For more information, references to disclosure standards are provided in the index at the end of the "Sustainability" section.

[1] Moscow and the Moscow region within 30 km of the Moscow Ring Road

Within Etalon Group, we pay special attention to maintaining and improving our high standards of corporate culture, safety, environmental friendliness and information disclosure.

UN SUSTAINABLE DEVELOPMENT GOALS

When making disclosures, we continue to be guided by the UN Sustainable Development Goals to 2030. The UN agenda and global goals serve as an additional tool to ensure that Etalon Group's business strategy is in line with the long-term development trajectory in the regions where the Company operates and also with the values of society. They also help the Company improve its business processes and innovate in areas where such changes are timely and important for the sustainability of businesses and local communities.

Of the 17 UN Sustainable Development Goals, we have chosen six key goals related to our operations. We believe that the nature of our business and our capabilities enable us to have the greatest impact in these areas and to make a major contribution to achieving the Sustainable Development Goals.

The goals that we focus on may change as we refine our strategy in the area of corporate and social responsibility and as specific measurable targets are established.

ETALON GROUP'S KEY SUSTAINABLE DEVELOPMENT GOALS UNDER OUR CURRENT STRATEGY ARE:

MATERIAL ISSUES COVERED IN THE REPORT

When choosing topics and indicators for the report, we were guided by their importance for Etalon Group's business as well as the availability of information.

1

STAKEHOLDER ENGAGEMENT

Ongoing stakeholder engagement is an important part of the value chain. Honest dialogue and being attentive to the needs of all stakeholder groups enables Etalon Group to improve its business processes and to inform stakeholders about the Company's activities, priorities and implementation of strategic initiatives. (p. 134)

2

IMPACT ON COMMUNITY DEVELOPMENT

The Company contributes to the development of the regions where it operates by building social infrastructure, rebuilding and preserving historical and cultural heritage sites, promoting healthy lifestyles, supporting charitable initiatives and carrying out awareness-raising initiatives. In addition, Etalon Group strives to support economic growth in the cities where it operates by creating jobs, conducting joint training and development programmes for young professionals, maintaining a culture of fair competition and preventing fraud. (p. 168, 180)

3

ENVIRONMENTAL PROTECTION

The Company's responsible approach to reducing its impact on the environment can be seen in its use of comprehensive environmental monitoring measures and in its search for and use of safe resources and technologies that minimise its negative impact on the environment not only at the construction stage but also during the operation of its properties (for more details, see p. 146).

4

OCCUPATIONAL HEALTH AND SAFETY

Due to the nature of the industry and the scale of its business, Etalon Group pays a great deal of attention to issues related to protecting the lives and the health of the employees at its construction sites. To ensure a safe working environment, the Company takes number of measures, including the use and improvement of BIM-based monitoring and accident prevention systems (for more details, see p. 138).

5

INNOVATION

Etalon Group, independently or in partnership with other companies, adapts and implements new housing construction technologies, and also develops and improves digital technologies for design and oversight of construction projects. These initiatives are aimed not only at the sustainability of the Company's business but also at the promotion of best practices throughout the industry (for more details, see p. 174).

6

EMPLOYEE DEVELOPMENT AND TRAINING

One of the components of the Company's sustainable development is a balanced strategy in the area of personnel management. Etalon Group implements programmes aimed at creating a talent pool and recruiting and retaining talented employees, including through collaboration with universities, education programmes for staff, monetary and non-monetary incentive systems and the creation of comfortable conditions for professional growth (for more details, see p. 154).

7

EQUAL OPPORTUNITIES FOR ALL

Equal opportunities for employees regardless of their gender, age or cultural/ethnic background allow all employees to realise their potential and enable the Company to create a strong professional team. At Etalon Group, opportunities for development are open equally to men and women, and the Company's attention to a reasonable work-life balance enables employees to successfully combine their work and family responsibilities (for more details, see p. 162).

SUSTAINABILITY MANAGEMENT

Etalon Group's sustainability management system is based on adherence to high standards of corporate governance, environmental protection and the prioritisation of the long-term development goals of our business and society. The Company supports the UN Sustainable Development Goals, although it is not yet a member of the UN Global Compact, and it adheres to the principles enshrined in the Universal Declaration of Human Rights, a policy aimed at preventing any form of discrimination, fraud and violations of the rules of fair competition.

The principles of sustainability management are reflected in the following Company standards and policies:

- Etalon Group Code of Corporate Ethics
- Regulation on Conducting Tenders within Etalon Group
- Etalon Group Occupational Health and Safety Policy
- Policy on Remuneration of Members of the Board of Directors of Etalon Group PLC
- Regulation on Etalon Group PLC Committees (being updated)
- Etalon Group PLC Management Policy (being updated)
- Regulation on the Corporate Secretary of Etalon Group PLC
- Relationship Agreement with PJSFC Sistema

Strategic issues related to sustainable development come under the purview of Etalon Group's Board of Directors. Operational management of the Company as a whole, including in this area, is the responsibility of the CEO and his deputies in the relevant areas of business development. In individual subsidiaries, the implementation of policies and processes related to corporate social responsibility fall under the purview of the responsible departments. For example, procurement and oversight of compliance with the tender policy fall under the purview of the tender department, tender committees and procurement specialists. OHS issues fall under the purview of the relevant services and individual specialists at the level of the management company, regional offices and individual subsidiaries. Compliance with environmental requirements is monitored by environmental specialists within the property development department in Group companies. Internal oversight and security services monitor compliance with anti-corruption laws and internal corporate ethics and anti-fraud policies. In addition, Etalon Group operates a single hotline on corruption, fraud and violations of corporate ethics, which serves as an additional tool for monitoring and compliance with legal requirements and internal corporate policies. More detailed information on the management system for specific issues under the ESG agenda is available in the corresponding sections of this report.

SUSTAINABLE DEVELOPMENT GOALS AND ACCOMPLISHMENTS IN 2020

UN SUSTAINABLE DEVELOPMENT GOALS	COMPANY ACTIONS	RESULTS	REPORT SECTION
3 GOOD HEALTH AND WELL-BEING	• Maintaining high Occupational health and safety standards • Providing accident insurance and supplementary health insurance • Harnessing environmental expertise and implementing measures to reduce the negative impact on the environment throughout the project cycle • Using environmentally friendly materials and technologies • Promoting a healthy lifestyle	• Zero fatalities and a 6 p.p. increase in the safety index to 86 % (with a target value of 75 %) • 2,585 employees insured under the life insurance programme and 2,029 employees provided with private health insurance policies • 225 employees completed Occupational health and safety training (40 h/person)	Occupational health and safety (p. 138) People (p. 154)
7 AFFORDABLE AND CLEAN ENERGY	• Promoting “green” construction • Implementing the latest digital technologies at the project design stage	• For 2020, the Silver Fountain and Botanica projects were certified in line with the Green Zoom standard • Began implementation of strategic initiatives on the introduction of a standard design system and new industrial technologies for housing construction that will increase the energy efficiency of buildings under construction	Environment (p. 146) Strategy (p. 42)
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Implementing advanced digital technologies • Maintaining leadership in the use of BIM technology and the full-scale implementation of digital solutions to create an even more efficient design system • Adapting and implementing new industrial technologies for housing construction • Promoting best practices among contractors and other industry companies	• A Company project underwent a completely digital state expert review—a first for Russia • Agreement with Segezha Group on the development and certification of CLT technology for the Russian market, preparations to pilot the use of CLT	Innovation (p. 174) Strategy (p. 42)

UN SUSTAINABLE DEVELOPMENT GOALS	COMPANY ACTIONS	RESULTS	REPORT SECTION
11 SUSTAINABLE CITIES AND COMMUNITIES	• Building social infrastructure facilities in the cities where the Company operates • Taking part in charitable projects • Collaborating with higher education institutions to jointly develop training programmes, educational events and internships for students	• In 2020, Etalon Group delivered five educational institutions for children with a total area of over 7 ths sqm, and three preschools for 470 pupils and two schools for 1,450 children are under construction • The volume of investments in programmes for the development of local communities increased 3,4x year-on-year • The Company took part in 14 charitable programmes/ initiatives, providing RUB 46 mln in charitable assistance	Social responsibility (p. 168)
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	• Carrying out a comprehensive environmental impact assessment and applying environmental measures at all stages of project implementation • Recycling all construction waste capable of processing • Selecting responsible suppliers and environmentally friendly materials • Selecting construction technologies and design approaches, including BIM technologies and computer-based microclimate modelling, that help to improve the environmental footprint and energy efficiency of projects	• In 2020, the Company reduced its energy consumption by 6 % year-on-year to 65 mln kW·h[1] • Fuel consumption decreased by 5 % year on year to 2.31 million litres[1] • The Company does not produce waste in hazard classes 1–3 (hazardous waste); its volume of non-hazardous waste decreased by 17 % year-on-year, and 233 tonnes of waste was recycled[1] • Expenses for waste management amounted to RUB 13.5 mln; in 2021, the Company plans to increase this cost item by 7 %[1]	Environment (p. 146)

[1] Production unit data

KEY HIGHLIGHTS AND ACHIEVEMENTS IN 2020

OCCUPATIONAL HEALTH AND SAFETY

0
FATAL ACCIDENTS AT ETALON GROUP CONSTRUCTION SITES IN 2020

8,918
HOURS OF OCCUPATIONAL SAFETY TRAINING FOR 225 EMPLOYEES

86 %
THE SAFETY INDEX INCREASED BY 6 P.P. YEAR-ON-YEAR

EMPLOYEES

4,606
TOTAL HEADCOUNT

56 %
OF LINE EMPLOYEES ARE WOMEN

31 %
OF LEADERSHIP POSITIONS AT ALL LEVELS ARE HELD BY WOMEN

16,150
HOURS OF EMPLOYEE TRAINING IN PROFESSIONAL DEVELOPMENT PROGRAMMES

2,029
EMPLOYEES TOOK PART IN THE PRIVATE MEDICAL INSURANCE PROGRAMME

9.2
MLN RUB IN FINANCIAL ASSISTANCE PROVIDED TO EMPLOYEES

SUSTAINABLE DEVELOPMENT IN REGIONS OF OPERATIONS

>7
THS SQM AREA OF EDUCATIONAL INSTITUTIONS DELIVERED

>46
MLN RUB AMOUNT OF CHARITABLE ASSISTANCE PROVIDED, AN INCREASE OF 9 % YEAR-ON-YEAR

1,920
STUDENTS WILL ATTEND SCHOOLS AND PRESCHOOLS NOW BEING BUILT BY ETALON GROUP

ENVIRONMENTAL PROTECTION[1]

233
TONNES OF CONSTRUCTION WASTE RECYCLED

0
FINES FOR NON-COMPLIANCE WITH ENVIRONMENTAL STANDARDS

-6 %
REDUCTION IN ELECTRICITY CONSUMPTION FROM 69 MLN KW·H TO 65 MLN KW·H

-17 %
REDUCTION IN CONSTRUCTION WASTE FROM 203 THS T IN 2019 TO 168 THS T IN 2020

-5 %
REDUCTION IN GASOLINE AND DIESEL CONSUMPTION FROM 2.44 MLN L IN 2019 TO 2.31 MLN L IN 2020

[1] Data for the production unit companies

STAKEHOLDER ENGAGEMENT

Etalon Group values open and efficient communications with its stakeholders, which is why the Company keeps all interested parties informed about its plans and other endeavours. In doing so, the Company is also able to be better aware of what our stakeholders want and expect. This means we can prioritise what matters and better formulate our development strategy.

THE BASIC PRINCIPLES OF STAKEHOLDER ENGAGEMENT REMAIN UNCHANGED:

1

HONEST DIALOGUE

Honest dialogue is fundamental to maintaining a trusting relationship based on respect. By maintaining relationships with various groups of stakeholders, the Company does its utmost to understand each and every one of their interests, needs, and expectations. This is essential to establishing open, effective communications.

2

ENSURING OPEN AND TRANSPARENT ACCESS TO INFORMATION

Some stakeholders may have questions about Company plans – the goals, scope and scale, as well as the risks involved. The solution is to provide stakeholders with opportunities for discussion, and provide full access to information not only before important decisions are made, but also at all stages of the implementation process. This is what guarantees the kind of balanced approach most stakeholders expect.

3

PRIORITISING STAKEHOLDER INTERESTS

When making important decisions, Etalon Group is always guided by the interests of its stakeholders. This approach enables the Company to create additional value for stakeholders through strategic and operational efficiency.

4

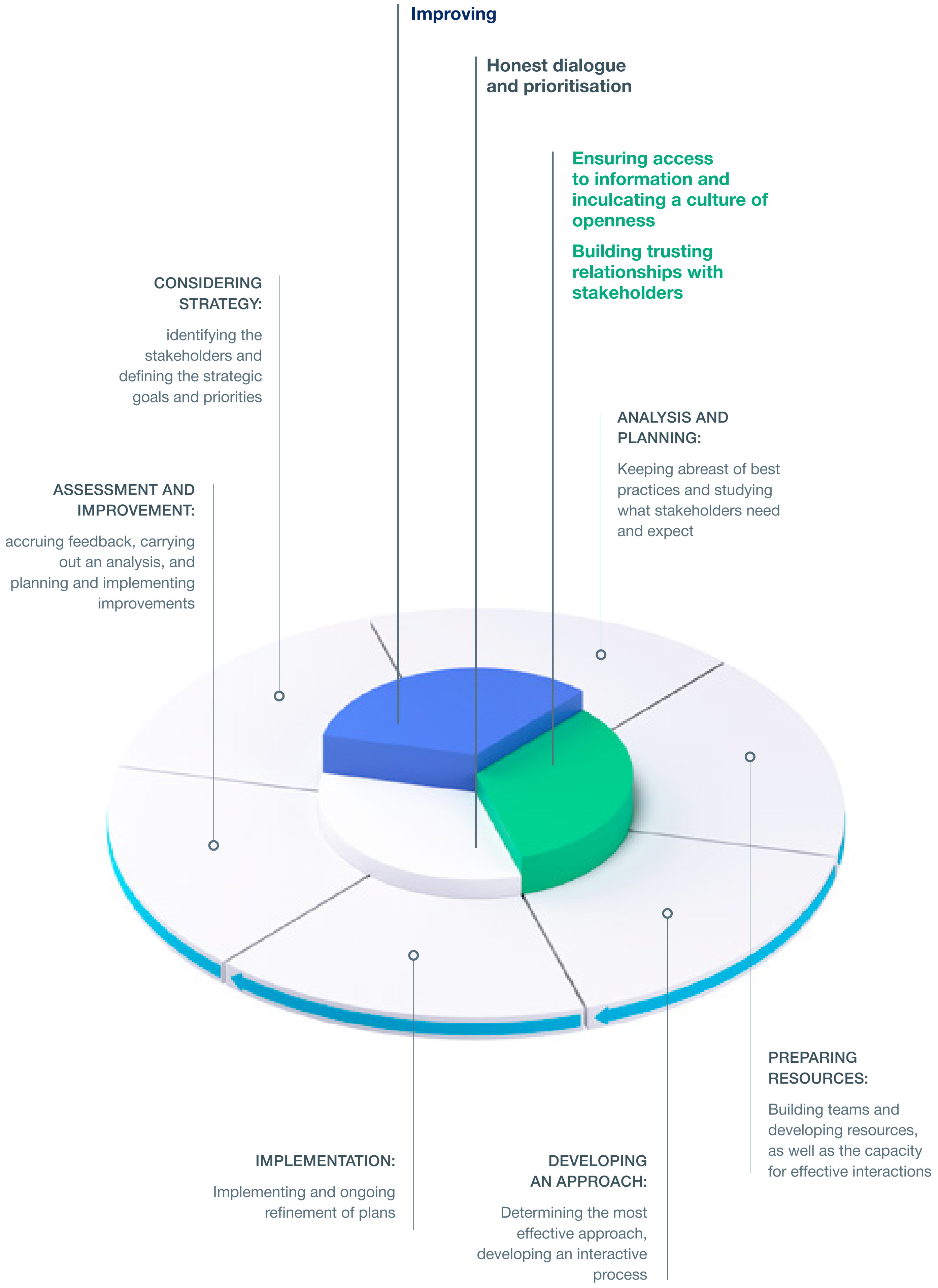
TRUST

We believe that relationships built on trust lead to a productive, stress-free environment that enables people to find solutions to whatever challenge they're facing. This is why Etalon Group has a strong focus on ensuring mutual understanding and loyalty from its customers, employees, investors partners, and society.

5

IMPROVEMENT

We invest in organisational and digital solutions that simplify access to information about the Company, as well as Etalon Group's services, and which allow stakeholders to interact more effectively with the Company.



The frequency and channels of interaction with each group of stakeholders differ depending on what is called for. Below is an overview of Etalon Group's approach to engaging with various groups of stakeholders.

	CUSTOMERS	EMPLOYEES	BUSINESS PARTNERS	INVESTORS AND ANALYSTS	SOCIETY
KEY ISSUES AND GOALS OF INTERACTION	• The dissemination of information about Etalon Group's products • Ensuring customers can give feedback • Analysis of customer needs and what they seek in our products • Improving every stage of the customer journey • Expanding the customer base and encouraging repeat purchases	• A safe, healthy working environment • Attracting, training and retaining competent professionals • Offering equal opportunity and inclusiveness • Ensuring employees are fully informed about the Company's strategy and goals	• Mutually beneficial cooperation • Financial results and performance • Responsible approach to conducting business • Innovation • Operational efficiency	• Etalon Group's Investment case • Company strategy • Financial and operating results • Dividend payments • The Company's activities in capital markets	• Environmental issues • Social responsibility • Taxes • Creating jobs and improving living conditions wherever the Company is based • Building and maintaining a solid reputation
FORMS OF INTERACTION	• Streamlining the communication policy, developing precise targeting tools and competencies in analysis of the selection stage of the customer journey • Customising communication channels and customer offers • Interacting with customers through the hotline and social platforms, and providing prompt, effective responses to requests • Leveraging advanced visualisation techniques, such as VR and developing mobile applications to facilitate the customer's access to services, as well as providing B2C services to foster customer loyalty	• Implementing and refining OHS systems • Providing life insurance and supplementary health insurance programmes • Cooperating with universities that specialise in issues related to the training of students from institutions focused on the construction industry, and recruiting them • Adaptation programme for young professionals • Training programmes and workshops for employees • Competitive salaries, a bonus system and non-monetary incentives • Performance feedback and career planning • Implementing an anti-discrimination policy in accordance with the Etalon Group Code of Conduct and legal regulations • Providing a social safety net for employees • Disseminating important information via the corporate intranet and e-mail	• Policy on combating corruption and violations of antimonopoly legislation, enshrined in the Code of Corporate Ethics and Regulations on Tendering • Applying and disseminating advanced technologies based on BIM (building information modelling) to find solutions that are more efficient and ergonomic, as well as controlling quality and timing throughout the entire project life cycle • Developing and implementing advanced industrial technologies for housing construction • Operational synergy • Exchanging experience and employing best practices	• Increasing transparency and information disclosure • Disclosing information on operational and financial results, important corporate events and stages in the implementation of projects • Publishing annual reports, press releases, presentations and other relevant information on the Company's website • Participating in conferences, organising roadshows and site visits, holding meetings and conference calls with investors and analysts	• Investing in the development of cities where we operate: creating a social infrastructure, restoring historical monuments, supporting and organising cultural and sports events, as well as charitable programmes • Publishing press releases and interviews • Maintaining channels of communication with the media • Visits to construction sites, hosting presentations and events for journalists covering Company activities • Publishing important information and updating the project gallery on the Etalon Group website
MAIN EVENTS AND RESULTS OF 2020	• The Company's regional sales network covers 59 cities in Russia • Implemented a big data-driven target audience analytics system • More than 75 thousand calls were received over the year, with no lost calls • Repeat purchases accounted for 25 % of total sales	• No fatal accidents. • The safety index increased by 6 p.p. to 86 % • 504 Company employees underwent training; the total duration of all training programmes exceeded 16 thousand hours – an average of 32 hours per person • 344 employees participated in the adaptation programme • 184 employees received financial support; the total amount of payments exceeded RUB 9 million • 44 people received a corporate pension • Women account for 31 % of the Company's management • Agreement with National Research Moscow State University of Civil Engineering on long-term cooperation in the field of educational and scientific activities	• Rolling out a system to standardise design and the first completely electronic system in Russia authorised by the state. • An agreement was concluded with Segezha Group on developing and certifying CLT technology for the Russian market • New contract sales reached a record RUB 80 billion in FY 2020 • Pre-PPA gross profit margin was 33 %, close to the 35 % target set forth in the 2024 strategy	• Board of Directors set a minimum dividend payment of RUB 12 per share/GDR; dividends paid for the year totalled RUB 3.5 billion. (USD 0.16 per GDR)—in full compliance with policy • Etalon Group GDRs, previously traded only on the London Stock Exchange, were listed on Moscow Exchange, and were included in the Level 1 quotation list, as well as the Moscow Exchange Broad Market Share Index • More than 60 conference calls with investors and analysts were held, and 34 releases were published on the regulatory website • The Company conducted a perception study among investors and analysts • The Information Disclosure Committee was reorganised, with an increase in the number of members and an expansion in positions and powers • Expanded disclosure of financial information in the Company's IFRS financial statements • The liquidity of Etalon Group GDRs more than tripled year-on-year in 2020	• Tax payments totalled RUB 4.6 billion • There were 11,347 mentions of Etalon Group in the media • Etalon Group professionals took part in more than 60 industry and business events • The Company launched an urban planning laboratory and the Generation ZIL media platform to discuss the future of Moscow's ZIL-Yug district

OCCUPATIONAL HEALTH AND SAFETY

The health and safety of our employees is Etalon Group's main priority. The Company takes a proactive approach to ensuring a safe working environment and preventing the risk of injury, implements advanced digital technologies, and conducts regular monitoring and training. The result has been a consistent increase in occupational safety at construction sites and zero fatal accidents.

OCCUPATIONAL HEALTH AND SAFETY POLICY

Etalon Group's Occupational health and safety (OHS) policy is based on the following principles:

- The priority of preserving the life and health of employees
- Strict adherence to current Russian legislation, local regulations and internal safety requirements
- Application of leading industry standards
- Continuous improvement and development of our own know-how
- Training and proactivity of employees

Etalon Group's Occupational health and safety policy and measures to ensure occupational safety are regulated by the following key documents:

- The **Regulations on the Occupational Safety Management System at Etalon Group** sets out the key principles for managing the occupational safety & health system and the rights and obligations of divisions and officials in the field of Occupational health and safety, describes the organisation of work for compliance with Occupational health and safety standards at the Group's construction sites, preventative measures, personnel training and actions in case of accidents.
- The **Methodology for Determining the Safety Index at Etalon Group's Construction Sites** regulates the methodology for collecting data and the subsequent calculation of the safety index based on it.

In 2021, as part of improvements to the company's organisational and management structure, the Company plans to revise and update the Regulations on the Occupational Safety Management System at Etalon Group. A new version of the Methodology for Determining the Safety Index at Etalon Group's Construction Sites is also being prepared for approval, including the methodology to determine the fire safety index and the degree of risk at Etalon Group's construction sites. The safety index and the degree of risk are discussed in more detail below, in the "OHS activities" section.

OCCUPATIONAL HEALTH & SAFETY PROCESS MANAGEMENT

STRUCTURE OF ETALON GROUP'S OHS SERVICE

Etalon Group's OHS process-management system includes the top management as well as health and safety services at the Group's local divisional and individual organisational levels.

At the management company level, the functional management of Occupational health and safety processes is headed by the Group's CEO, while his deputy in the construction department is responsible for day-to-day processes.

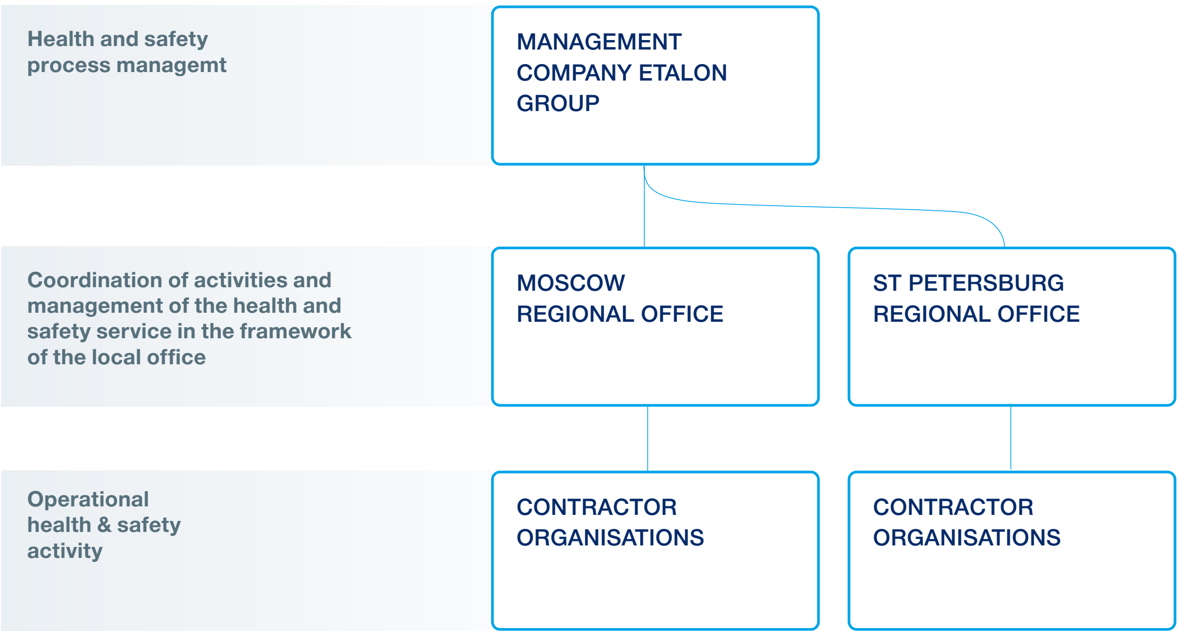
The organisation and monitoring of health and safety at the local division level and the Group's individual enterprises is the responsibility of the relevant services and health and safety specialists.

The organisation of safe working practices and coordination of contractors' activities at Etalon Group's construction sites, as well as certification and training of workers and engineering and technical personnel, are the responsibility of general contractors, both internal and external.

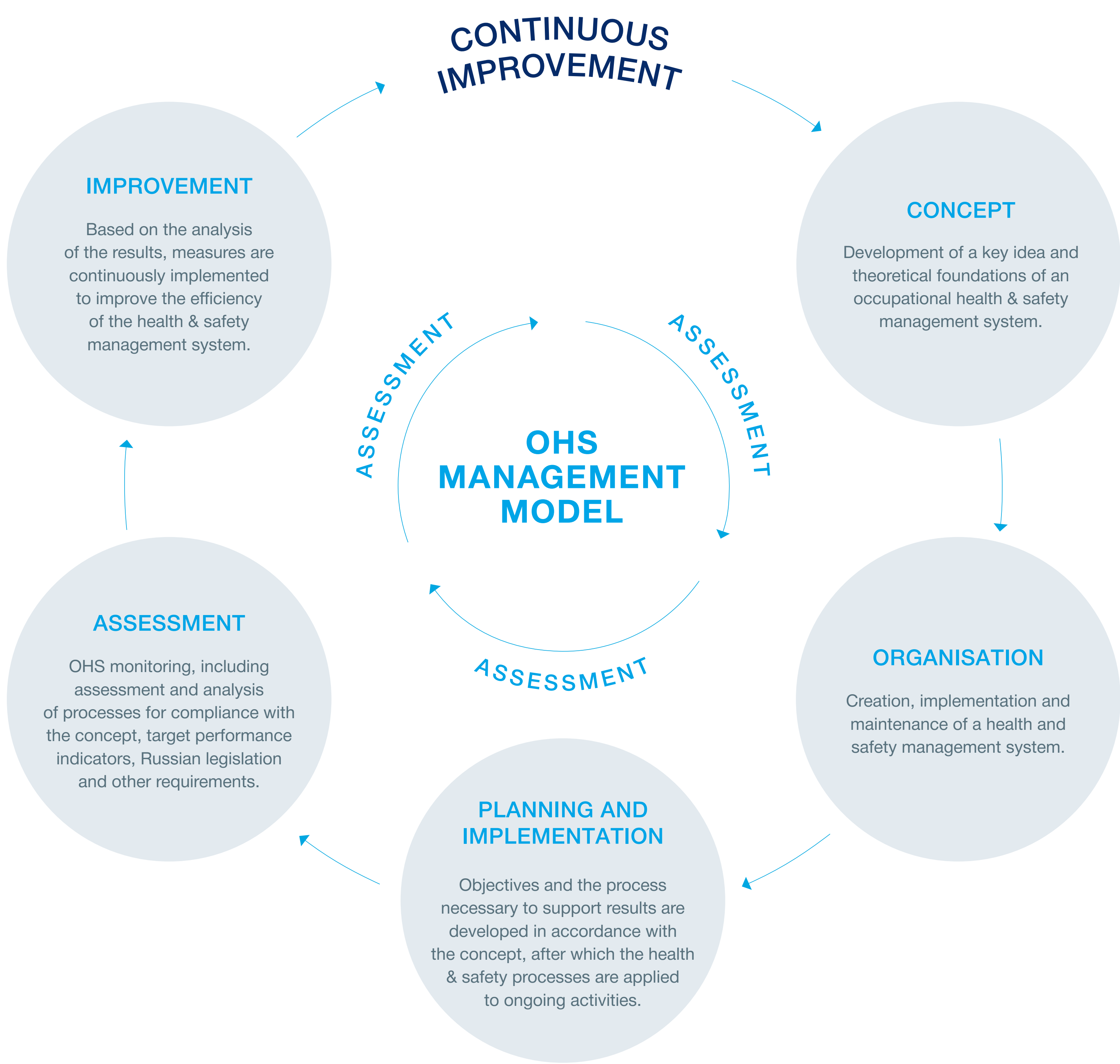
The main tasks of Etalon Group's OHS service specialists include:

- Implementing the Group's OHS policy and the methodology for determining the safety index and key OHS practices and principles
- Monitoring and managing OHS risks
- Informing and consulting managers and employees on OHS issues
- Studying and disseminating best practices in the field of OHS
- Organising work to prevent workplace injuries and occupational illnesses, meet OHS requirements and improve working conditions

OHS specialists have broad powers that allow them to monitor compliance with the rules and regulations on OHS in Etalon Group, which ensures a high level of safety and helps prevent occupational injuries.



OUR OHS SYSTEM IS BASED ON THE PRINCIPLE OF CONTINUOUS MONITORING AND DEVELOPMENT:



Continuous safety monitoring and further improvement of the OHS system in the reporting year resulted in zero fatal accidents.

The continuous monitoring system enables us to increase safety at our construction sites every year. In the event of an accident, the Company investigates to determine and address the causes of the incident.

Etalon Group's subsidiaries submit monthly reports to the OHS service of their local administrations on the implementation of OHS rules and regulations and on the situation regarding workplace injuries. This practice helps to analyse incidents of industrial OHS violations at the Group level, to identify patterns and weaknesses, and thus to identify key areas for improving the health and safety system. This approach to the organising the OHS system allows the Company to minimise safety violations, prevent risks and avoid serious and fatal injuries.

OHS ACTIVITIES

Equipment security protocol

All equipment used by Etalon Group is certified in accordance with Russian legal requirements. The Company also conducts internal equipment inspections to ensure correct installation and regular servicing.

Training

Etalon Group employees undergo training and periodic testing of their knowledge in accordance with current Russian legislation. All managers responsible for safe working practices are trained and periodically tested (at least once every three years). This training is conducted within the Company or via a third-party educational organisation.

In addition, the Company conducts thematic exercises, training and seminars. All employees whose work involves being at a construction site constantly or occasionally must undergo OHS training courses and certification tests. The training programmes are regularly reviewed and improved.

In 2020, 8,918 hours of OHS training were implemented, with 225 Etalon Group employees taking part.

OHS TRAINING IN 2020

		STUDY HOURS	
	NUMBER OF ATTENDEES	TOTAL	PER PERSON
ST PETERSBURG			
Management staff	39	1,418	36
Line employees	149	6,168	41
MOSCOW REGION			
Management staff	12	432	36
Line employees	25	900	36
TOTAL	**225**	**8,918**	**40**

Preventing workplace injuries

The Company implements a range of measures to prevent injuries and OHS violations, including using safe production systems, administrative measures to limit total time in contact with harmful and hazardous production elements, a preliminary risk analysis before installing new equipment or applying new technologies, and subsequent regular monitoring of the implementation of risk controls.

At the Company's construction sites, to give workers additional protection to prevent falls from heights, catching nets are used, protective screens are installed on mounting horizons, a technological map is being developed, and SkyReach anchor devices are used to prevent falls during the installation of formwork and while performing concrete work.

At every construction site, during the work shift, at least two workers constantly monitor the condition of the collective protective equipment being used and the fencing around hazardous areas, and they monitor for gaps, holes, and openings in the elevator shafts on each storey. The Company has strict rules regarding the characteristics, installation, use and dismantling of enclosing structures, scaffolding and decking, compliance with hazardous-area boundaries, and the handling of flammable materials, as well as rubbish and waste. Protective barriers are designed for durability and resistance to alternating force from both horizontal and vertical uniformly distributed standard loads.

In order to prevent injuries at all construction sites, the "degree of risk" indicator is used, i.e. the quantitative degree of professional risk of an accident at the control facility, calculated using the Fine-Kinney Method. The calculation of the risk-degree indicator includes three components: the likelihood of a risk, its frequency and its consequences. Following the calculation, an indicator is created for each facility: the higher it is, the higher the risk level at the facility and the more closely the Company monitors its OHS status. In accordance with the assessment scale, the degree of risk for this indicator is nominally divided into several categories, from low to very high:

RISK OF WORKPLACE ACCIDENT	PREVENTATIVE MEASURES BY ETALON GROUP
LOW	OHS system research at the facility
POSSIBLE	Inspection and analysis of OHS processes, increased focus on implementing all necessary measures and procedures
SIGNIFICANT	Special control and monitoring of the facility for analysis and improvement
HIGH	Urgent briefing and knowledge-testing of engineering and technical personnel, immediate improvement of OHS processes
VERY HIGH	Immediate termination of work until violations are removed

Regular monitoring and improvement of OHS systems and procedures resulted in a significant decrease in the overall risk level for all Etalon Group facilities over the year.

RISK LEVEL DECREASED BY

36 % OVER THE YEAR

Safety index

Since 2014, the Company has been determining the level of OHS at construction sites using the safety index, a tool developed in-house. This index is based on data about a number of key parameters obtained during the monitoring of construction facilities using BIM technology: the ratio of the number of positive ratings to their total number of ratings at the control facility. The measurement range is from 0 % to 100 %, while the target index for Etalon Group is at least 75 %.

The main parameters when determining Etalon Group's safety index are:

- **Prevention of falls:** fencing balconies, mounting levels, elevator shafts, openings, open hatches, fencing at foundation pits, etc.
- **Work process:** risks when performing work, adherence to working methods, correct use of personal protective equipment
- **Rubbish system and collection, storage of materials and equipment:** cleanliness at control facilities, timely rubbish collection, storage of materials and equipment in accordance with storage rules
- **Operation of equipment, tools and devices:** hand tools, electric tools, crane counterbalances, slings, machines and equipment, lifting machines, etc.
- **Scaffolding, walkways, ladders**
- **Electricity and lighting:** condition, serviceability and location of electrical equipment, lighting of common areas, local lighting of workplaces, equipment earthing, etc.
- **Fire extinguishers:** availability, serviceability, readiness for use, placement in a strictly designated area, etc.

The safety index allows for effective monitoring of OHS practices and equipment at Etalon Group's construction sites, to receive up-to-date information from controlled sites in real time, to see the locations of safety violations in 3D, and to determine the locations of hazardous situations that require immediate intervention.

When conducting inspections using the safety index tool, the inspector inputs the appropriate assessment for the control points (positive or negative) or, in case of factors posing a critical degree of risk, enters the relevant information into a separate functional window of the programme. When the inspection has ended, the results are uploaded to the BIM system, including the safety index for the specific control points and a total for the facility as a whole, as well as the coordinates of control points requiring a prompt response from the relevant employees. The uploaded results and actions needed to rectify the relevant safety issues are transferred to relevant Etalon Group employees.

SPHERES REPRESENT CONTROL POINTS

White spheres represent control points that have not been checked yet

Orange spheres represents control points that have been checked and might have safety violations

Green spheres represent control points that have already been checked

Etalon Group's safety index increased by 6 p.p. in 2020 to 86 % versus a target level of 75 %.

Improvement of the process and tools for operational oversight and monitoring construction safety

The Company conducts operational oversight of compliance with OHS standards at all levels. At the level of Etalon Group subsidiaries, OHS engineers monitor conditions, including working conditions, at construction and production sites, factories and company offices, as well as the work of subcontractors. Employees of the OHS departments of local offices also monitor conditions, including working conditions, at the Group's construction sites.

The Company regularly conducts independent assessments of the safety index for individual facilities and for all of the Group's construction sites as a whole and monitors the performance of the OHS system and the functional chain of OHS management processes via the safety index. The organisation of regular, independent monitoring based on the safety index at the Company's facilities is carried out by the heads of Etalon Group's local departments.

Etalon Group subsidiaries also undergo scheduled and unscheduled inspections by regulatory authorities.

SAFETY INDEX DEVELOPMENT HISTORY

2014

The safety Index tool was introduced into Etalon Group's OHS systems to monitor and assess safety levels at construction sites.

2015

Regular monitoring using this tool is performed, at least once every two weeks.

2017

Etalon Group patented its methodology and programme and began to develop pilot projects for the use of its OHS system for third-party companies.

2018

The methodology for assessing the OHS index was updated to take into account a risk-based approach and the influence of the degree of risk.

2019

All of Etalon Group's construction sites use their own web service to monitor OHS measures using the capabilities of the ICCS (Integrated Construction Control System) digital platform; any user can quickly obtain information about the health and safety status from their mobile device, using a number of dashboards within the system.

Developed the Fire-Safety Index for construction camps; the data-processing system is fully automated and allows regular reports to be made.

Introduced a three-stage safety control system at construction sites:

1. **Daily monitoring of safety indicators** is carried out by the construction supervisors and includes visiting all workplaces and identifying and immediately eliminating deficiencies.
2. **Weekly monitoring** is carried out by the construction supervisors in conjunction with section heads.
3. **Monthly monitoring** is carried out by a commission with the participation of the construction manager, site foreman and relevant representatives of the contractor.

2020

Research and development of a methodology to calculate other important indicators for assessing the construction process began within Etalon Group, including the Construction Time Frame Compliance Index, which is part of the comprehensive Construction Operation Safety Index assessment.

2021

An update is being prepared to the methodology for calculating the safety index to take into account the criteria for the human impact on the risk assessment. Risk will be divided into two types: indirect and direct. For each type, a separate calculation is made of the impact on a construction site's overall safety index.

MONITORING CONTRACTORS' COMPLIANCE WITH INDUSTRIAL SAFETY REQUIREMENTS

Over the past four years, Etalon Group has been using the occupational safety index to verify compliance with occupational health & requirements by third-party contractors as part of an audit of these companies' compliance with established criteria.

For example, this type of assessment is conducted when holding tenders to select a contractor or when deciding whether to include or exclude a contractor from the register of organisations accredited by the Company.

ENVIRONMENT

Etalon Group strives to assess and minimise any adverse impact on the environment at all project implementation stages. The Company maintains the highest environmental management standards, employs the latest technologies, and aims to use natural resources and energy rationally as well as to reduce and recycle its waste. Etalon Group thus strives to achieve significant cost savings for its business while helping to preserve the environment and natural diversity, as well as to create long-term benefits for all stakeholders.

ETALON GROUP'S ENVIRONMENTAL MANAGEMENT APPROACH

Etalon Group strives to limit the negative environmental impact of its operations. The Company strictly adheres to Russian environmental legislation, including conducting environmental assessments and implementing measures to limit its environmental impact at all project stages. The Company also develops and implements measures that improve the efficiency of its resource usage.

At the preparation stage, the Company conducts environmental surveys; assesses noise levels, background air pollution and soil quality; and determines the waste hazard rating. Based on preliminary studies and the scale and particulars of a project, Etalon Group forecasts the possible negative environmental impact from the construction and commissioning stages.

When planning construction, standards governing the permissible anthropogenic impact on the environment are considered, and measures are developed to reduce it: these include land reclamation, preventing the loss of natural resources, and preventing harmful emissions into the soil and atmosphere.

Construction is carried out according to approved project documentation, in compliance with all relevant technical environmental regulations and factoring in possible environmental risks. During construction, the Company implements measures to prevent environmental pollution, including reclaiming land, protecting the air basin and water resources, imposing noise controls, and monitoring key indicators.

Before commissioning facilities, the Company develops and implements measures to restore the environment, conducts landscaping and beautification projects, and creates recreation areas as well as children's play spaces and sports grounds. The residential buildings at Etalon Group's facilities comply with sanitary requirements governing heating, ventilation, the microclimate and air quality, natural and artificial lighting, levels of noise, vibration, ultrasound and infrasound, electric and electromagnetic fields and ionising radiation.

2020 HIGHLIGHTS[1]:

ZERO FINES OR SANCTIONS

for non-compliance with environmental standards, losses resulting from litigation of violations of environmental standards

-6% ELECTRICITY USAGE CUT

from 69 mln to 65 mln kW·h in 2020

-5% FUEL CONSUMPTION CUT

from 2.44 mln litres to 2.31 mln litres in 2020

WASTE MANAGEMENT

-17% SOLID WASTE PRODUCTION DECLINED

from 202.5 ths tonnes to 167.9 ths tonnes in 2020

233 TONNES OF REBAR SCRAP SENT FOR RECYCLING

13.5 MLN RUB WASTE MANAGEMENT COSTS FOR 2020

Etalon Group seeks to minimise its impact on the environment throughout the construction cycle and to plan projects that are energy and resource efficient when they are finished

[1] Production unit data

ENVIRONMENTAL MANAGEMENT SYSTEM

The work of Etalon Group specialists is governed by environmental legislation, including:

- Federal Law No. 7-FZ on Environmental Protection
- Federal Law No. 174-FZ on Environmental Assessment
- Federal Law No. 89-FZ on Production and Consumption Waste
- Land Code of the Russian Federation
- Water Code of the Russian Federation
- Federal Law No. 96-FZ on the Protection of Atmospheric Air
- SanPiN 2.2.1 / 2.1.1.1200-03 "Protection zones and sanitary classification of enterprises, structures and other facilities", as well as internal policies and duty descriptions

Environmental specialists are employed at the functional subdivisions of the Moscow and St Petersburg regional administrations responsible for construction.

They participate in developing project documentation from the viewpoint of environmental legislation and standards, take part in project evaluations, are involved in resolving environmental protection issues arising during the course of Etalon Group's activities, provide informational and methodological support to the Company's structural divisions, and analyse the construction process, and take part in organising and coordinating initiatives to improve the integrated quality and environmental management system and are involved in getting it certified.

The Etalon Scientific and Technical Centre has a quality control department that monitors and maintains the quality and environmental management system.

Etalon Group's environmental management system is based on strict adherence to legal requirements and internal policies, as well as on developing measures to improve the effectiveness of its environmental protection measures.

The Company's quality and environmental policy[1] did not change during the reporting year. The policy is consistent with the Company's strategic goals and mission, and includes its obligations to protect the environment, meet mandatory requirements and continuously improve. The policy also serves as the basis for setting and analysing the quality and environmental goals that are communicated to personnel and stakeholders.

A programme of measures for 2020 was developed to meet the policy objectives. This includes measures to prevent or minimise the possible impact on air, soil and water, and to minimise the impact of noise and vibrations during building and installation work. Materials and equipment of a high environmental quality are used, and environmental inspections are conducted at construction sites. Strict internal environmental monitoring of facilities minimises the Company's negative impact on the environment, as confirmed by the results of regulatory authorities' external audits. For example, all facilities in St Petersburg were commissioned without any comments or instructions from inspectors from the State Architecture and Construction Inspectorate's environment sector.

During 2020, the Company operated an integrated quality and environmental management system in accordance with ISO 9001: 2015 and ISO 14001: 2015. The Company's integrated management system and quality and environmental policy were audited by the Russian Register Baltic Inspectorate. An external audit of JSC Etalon LenSpetsSMU's integrated management system conducted in June-July 2020 within the company's structural divisions and at Etalon Group's construction sites at the Etalon on the Neva and Galactica Premium residential complexes revealed no deviations from international standard requirements. The certification body noted compliance by JSC Etalon LenSpetsSMU's integrated management system with ISO 9001: 2015 and MS ISO 14001: 2015 requirements relating to the design and construction of buildings and structures, and confirmed the validity of the conformity certificates until 4 July 2023.

ENVIRONMENTAL CERTIFICATION

CERTIFICATE	TERM
ISO 14001	Issued for three years until 4 July 2023, subject to annual inspection audits
ISO 9001	Issued for three years until 4 July 2023, subject to annual inspection audits
GOST R ISO	Issued for three years until 4 July 2023, subject to annual inspection audits

The Company conducts its own environmental monitoring at various stages during project life cycle, and regularly prepares environmental reports for the Group's companies or at the request of shareholders. In 2020, these reports were provided within the framework of reporting meetings on quality and environmental issues between JSC Etalon LenSpetsSMU—Etalon Group's main operating company in St Petersburg—and NTC Etalon Ltd[2]. Etalon Group's internal reports on the results of inspections of its facilities for compliance with environmental standards are independently audited.

[1] JSC EtalonLenSpetsSMU unified policy on quality and environment
[2] The Etalon Scientific and Technical Centre

RESPONSIBLE SUPPLY CHAIN

The integrated management system requirements apply to contractors conducting construction and installation works as well as materials suppliers.

Equipment and materials used at Etalon Group facilities comply with hygiene and ergonomic requirements, as well as current SanPiN requirements (Etalon's products have certificates of conformity, sanitary and epidemiological summaries, quality and fire safety certificates, etc.) and project characteristic requirements. Construction materials—sand, gravel, cement, concrete, paints and varnishes, etc.—have all of the requisite summaries and certificates.

Etalon Group is diligent when selecting suppliers and contractors. The Company has a system of tenders, (described in more detail in the "Business conduct" section) that sets formal criteria for selecting suppliers. We give preference to the most responsible companies, and conduct our own incoming inspections of products. The requirements of the integrated management system are relayed to the general contractors responsible for complying with environmental legislation at construction sites. When conducting works, general contractors are obliged to comply with the legal standards and requirements set out in the project documentation regarding natural resources, noise levels, air protection etc. Compliance with environmental legislation is monitored by Etalon Group's quality and environmental management department and by the main administration of the state construction inspectorate, when a facility is commissioned.

ENVIRONMENTAL PROTECTION EFFORTS

Soil and vegetation preservation, wildlife conservation

At the planning stage of a construction project, as well as at the construction stage of the project, measures for implementing environmental protection are factored in: land reclamation, preventing the loss of natural resources and preventing harmful emissions into the soil. If there is a fertile soil layer, it is removed, transported and stored. Soil that is not suitable for reuse is removed and disposed of. Special sites are established for temporary storage of soil intended for reuse. The Company also takes measures to prevent or reduce contamination of soil from fuels and lubricants.

The Company also implements measures to protect trees and shrubs, strives to minimise felling, and when construction is complete, it beautifies the territory by planting trees and shrubs or even creating parks and gardens at projects in large residential areas.

Water and effluent

During construction, the Company sources all of its water from the municipal water supply. Water use is strictly controlled: Etalon Group installs meters to monitor water volumes regularly, and observes strict compliance with consumption limits. During construction and commissioning, the Company takes measures to cut water consumption, including recycling water for wheel-washing and using resource-efficient engineering equipment and automated water-metering systems.

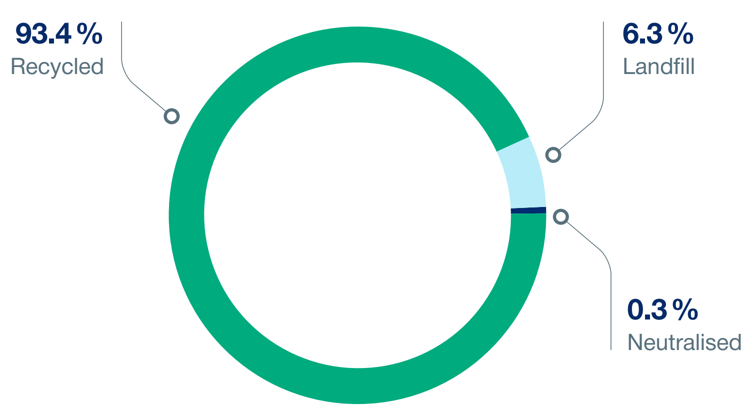
WATER AND WASTE MANAGEMENT

WATER USAGE[1]

INDICATOR	2018	2019	2020
Total water sourced, ths m³	1,230	1,159	1,275
Total waste water discharged, ths m³	750	801	845

The Company does not produce class 1–3 (hazardous) waste. We adhere to strict rules in managing construction waste. We aim to send waste that can be reused for recycling, while waste that cannot be recycled is sent to a landfill. More than 90 %[2] of the waste is recycled.

SOLID WASTE MANAGEMENT IN 2020[2]



The Company's waste management expenses came to RUB 13.5 million for 2020, while the Company plans to spend RUB 14.5 million on waste management in 2021—proportional to the planned construction volume. The volume of waste generation decreased by 17 % in 2020, to 168 thousand tonnes, and 233 tonnes of rebar was sent for recycling.

WASTE MANAGEMENT

INDICATOR	2018	2019	2020
Construction materials used, tonnes	956,781	1,000,315	1,056,250
Waste generated, tonnes	255,000	202,537	167,938
Hazardous waste (class 1–3)	-	-	-
Non-hazardous waste (class 4–5)	255,000	202,537	167,938
Sent for recycling (rebar), tonnes	n/a	347	233

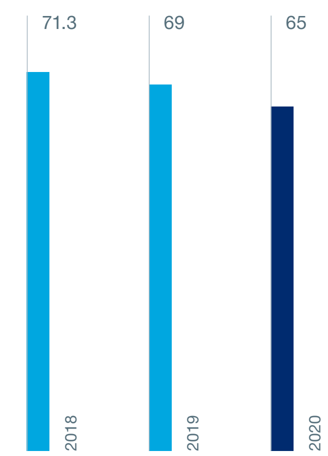
Strict controls by the Company meant that there were no significant spills of pollutants in the reporting year.

PROTECTING THE ATMOSPHERE AND ENERGY EFFICIENCY

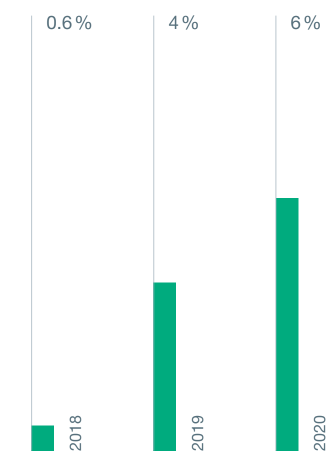
To reduce pollutant emissions—depending on the materials used and the work technology and methods required—after a building's frame is completed, the Company installs dense netting covering all the storeys of the building and covers them with film, or installs double-glazed windows, and workers use special respirators. Dust collectors are installed if necessary, provided for in the working plan. Sanitary protection zones are designed with dust protection in mind. To reduce dust, vehicles' wheels are washed before they leave the construction site.

We no longer use diesel generators for construction, instead using electricity from the municipal grid, which enables us to reduce emissions of nitrogen oxide and small-soot particles into the atmosphere, and to reduce energy consumption. Energy-efficient and long-lasting LED lights are used to illuminate staircases and spaces at construction sites. As a result of these measures, the Company systematically reduced its electricity consumption by 0.6 % year-on-year in 2018, by 4 % in 2019 and by 6 % in 2020[1].

ELECTRICITY CONSUMPTION[1]



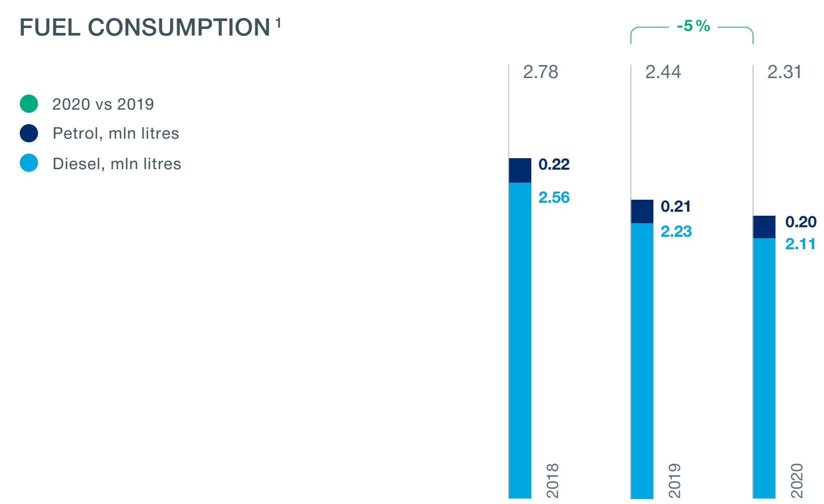
Electricity consumption, mln kW·h



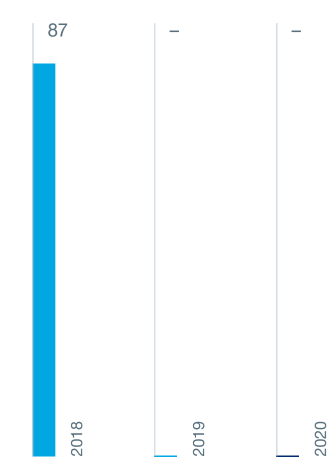
Reduction of electricity consumption year-on-year

Etalon Group strives to reduce its greenhouse gas emissions by cutting fuel consumption as it optimises its logistics routes. This is part of its improvement of its organisational and management structure, as well as its general focus on increasing its operating efficiency. For example, when delivering concrete mixture to a construction site, the closest concrete plants to the construction site are selected, and when removing non-recyclable construction waste, the closest special landfills (specified in the waste management technological regulations) are chosen. This has led to a 5 % year-on-year reduction in fuel consumption[1].

FUEL CONSUMPTION[1]



Fuel consumption, mln litres



Natural gas consumption, ths m³

[1] Production unit data
[2] Information for Etalon Group's main general contractors, Novator and Rekonstruktsiya

NEW TECHNOLOGIES AND METHODS TO REDUCE THE ENVIRONMENTAL IMPACT

The introduction of digital technologies allows us to create more-effective planning solutions, including energy-efficient engineering "stuffing", optimal building design and the most environmentally friendly building materials.

BIM technologies

Etalon Group applies BIM technologies throughout the entire project life cycle. At the design stage, BIM makes it possible to visualise building systems, evaluate various layout options and make them compliant with regulations and standards. The use of BIM software when planning a building's architectural appearance and engineering systems allows for the creation of parametric models with the allocation of distinctive energy consumption zones and heat-insulation structures, which are subsequently included in energy consumption calculation programmes. Designers can thus optimise a building's energy, emissions, raw materials usage and other metrics, while still using technologies that surpass traditional methods in terms of speed and cost. The introduction of standard designs will increase design efficiency by reusing and combining the most successful solutions that have been collected in special digital libraries of structural, facade, engineering and planning solutions, as well as by reducing the risk of human errors.

As part of the standard design implementation, the Company is now preparing a draft proposal for digital building systems for the ZiL-Yug project. These workings will form the basis of a corresponding library, which will be used to create modern projects using the latest digital solutions to ensure buildings are highly environmentally friendly and resource efficient.

CFD modelling

To calculate the optimal parameters of the indoor microclimate, the Company uses three-dimensional CFD (computational fluid dynamics) computer modelling, which makes it possible to predict the main indoor comfort elements: temperature, humidity, high-speed, gas and air flows. CFD modelling provides a complete picture of the air distribution at the initial design stage. This enables us not only to visualise the overall distribution of hydro-gasdynamic flows and the influence of external factors (solar radiation, atmospheric pressure, flows from adjacent rooms or openings, etc.), but also to evaluate parameters of interest to us at any point in the room. All of this information is then used to develop project documentation, and enables Etalon Group to create environmentally friendly and energy-efficient premises with the most comfortable microclimates.

Latest housebuilding technologies and methods

The development and implementation of the latest industrial housebuilding technologies and methods will help reduce the negative environmental impact. The company is developing projects for the application of modular technology and CLT panels[1].

Etalon Group plans to adapt modular housing construction technology to Russian standards. Modular technology has a number of advantages, including environmental ones: it reduces the volume of construction waste, it cuts energy consumption and harmful emissions at construction sites by reducing the construction time by about 40 %, and the design variability allows for the use of the most environmentally friendly solutions in the project, while using wood and metal that can be recycled also reduces the environmental impact.

A construction technology using CLT panels is currently being developed jointly with Segezha Group. This will reduce the environmental impact through highly energy-efficient technology and improved thermal insulation performance. CLT construction will reduce the carbon footprint by cutting CO2 emissions by up to 75 %[2].

The first hybrid technology pilot project is to be developed jointly with Segezha Group. Importantly, the exclusive cooperation conditions meant that we were able to develop a project concept and adapt production to it. Thus, by the time construction begins, all elements will fit our pilot project perfectly.

More detail about the new technologies are provided in the "Strategy" and "Innovation" sections.

[1] CLT (Cross-laminated timber)
[2] European Forest Week (19/11/2019), Stora Enso report "Massive wood construction in Europe on the example of CLT: history & outlook"

GREEN CERTIFICATION

Modern 'green' technologies and methods make it possible to reduce buildings' resource consumption, as well as to cut residents' utility bills. Etalon Group's Silver Fountain and Botanica residential complex projects are certified to the Russian Green Zoom standard[3].

CASE STUDY

Botanica complex—the first facility in St Petersburg certified under the Green Zoom standard.

Etalon Group had already received a platinum Green Zoom certificate for the Silver Fountain residential complex in Moscow. This complex uses progressive engineering solutions and 'green' technologies, including efficient water taps, indoor climate control, air-supply units with heat recovery and the ability to install charging stations for electric vehicles at the request of residents. This means future residents could save up to 37 % on their energy bills. More than a third of the area of the Silver Fountain complex has been allocated for green spaces, and an avenue of limes has been created, which the Company is careful to protect during construction.

As for the Botanica residential complex, which was awarded a gold certificate at the project-development stage, the Company analysed multiple parameters, from the location to the building itself: building materials, internal ecology, innovation, water and energy efficiency, noise insulation, and the level of harmful emissions. The complex has been checked for compliance with requirements for optimising resource consumption and reducing negative impacts on health and the environment. Energy modelling showed that the solutions applied increased the facility's energy efficiency by 43 % compared to similar facilities where an environmental approach was not applied. And residents of the eco-homes will garner all of the benefits in several areas at once.

For example, the latest engineering systems mean that future residents will be able create an independent microclimate within their home. Climatic valves on the windows will provide fresh air without needing to open the windows, and will protect against draughts and street noise. The ventilated facade will allow residents to keep warm with less frequent reliance on heating appliances.

In addition to comfort and economy, the property's green system considers the local ecology. Energy modelling has shown that carbon dioxide emissions from Botanica's buildings are 33 % lower. And the complex's buildings are equipped with an additional system of drinking water purification and filtration.

The project's eco-ideology will also be reflected in improvements to the local area, where a unique landscape project has been created: there is a green boulevard and an alley of trees, bushes and various grasses. Quiet courtyards, paths, flowerbeds, and sports and recreation grounds provide a neat continuation of the eco-concept.

[3] Green Zoom is a Russian system for certifying real estate according to their energy efficiency and environmental standards

PEOPLE

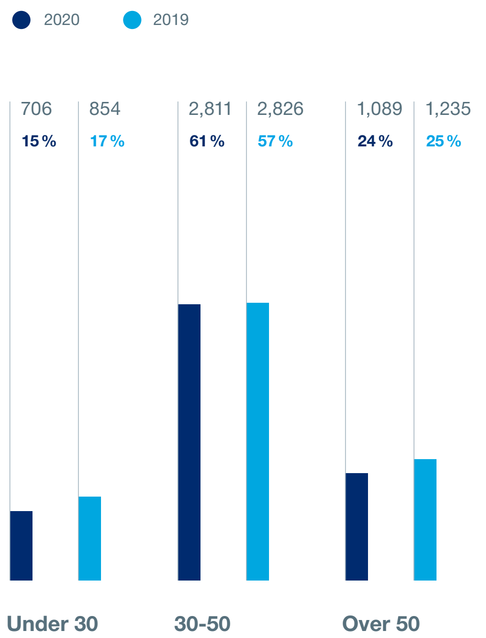
People—employees, partners and customers—have been the focus of Etalon Group's attention for more than 30 years. Everyone connected with Etalon Group's story has made their own individual contribution to it. Our more than 4.5 ths co-workers know what is important to our clients. The experience, views and culture of each one of our employees and partners help us change for the better every day and improve the quality of life for our customers—creating a modern living environment that is a comfortable and pleasant space in which to live and work.

EMPLOYEES

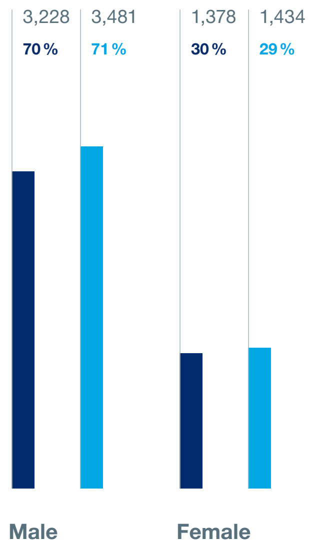
4,606
TOTAL ETALON GROUP HEADCOUNT IN 2020

4,915
TOTAL ETALON GROUP HEADCOUNT IN 2019

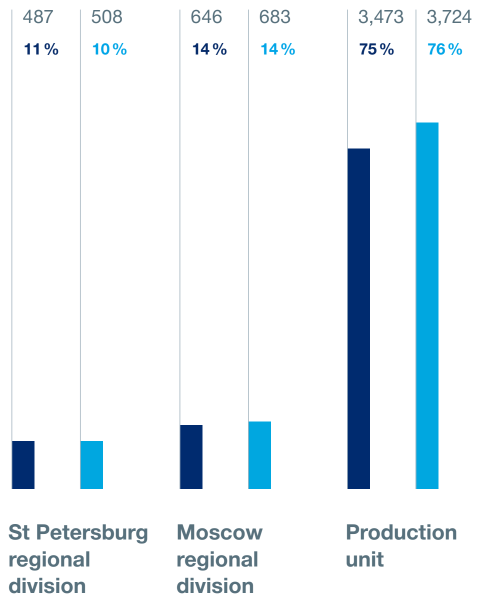
WORKFORCE AND BREAKDOWN OF EMPLOYEES BY AGE



NUMBER AND PERCENTAGES OF MEN AND WOMEN



NUMBER AND PERCENTAGES OF EMPLOYEES IN MOSCOW AND ST PETERSBURG



APPROACH TO PERSONNEL MANAGEMENT

At the Group level, we adhere to the following principles:

- maintaining the health and safety of personnel;
- providing all employees with equal opportunities and fair remuneration, depending solely on each employee's contribution to the Company's development;
- maintaining open dialogue with employees;
- supporting professional development and employee engagement

Etalon Group's human resources management system includes personnel services at the management company level, headed by the Vice President for Human Resources, as well as personnel services at our subsidiaries.

At the management company, the focus is on developing and implementing company-wide personnel policies and processes.

The Vice President for Human Resources oversees the work of the Heads of HR administration, selection and training, compensation and benefits, who are responsible for developing and implementing policies at Etalon Group subsidiaries.

At the subsidiary level, personnel management is carried out by personnel services responsible for the recruiting, induction, training and maintenance of personnel records.

Our personnel management strategy focuses on improving efficiency by recruiting, developing and retaining talented employees. This strategy involves the following aspects:

- maintaining an effective incentive system;
- developing human resources;
- maintaining a healthy corporate culture;
- maintaining a policy on avoiding conflicts of interest;
- offering excellent customer service and developing the skills of Etalon Group employees through training programmes;
- updating existing corporate HR documents in line with the situation in the labour market.

This approach enables us to improve incentives for existing employees and make Etalon Group a more attractive employer for job seekers.

PERSONNEL MANAGEMENT POLICY

The following documents outline the basic principles and mechanisms of the Company's personnel and social policies:

- The Regulation on Remuneration, Bonuses and Benefits and the Regulation on Etalon Group Corporate Awards govern the system of remuneration and non-financial incentives for employees.
- The Corporate Labour Policy and the Regulation on Business Trips determine the basic principles for working arrangements.
- The Regulation on Employee Orientation outlines the Company's approach to the integration of new employees.
- The Regulation on Recruitment and the Regulation on Staff Training and Development, prepared and approved in 2020, determine the mechanism for the selection of personnel and the approach to organising employee training and development.

Etalon Group's human resources function is responsible for implementing and monitoring the HR policy for the entire Company.

The key principles of corporate ethics, including the policy of avoiding conflicts of interest, and also on combating corruption and fraud, are reflected in Etalon Group's Code of Corporate Ethics and in the Regulation on Etalon Group's Fraud, Corruption and Theft Prevention Hotline. Both documents are described in more detail in the "Business conduct" section.

The Occupational health and safety policy and system are discussed in more detail in the "Occupational health and safety" section.

STAFF DEVELOPMENT

Etalon Group provides its employees with a variety of opportunities for professional and career development:

- Competitive salaries and career planning
- Performance-based financial awards
- Training and continuing education programmes

The Company invests in training its employees either through third-party educational platforms or the development of in-house programmes and workshops adapted for specific objectives or in response to staff requests. Training is offered in various fields: finance, personnel management, sales, law, economic and corporate security, and IT. Professional development programmes promote efficiency, team-building and the shared attainment of the Company's strategic goals. We encourage personnel to aspire to improve their qualifications: we often cover some or all of the costs of training that employees themselves choose in order to increase their value as professionals. In 2020, the Company covered some of the costs for the training of 40 employees in programmes beyond in-house training.

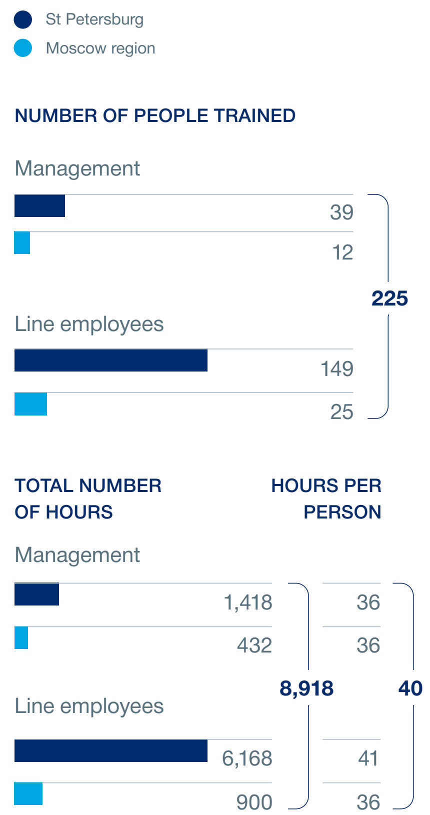
In addition to improving the qualifications of employees in the usual fields, such as business and tax accounting, finance, project management and personnel management, the Company paid particular attention in 2020—in connection with the introduction of digital architecture for all business processes and improvements to the sales system—to training programmes associated with digital technologies, focusing on Autodesk Revit software in particular, as well as training in the field of IT and marketing. In order to ensure that our team has the skills needed to achieve our strategic goals, we have focused on training programmes in areas like data science, data management and analysis, software and IT product management and application interfaces. Some of the specific topics included UX analytics, content marketing, SMM and customer service.

Annual workshops and training courses on Occupational health and safety are an important part of training. In 2020, 225 Etalon Group employees took part in such courses. These training courses are discussed in more detail in the "Occupational health and safety" section.

In connection with measures to prevent the spread of COVID-19, Etalon Group made an effort to take advantage of available opportunities for remote learning during the reporting year in order to maintain the professional skills of its workforce, including distance learning programmes and resources available through its corporate portal. In those professional fields where remote learning is either impossible or ineffective, the Company took all necessary measures to arrange safe in-person training to the extent necessary to maintain a high level of workplace safety at the Company's facilities.

In expanding the opportunities available for distance learning through its own platform, Etalon Group launched a project in 2020 to create a specialised corporate portal for training and development intended for both Company employees and training partners. The project is expected to be completed in 2021.

OCCUPATIONAL HEALTH AND SAFETY TRAINING IN 2020



STAFF TRAINING

	2020			2019		
	NUMBER OF PEOPLE TRAINED	NUMBER OF HOURS	NUMBER OF HOURS PER PERSON	NUMBER OF PEOPLE TRAINED	NUMBER OF HOURS	NUMBER OF HOURS PER PERSON
EMPLOYEE CATEGORY:	504	16,150	32	974	33,289	34
Management	172	5,870	34	257	9,883	38
Line employees	332	10,280	31	717	23,406	33
GENDER						
Female	184	4,433	24	311	6,990	22
Male	320	11,717	37	663	26,299	40

DEVELOPING OUR POTENTIAL WORKFORCE

In order to ensure that we are able to recruit and retain qualified personnel, Etalon Group uses various platforms to search for and hire employees.

We also work with specialised universities to ensure that specialists have the necessary skills for a potential career with Etalon Group. Our main source for recruiting is online job search services. These provide the largest pool of potential candidates and the ability to identify potential employees for a wide range of positions.

Etalon Group often uses social media platforms, such as LinkedIn to search for IT specialists, narrow-profile specialists and creative professionals such as designers, social media and online marketing professionals. In order to recruit young specialists, we cooperate with universities. Many educational institutions have their own employment services that can recommend successful students to leading companies like Etalon Group.

In order to provide the construction industry with qualified personnel, Etalon Group cooperates with leading specialised universities, including St Petersburg State University, Peter the Great St Petersburg Polytechnic University and St Petersburg State University of Architecture and Civil Engineering (GASU). The company hosts guest lectures and job fairs and takes part in other events on university campuses.

We also run an internship programme, which offers future construction specialists the opportunity to gain experience both in the office and at construction sites.

Since 2015, round tables have been held in the Department of Construction Project Management at the St Petersburg State University of Architecture and Civil Engineering involving GASU faculty and students, as well as experts from Etalon Group. In addition, educational programmes have been established, methodological materials developed and lectures given for bachelor's and master's students at GASU. Students are given opportunities at Etalon Group to undergo practical training, to complete internships for the implementation of business cases and to conduct research within the Company's business units.

As part of its cooperation with universities, Etalon Group signed an agreement with the National Research Moscow State University of Civil Engineering (NRU MGSU) on 18 November 2020 for the development of long-term cooperation related to education and scientific research. The Company agreed with NRU MGSU on targeted training and professional development for specialists assigned by Etalon Group, on the joint development of advanced educational programmes and on academic staff exchanges. In addition, the Company and NRU MGSU plan to cooperate on scientific research related to the introduction of new materials and technologies: specialists from the university and from Etalon Group will work together to solve problems in the field of analytics and standard-setting, to carry out survey and design work and to conduct applied scientific research in various fields, including with the participation of young scientists.

This sort of interaction with educational institutions enables Etalon Group to contribute to the education of young specialists, while also offering top graduates an opportunity to work for the Company.

In addition to direct cooperation with universities, In 2020, Etalon Group became the General Partner of the Changellenge>> Cup Russia Case Championship. This is the largest case championship in Russia and the most prestigious in the Changellenge>> case league line-up. The competition involves solving urgent business problems and helps the participants (students and recent graduates) to study business processes in several industries in just three weeks and to understand the areas where they are most interested in working. Etalon Group presented its own case at Changellenge>> Cup Russia, showcasing ZIL-Yug, which one of our largest development projects. This project involves using the smart city concept to create a new multifunctional urban zone covering an area of more than 100 hectares. Participants in the first round of the championship worked on this case, and submitted over 150 solutions for the case, 11 of which reached the semi-finals. The Company participated in this event with the goal of finding talented young people with systemic knowledge and energy.

Etalon Group has been running an orientation programme for new employees for more than five years, helping them integrate into their new team and acquire the skills they need, while also teaching them about the Company's history and activities, corporate values and standards of behaviour. Each new employee is assigned a mentor, who monitors the employee's work, provides feedback and also prepares interim and final assessments of their work.

We aim not only to ensure our employees' professional development but also to establish a healthy workplace atmosphere and a close-knit team. As part of these team-building efforts, Etalon Group organises various sporting events for employees and takes part in athletic competitions held within the Sistema ecosystem and in local team sporting events, such as the Construction Workers Spartakiad, which St Petersburg has been hosting since 2003. Several Company employees have had a band called Etalon Group since 2019.

ORIENTATION PROGRAMME FOR NEW EMPLOYEES

NUMBER OF EMPLOYEES TAKING PART IN THE ORIENTATION PROGRAMME	2020	2019	2018
St Petersburg	61	109	86
Moscow	163	94	80
Production unit	120	112	112
TOTAL	**344**	**315**	**278**

Many educational institutions have their own employment services that can recommend successful students to leading companies like Etalon Group.

ETALON GROUP SOCIAL POLICY

Taking care of the health and safety of our employees is our top priority

In addition to the proactive steps to create a safe working environment and prevent injuries at construction sites detailed in the "Occupational health and safety" section, we also devoted significant time and effort in the reporting year—due to the outbreak and spread of the coronavirus—to arranging safe working conditions for our office employees.

We had to respond to the new situation quickly and in a flexible manner: we introduced face-mask requirements and temperature checks, set up an on-site doctor's office and gave due consideration to spatial organisation and the movement of staff. Older employees and those with conditions that increased their risk of infection and severe illness, and later all other line employees, worked remotely form April to August 2020 and from October 2020 to February 2021. In addition, more than 1,000 Group employees were insured in 2020, through a programme that provided compensation in case of a positive COVID-19 diagnosis.

In addition to COVID insurance, Company life and health insurance programmes for staff remained in place, covering more than 2.5 thousand people.

The life insurance programme provides around-the-clock life insurance for both white- and blue-collar personnel. Etalon Group provides accident insurance for employees working at construction sites and for those employees with high-risk jobs.

We provide employees with access to quality healthcare and encourage active lifestyles. As part of the employee benefits package, Etalon Group offers an additional private health insurance programme, which 2,029 Company employees took part in last year.

Etalon Group strives to improve its employees' quality of life

Through partnership programmes, discounts are available to Company employees for insurance services, medical services, fitness club memberships and educational programmes at an online language school. In addition, we offer employees the opportunity to purchase apartments at a discount, the size of which depends on the employee's service time with Etalon Group.

The Company supports employees in difficult life situations. In addition, Etalon Group provides financial assistance to employees who retire from the Company, as well as to existing employees when they have a child. In 2020, 184 Company employees received financial support, with the total amount of payments coming to more than RUB 9 million (compared with 224 people and RUB 10 million in 2019).

In 2020, payments for employees on sick leave and maternity leave amounted to RUB 79.6 million, compared with RUB 61.9 million in 2019. Employees who devote many years to Etalon Group and make a significant contribution to the Company's development receive a corporate pension. The number of people receiving such a pension, 44, has not changed over the last three years.

2,029

EMPLOYEES TOOK PART IN ADDITIONAL PRIVATE HEALTH INSURANCE PROGRAMME

184

EMPLOYEES RECEIVED FINANCIAL SUPPORT

EMPLOYEE LIFE AND HEALTH INSURANCE

NUMBER OF EMPLOYEES TAKING PART IN THE LIFE AND HEALTH INSURANCE PROGRAMME	2020	2019	2018
St Petersburg	483	506	489
Moscow	602	683	339
Production unit	1,500	1,500	1,466
TOTAL	2,585	2,689	2,294

HEALTH INSURANCE PROGRAMMES

NUMBER OF EMPLOYEES TAKING PART IN HEALTH INSURANCE PROGRAMMES	2020	2019	2018
St Petersburg	483	506	437
Moscow	602	683	376
Production unit	944	1,200	1,168
TOTAL	2,029	2,389	1,981

FINANCIAL ASSISTANCE TO EMPLOYEES

MLN RUB

PAYMENTS	2020	2019
Death of a close relative	4.1	3.0
Birth of a child	3.5	3.9
Other	1.6	3.3
TOTAL	9.2	10.2

EMPLOYEE EVALUATION AND REMUNERATION POLICY

Etalon Group adheres to the principle of providing decent wages, which are based solely on each employee's value to the Company and also provide motivation for the achievement of business goals. The Company:

- provides employees with clear and fair remuneration that contributes to the achievement of Etalon Group's goals;
- applies a unified, systematic approach to the remuneration of all employees in all Etalon Group companies;
- determines remuneration based on achievement of Etalon Group's operational and strategic goals and the specific results of the work of each employee;
- creates conditions for employees to set ambitious goals and to take responsibility for the achievement of those goals.

Remuneration for Etalon Group employees consists of a base salary, bonuses, non-financial incentives and various benefits. We study salary scales every year, which helps us pay salaries at market levels, i.e. higher than median wages.

We also strive for an open and honest dialogue with employees, meaning two-way communication about working arrangements, job performance and professional growth, as well as important corporate issues. We notify employees at least eight weeks in advance of significant operational changes that could affect them.

The Company's line employees receive regular feedback from their immediate supervisor. The Company periodically conducts research and surveys among its employees to assess their satisfaction and performance. Another 360-degree survey was conducted In 2020, to assess 29 executives (14 women and 15 men) in the Group's main business units in Moscow and St Petersburg. About 110 Company employees took part in the survey.

EQUAL OPPORTUNITIES

Etalon Group is committed to the principles of the UN Global Compact, which call on companies to support and observe the provisions enshrined in the Universal Declaration of Human Rights.

The Company adheres to a policy of zero tolerance for discrimination on the basis of age, skin colour, ethnicity, sex or any other basis and makes every effort to ensure that career opportunities at Etalon Group depend solely on an employee's personal and professional qualifications. All Etalon Group companies strive to maintain a corporate culture based on mutual respect and the active participation of all employees in the life of the Company.

Despite the specific nature of the industry, women account for around 30 % of managers at all levels within Etalon Group. At the same time, the percentage of women in managerial positions in 2020, was even a little higher than in the Group as a whole: 31.4 % versus 29.9 %. In the Group's management company, women account for almost half the management team: 34 of 69 executives.

The composition of the Board of Directors changed in 2020: it now includes nine members, including two women.

ETALON GROUP MANAGEMENT

NUMBER OF MANAGERS AT ALL LEVELS	2020 NUMBER	2020 PERCENTAGE	2019 NUMBER	2019 PERCENTAGE
AGE				
Under 30	78	8 %	93	9 %
30–50	752	72 %	719	67 %
Over 50	208	20 %	260	24 %
GENDER				
Female	326	31 %	339	32 %
Male	712	69 %	733	68 %
TOTAL	**1,038**		**1,072**	

PERCENTAGE OF WOMEN AMONG ETALON GROUP EMPLOYEES IN 2020

	ST PETERSBURG	SHARE, %	MOSCOW	SHARE, %	PRODUCTION UNIT	SHARE, %	TOTAL	SHARE, %
MANAGERS								
Female	79	40 %	88	39 %	159	26 %	**326**	**31 %**
Male	119	60 %	135	61 %	458	74 %	**712**	**69 %**
LINE EMPLOYEES								
Female	199	69 %	257	61 %	487	50 %	**943**	**56 %**
Male	90	31 %	166	39 %	482	50 %	**738**	**44 %**
BLUE-COLLAR WORKERS:								
Female					109	6 %	**109**	**6 %**
Male					1,778	94 %	**1,778**	**94 %**

WORK-LIFE BALANCE

The Company recognises the importance of a reasonable balance between one's work and one's personal development. We give our employees the opportunity to successfully combine their work and family responsibilities. In 2020, 93 Etalon Group employees, including five men, took advantage of the right to parental leave, compared with 87 employees a year earlier; 34 employees (31 women and 3 men, compared with 65 employees in 2019) returned from parental leave and are still working for the Company.

If necessary and if the nature of their work permits it, we also allow our employees to work on an individual schedule or remotely. In 2020, 95 Company employees (60 women and 35 men) worked on an individual schedule, either remotely or part-time.

CUSTOMERS

Etalon Group targets middle-class customers who seek improved living conditions for themselves and their families. The vertical integration of the business allows the Company to engage in two-way communication with customers regardless of where they are in their relationship with us – whether searching for an apartment or living in finished buildings that we service.

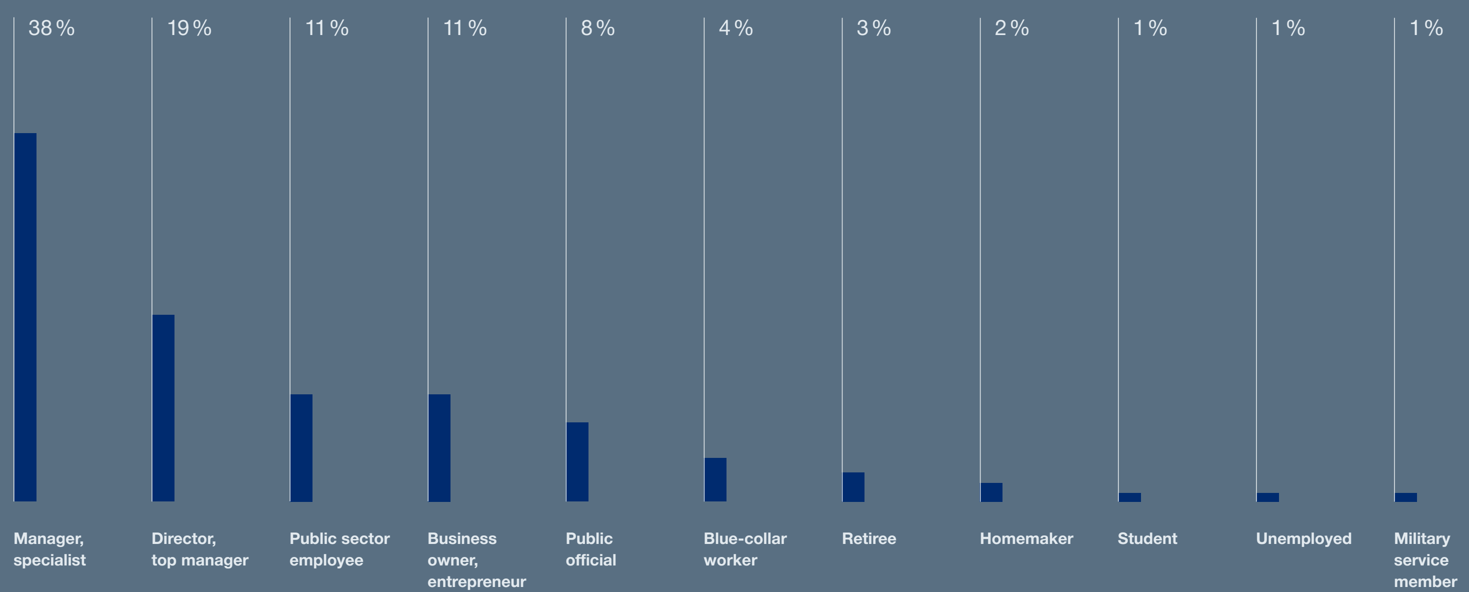
We use feedback from nearly 350,000 existing and potential customers to constantly improve our product, service quality and range of services.

42
AVERAGE CUSTOMER AGE

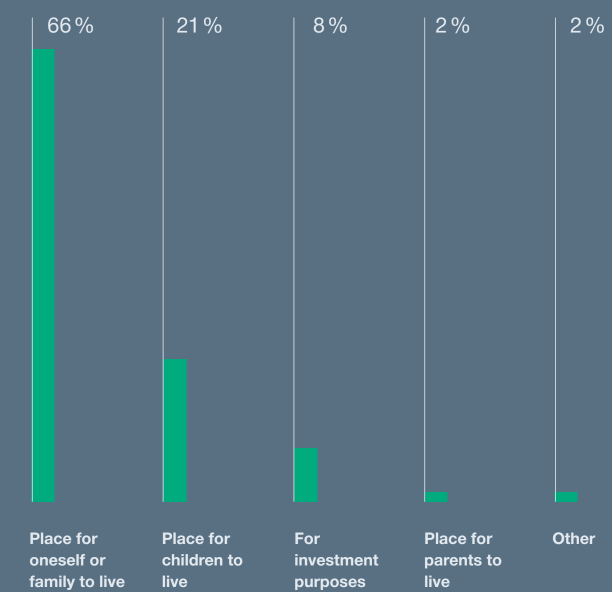
CUSTOMER PROFILE[1]

ST PETERSBURG

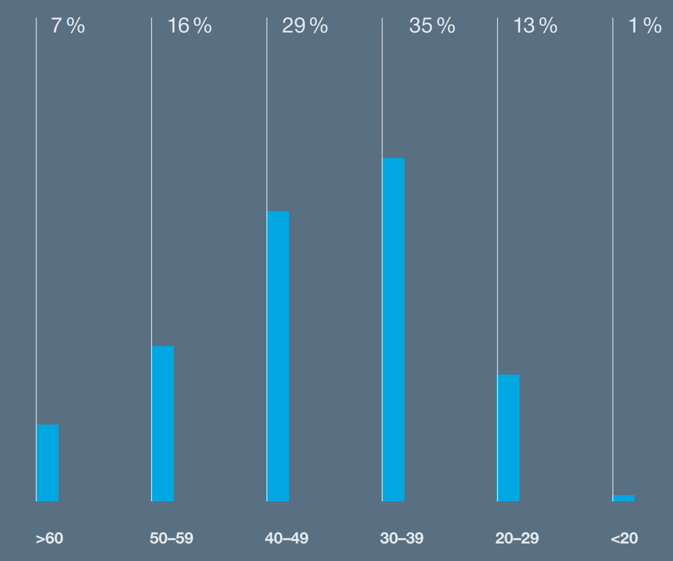
OCCUPATION



PURCHASE MOTIVE

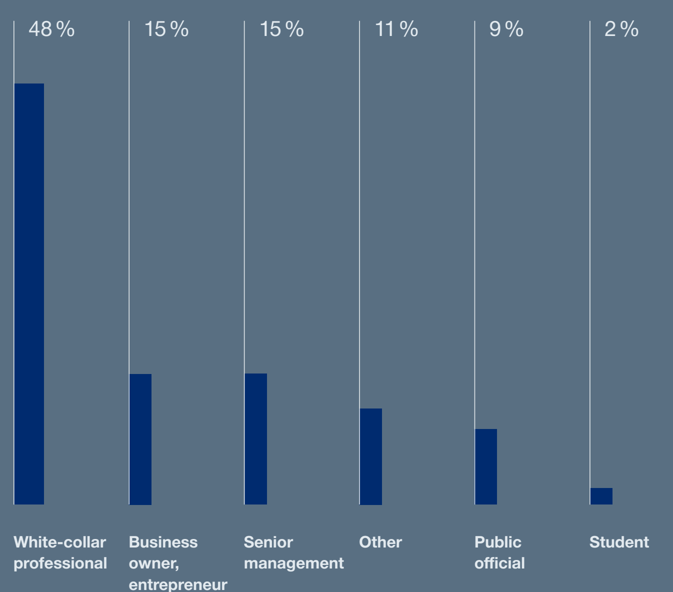


AGE

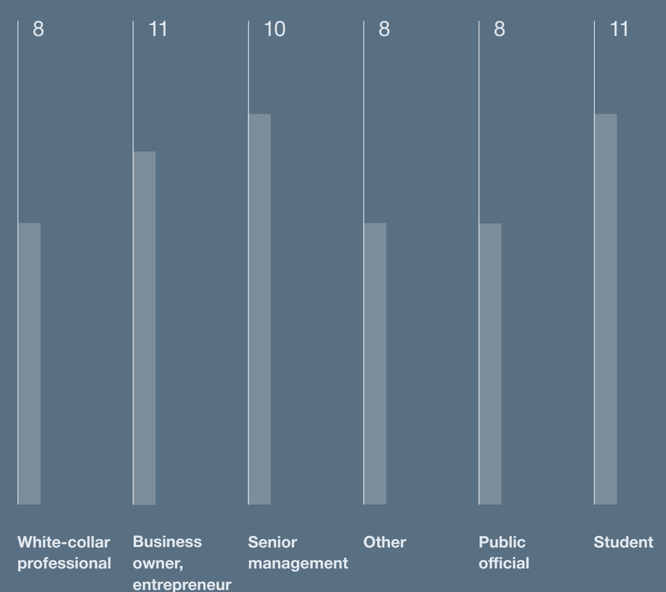


MOSCOW

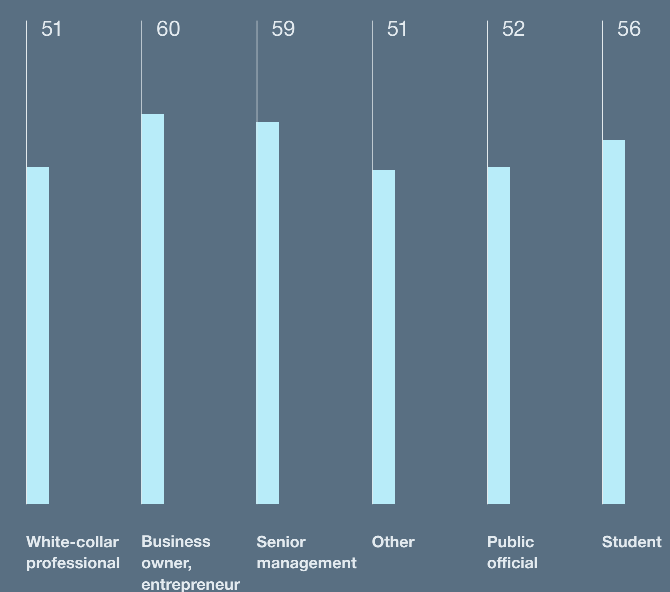
OCCUPATION



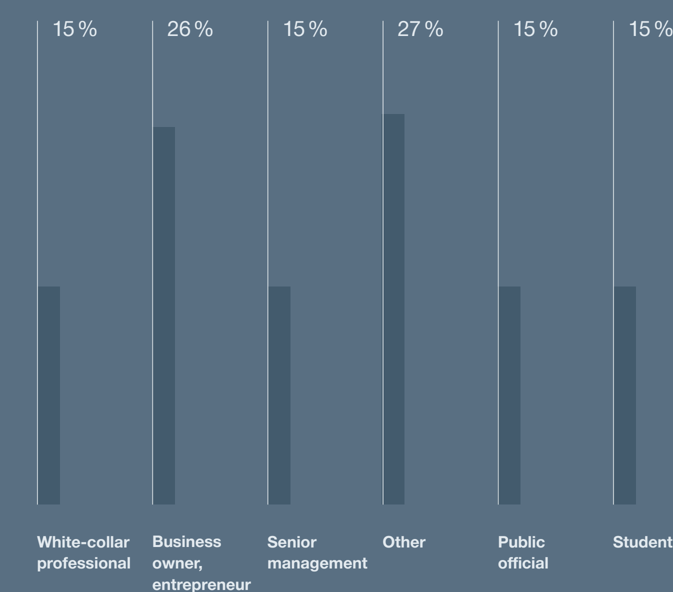
PURCHASE BUDGET, MLN RUB



AVERAGE AREA OF ACQUIRED PROPERTY, SQM



REPEAT PURCHASE RATE



1 Etalon Group data

WORKING WITH CUSTOMERS

Etalon Group takes a customer-oriented approach to doing business. We work to understand what is important for our current and potential customers, creating not just homes but also a comfortable living environment for them.

When restrictions were introduced to combat the spread of COVID-19, Etalon Group took every possible measure to ensure that the situation did not affect the residents of our buildings or the provision of utilities. The service company began actively developing remote communication services and focused on phone calls and requests sent via e-mail. Inquiries were accepted as usual (24 hours a day), and all requests and questions were processed in full.

Additionally, in taking care of residents' health, the Company began applying comprehensive disinfection measures in residential complexes during the first days of the pandemic response. We regularly disinfect entrances, vestibules, corridors, elevator halls and cabins, staircases, and contact surfaces. The following were cleaned at least three times per day—door handles, switches, handrails, railings, mailboxes, windowsills, elevator buttons, mirrors, and intercoms.

Etalon Group not only strives to maintain a high level of service for its residential complexes, but we also seek to better understand the needs of our target customers for continuous improvement of projects and services. The Company carefully studies the preferences and needs of its target customers through a hotline, call centres and the Etalon My Home mobile app. Inquiries and feedback from customers are received, and products and services are developed on the basis of this information. From the evolution of our product to our sales, promotion and follow-up service, we draw on customers' requirements to create the best product and customer experience.

In 2020, we received over 5,000 inquiries, which helped us identify strengths and areas for potential growth. In addition to feedback from existing customers, the Company also worked with Celebrium-X to conduct an urban study of product preferences exhibited by buyers of comfort- and business-class apartments in Moscow.

24/7

SECURITY IS A SOUGHT AFTER-FEATURE AT OUR PROJECTS

The purpose of the study was to learn about the attitudes and preferences of potential customers regarding more than 157 characteristics of modern housing. The study assessed three key indicators: the importance and desirability of each feature, as well as respondents' willingness to pay for a feature.

The results of the study showed that **safety** is a common value for all groups of business-class homebuyers. Everyone is willing to pay extra for a lighted courtyard, everyone understands the additional costs of providing 24/7 security, and the overwhelming majority agree with an increase in the cost of an apartment if the residential complex has a face recognition system at the entrance to the grounds and a 24/7 concierge service.

Another common denominator for consumers is a **smart home system**. Almost all respondents agree (confidence score of 69–75) that this option costs extra money, and they are willing to pay extra.

Variety and **availability** of choice are seeing increased demand among customers. There is growing demand for mixed types of residential spaces, where there is an opportunity to develop new economic and creative industry clusters—for example, modern studios where you can live and work (light industrial) or office space for small businesses on the ground floors of buildings in which employees of such companies live and work.

Studying the needs of target customers helps us to take a strategic approach to product and customer service development.

FURTHER PRODUCT AND CUSTOMER SERVICE DEVELOPMENT

One of the most important elements of our strategy involves creating the best customer experience throughout the customer journey.

We are actively improving the interface of our sales website and customer dashboard, creating new channels of interaction and opportunities to provide feedback on our product. In addition, we are devoting particular attention to Etalon My Home, our mobile app, which was created for residents of our complexes.

This app should become the basis for increasing our customers' engagement regarding questions concerning further product improvement. Here we plan to expand the range of added services in cooperation with new partners. We believe that increasing customer engagement through added services will create more opportunities for us in terms of increased share of repeat purchases and an influx of new customers.

We are considering combining sales and service infrastructure into a single user-friendly interface in the coming years. Residents of the complexes we have built will always see current offers in their app. When purchasing an apartment, they will earn bonuses that can be used when ordering finishing work from the Company, which can also be used for additional services, such as plumbing installation, window washing and dry cleaning. After a home is put into service, the app will receive a push notification about the possibility of receiving the keys and carrying out a final home inspection. The process can also be carried out online by sending all comments through the app.

As a result, we will significantly increase our customer value and satisfaction, which will allow us to secure an influx of new customers looking to buy housing in our complexes and to fulfil our plans to increase the scale of the business.

SOCIAL RESPONSIBILITY

Etalon Group and its customers understand that the concept of housing quality is now inextricably linked with the quality of the surrounding area. For many years, we have been investing in creating comfortable surroundings and playing an active role in the development of local communities: we develop multifunctional projects and social infrastructure facilities, preserve and reconstruct historical monuments, support charitable programmes and organise cultural and sporting events.

DEVELOPMENT OF SOCIAL INFRASTRUCTURE

390

CHILDREN
TOTAL CAPACITY OF EDUCATIONAL FACILITIES DELIVERED BY ETALON GROUP IN 2020

Given the nature of our business, the construction of schools, preschools, medical facilities and other social infrastructure is one of the key aspects of the development of local communities.

In St Petersburg, the Company completed three preschool—built within the Galactica residential quarter—designed for a total of 200 pupils, and began construction of another, three-storey preschool for 220 pupils with a total area of more than 5 thousand sqm, a swimming pool, a music room, a gymnasium, playrooms, sleeping rooms, a medical station and a curriculum office.

In 2020, Etalon Group also received permits for the construction of a school for 825 pupils as part of the Galactica project.

In addition, the Company completed the construction of a preschool in 2020, at the House on Kosmonavtov residential complex as well as a preschool for 140 children at the Okhta House residential complex; the Company also handed over to the city a preschool with places for 80 children built as part of the Fusion residential complex.

In the future, new preschools will appear in other Group residential complexes as well: in 3Q 2020, the Company received permits for the construction of a preschool at the House on Blyukhera residential complex and another at the Petrovskiy Landmark residential complex.

In Moscow during the reporting year, Etalon Group received a statement of conformity with requirements for the design documentation for a preschool building at the Etalon City residential complex. The preschool was delivered in January 2021.

The modern three-storey building with an underground service floor has a total area of 3 thousand sqm. It can comfortably accommodate nine groups of 25 children aged 3–7. Thus, a total of 225 children can attend the new preschool. In addition to sleeping rooms, dressing rooms, canteens

and lavatories, the new preschool also has rooms for sports and music, as well as medical facilities. The closed landscaped grounds include playgrounds with awnings to offer protection from rain and snow.

A school for 625 pupils will also be built on the grounds of the project. In 2019, the initial design of the building was revised at the initiative of the developer, and the total area of the school was increased from 6.2 thousand sqm to 10.8 thousand sqm to ensure that there would be a sufficient amount of educational infrastructure for the residents of the Etalon City residential complex. Etalon Group began construction in September 2020 and expects to complete the facility by the end of 2021.

In addition to classrooms, the four-storey building will house two gymnasiums with dressing rooms and showers, a state-of-the-art assembly hall with 375 seats, a dining hall with 313 places and its own kitchen, and a medical station. For children with disabilities, the school will have an elevator with an enlarged cab. With high ceilings, daylighting and additional windows in the classrooms that open onto an inner atrium, the classrooms will be illuminated by a large amount of natural light.

As part of the comprehensive improvement project, the grounds adjacent to the new school will be equipped with sports grounds covered with rubber surfaces, horizontal bars and exercise equipment and a grass football field; trees and bushes will be planted, and a network of walking paths will be arranged to connect the school grounds with the surrounding residential buildings.

In addition to building schools as part of its projects, the Company also helps expand and improve the social infrastructure in the cities where it operates. In August 2020, a ceremony took place to mark the grand opening of the Pierre de Coubertin Lyceum No. 211, in the Central district of St Petersburg. The renovated Lyceum was reopened after its first major overhaul in the school's 160-year history. Etalon Group assisted with the procurement and installation of educational equipment: the Lyceum now has smartboards, screens for an information area, equipment for music rooms and chemistry labs, and much more.

Educational infrastructure is one of the key added values of our projects and one of the basic conditions for creating a comfortable urban environment; therefore, despite the objective difficulties and restrictions associated with the pandemic, Etalon Group has paid and continues to pay special attention to these facilities.

In 2020, Etalon Group delivered five educational institutions for children with a total area of over 7 ths sqm; three preschools for 470 pupils and two schools for 1,450 children are under construction.

PRESERVATION OF CULTURAL AND HISTORICAL HERITAGE

Etalon Group is always cautious in its approach to the history of the locations where its residential complexes are built.

For example, the Company plays a role in the construction of monuments dedicated to Russian military veterans and in the preservation of cultural heritage. Every year, the Company pays tribute to veterans of World War II and hosts commemorative events involving the residents of its residential complexes.

In January, just before the anniversary marking the lifting of the siege of Leningrad, Etalon Group helped organise events for veterans, homefront workers and inhabitants of the besieged city. Company employees visited a branch of the Russian Red Cross, where they greeted veterans and presented them with flowers and gifts. The next day, at Utkina Zavod, Etalon Group employees and students from school No. 690 laid flowers at the memorial to the heroic defenders of Leningrad near the Swallow's Nest residential complex. The memorial, which students have been looking after for several years, was erected by the Company in 2013.

Through its development projects, Etalon Group strives to preserve cultural heritage sites and to make them new focal points for the development of modern, advanced and multifunctional urban spaces.

One successful project that has managed to preserve the historical heritage and breathe new life into the area is the Silver Fountain business-class residential complex, which the Company is building in Moscow on the site of the former Alekseevskaya water-lifting station. The carefully reconstructed 19th-century Gothic industrial buildings and the historical Wallace Fountain have become the central attraction in the public space surrounding the modern residential complex.

In 2020, the Silver Fountain residential complex was named the winner at the seventh NOPRIZ International Professional Competition in the following categories:

- "Best Project for the Improvement and Creation of a Comfortable Urban Environment"
- "Best Premium Residential Property Project"
- "Best Project for the Restoration (Reconstruction) of a Cultural Heritage Site"

DEVELOPING LOCAL COMMUNITIES

Etalon Group strives to create a comfortable environment for living and for recreation, while also encouraging good relations between residents.

Events and initiatives to strengthen communities

The company holds events to celebrate the New Year, Knowledge Day, Cosmonautics Day, Victory Day and Maslenitsa, and it also arranges sporting events. In addition to celebrations and subbotniks on the grounds of residential complexes, a number of initiatives and actions were held remotely In 2020, in connection with the pandemic.

For example, the Company held photo contests called "Summer Petersburg", "Pets of Etalon" and "An Etalon-Style New Year". With restrictions on public events in place, Etalon Group together with the Usadba Deda Moroza amusement park and the Moscow City Park installed a large number of Santa Claus mailboxes at its residential complexes in Moscow and St Petersburg to create a holiday atmosphere for its customers.

During the pandemic, Etalon Group took part in initiatives aimed at encouraging people to follow the regulations on self-isolation and to support those who, during this difficult period, were working in order to ensure our safety and comfort. The hashtag #ostavaisyadoma ("stay home") appeared on billboards and in Etalon Group's social media accounts. The developer showed solidarity with companies that placed calls in their ads for people to stay home, shop online, take care of their health and practise good hygiene.

A large number of residents took part in the "Spasibo" ("Thank You") campaign organised by the Company at the Emerald Hills residential complex to thank doctors; at the appointed time, residents went out onto their balconies and shouted "Thank you!" This sort of good-neighbourliness is gratifying and inspiring.

We also took part in Mail.Ru's Dobro initiative and offered residents of our properties help delivering food to elderly neighbours who were in self-isolation because of the COVID-19 pandemic. Several action groups from Etalon's residential complexes responded to the call and disseminated information to their neighbours.

COMMUNITY DEVELOPMENT PROGRAMMES

	2019	2020
Number of events/programmes	2	17
Amount invested in the development of local communities, RUB ths	871	3,821

DEVELOPING LOCAL COMMUNITIES (CONTINUED)

3.8

MLN RUB INVESTED IN THE DEVELOPMENT OF LOCAL COMMUNITIES IN 2020

Creating comfortable surroundings

Etalon Group pays careful attention to the improvement of its residential complexes, planning out in detail the location of walking trails, recreation areas, sports facilities and playgrounds, garden squares and green areas on the grounds of its properties. On the grounds of the Etalon City project in Moscow, for example, a small private botanical garden was built for a large variety of plants; signs indicating their names were added so that the residents of the complex can not only admire the trees and shrubs but also learn more about them.

At the Wings residential complex, another Company project, there will be accessible terraces on the upper floors of the towers with observation decks, an amphitheatre for holding open-air public events, a photo studio in the form of a covered pavilion, recreation and business areas and an entire park filled with convertible spaces that, depending on the needs of residents, can be turned into a co-working space, an outdoor cinema, an educational centre, meeting rooms or playrooms for children.

In its development of the state-of-the-art, multifunctional ZiL-Yug residential quarter, Etalon Group's flagship project in Moscow, the Company employed the concept of participatory design and launched the Generation Zil media platform and urban planning lab in order to involve a wide range of the Russian and international expert communities as well as Moscow residents in discussions on the future of the ZiL-Yug grounds. Workshops and discussions at the Generation Zil urban planning lab are helping with the formulation of the best approach to combining various typologies for development, public spaces, social infrastructure, transport and pedestrian links, and with the creation of a modern district that will meet the needs of new generations and offer a comfortable place to live, work and relax seven days a week at any time of the year.

In the spring and summer, the Company has traditionally undertaken landscaping and beautification work on the grounds adjacent to its residential complexes. In addition to planting trees and flowers in newly built residential properties, Etalon Group began the first stage of its greenspace expansion in Linear Park at the Galactica project, where about a dozen species of trees and bushes were planted.

CHARITY

Etalon Group provides charitable assistance to cultural institutions, donates funds for the restoration of churches, finances sports and recreational activities, and supports charitable foundations.

The Company has been supporting the Gift to an Angel fund and the Dobroshrift project for several years. In the reporting year, the Group also helped finance projects run by the Sistema and Detsky Kino-May foundations as well as a project of the Russian Rugby Federation aimed at developing and popularising rugby in the country.

In addition, an Etalon Group team took part in the AdVita foundation's "What? Where? When?" charity cup competition. All funds raised from the competition were used to pay for the work of the diagnostic laboratories at the R. M. Gorbacheva Research Institute of Paediatric Oncology, Haematology and Transplantology.

In total, Etalon Group spent over RUB 46 million on charity programmes in 2020.

46,301

THS RUB IN CHARITABLE AID GIVEN IN 2020

CHARITY PROGRAMMES

	2019	2020
Number of charity events/programmes	17	**14**
Amount of charitable assistance provided, RUB ths	42,495	**46,301**

INNOVATION

Creating residential complexes that meet high standards for comfortable living, are modern and fulfil customers' needs requires the use of new technologies and approaches throughout project life cycles. Reviewing, adapting and applying innovative solutions in all business processes is the cornerstone of Etalon's new strategy and the key to achieving leadership in the industry.

BUILDING INFORMATION MODELLING

BIM (building information modelling) technology creates a 3D digital prototype of a planned new building. Etalon is a pioneer in the use of BIM in Russia. The Company began designing and constructing residential complexes using this innovative technology in 2012, when it introduced its own BIM standard, paving the way for a new level of quality. Today, Etalon Group uses BIM technology where possible at all stages of its projects in St Petersburg and Moscow.

Benefits of BIM technologies include:

- Reducing possible human error through the use of drones and video cameras to enable complete video oversight of construction work.
- Project management is based on actual data; all interactions between the customer and general contractor, as well as work by the general contractor, are on the basis of this information.
- The digital model is fully transparent, which helps to effectively manage costs.
- Storing data in a single information space enables rapid and open access to information for all participants in the process.
- Considerable detail in reporting for each type of work.
- In addition to the building model, BIM provides analytical materials and processed data in the form of dashboards, which provide predictions regarding project time frames in the medium term, so that the risk of missing deadlines can be assessed accurately.
- The information can also be used when holding tenders for contractors (for example, to filter out applications from contractors that underperformed previously).
- Rapid access to information about safety and potential hazards at a construction site.

Etalon Group has been the BIM leader in the Russian construction industry since 2014[1]. Russia's BIM Leaders Club (under the auspices of Autodesk) is a non-profit organisation that brings together national architects, construction companies and experts who have achieved outstanding results using BIM technology and are ready to share their knowledge and expertise with other industry players.

In the fourth Russian BIM Technologies Competition (held in 2019/20), Etalon's Science and Technology Centre won the prize for Information Modelling of Residential Buildings. It was awarded for the Company's Schastye ("Happiness") residential projects in Moscow. Etalon Group also received a special diploma for the introduction and large-scale use of information modelling technology in the construction of the Silver Fountain residential complex, also in Moscow.

Etalon is systematically introducing BIM technology into the design and subsequent stages of its investment and construction projects, and is spreading knowledge of its own BIM standard to real estate designers outside the Group. The technology has been tested at the construction planning stage, and construction supervisory services and geodetic services are making ever greater use of it. Etalon Group's Operations Department is also preparing to incorporate information models as part of its work.

In 2018, a lack of satisfactory construction industry software led Etalon Group to begin creating in-house IT functions to develop applications capable of addressing its needs. The results of this work are already in use, and our other IT systems are now being integrated with these applications.

The Group has found applications for BIM technology beyond the development of residential projects and monitoring of construction work. It now also uses information modelling technologies for:

- maintaining high standards of health and safety at construction sites (see the description of the safety index in the Occupational health and safety section of this report);
- improving processes during the transfer of ownership of apartments: an online programme called "Transfer of Apartments to Buyers", developed in 2020, covers all aspects of transfer and has already achieved impressive results in both Moscow and St Petersburg, bringing Etalon Group closer to its goal of ownership transferring all apartments immediately and without complaints from buyers.

[1] The Etalon Science and Technology Centre has won an award for its BIM applications

BIM TECHNOLOGY DEVELOPMENTS BY ETALON:

The Etalon Projects general data environment and the construction information classification system are the two pillars of the Group's digital platform. Etalon Projects is a proprietary tool developed by the Group for project document flow using BIM technology in web format. The tool integrates construction work with office work, and cloud applications with desktop applications for all process participants, from designer to construction worker.

Automation has drastically reduced the time needed for generating construction oversight reports. Previously, Company employees had to manually transfer information from the construction model to formats that could be used by inspectors, and this work took up to three days. The new cloud service creates a tool for project workflow from a web browser, which is tied to the information model.

Etalon's in-house document management system is adapted to corporate requirements and processes and has a Russian-language interface. One tangible advantage is that it is no longer necessary to purchase licences and additional programmes for reading and approving project documentation, or expensive graphic stations for construction workers and customer services that need to view the information models. The system is being piloted and will soon be applied to all new Group projects.

Development of Etalon Group's digital platform is ongoing. In 2021, modules will be launched for automating quality control, downloading construction control forms and providing smart dashboards for managers.

The Integrated Construction Control System (ICCS) is a modular digital cloud platform that makes it possible to monitor progress in an investment and construction project throughout the life cycle, using only a browser and an Internet connection.

The following ICCS modules have been brought into operation:

- **Health and safety**
  Construction site safety monitoring with a risk-based approach, using BIM models.
- **Fire safety**
  Fire safety monitoring at construction workers' accommodations. Monitoring and measurement of accommodation sites.
- **Transfer of apartments to buyers**
  A tool that automates the process of pre-commissioning and commissioning of completed real estate projects.
- **Monitoring by investors of timing and volumes of construction work (commissioned in 2020)**
  A tool for analysing progress in construction work. Recording of factually completed work in the BIM model at the construction site, linked to the construction schedule in the cloud environment of the MS Project Server.

A new module, the "Engineer's Interface for Construction Monitoring", is scheduled for launch in 2021 and is designed to enable full interaction between technical monitoring and the BIM model of the construction site. Etalon will also launch another module, "Acceptance by the Management Company", in 2021. This module covers transfer to a property management company of common areas, engineering systems and outdoor areas, and also facilitates work with contractors' warranties.

ICCS monitoring is now being tested in pilot projects in St Petersburg: a preschool at the House on Blyukhera residential project (the first in Russia to undergo expert assessment in BIM format using BIM rules); and a preschool at the Petrovskiy Landmark residential project. The portfolio of projects involving web monitoring will gradually be expanded.

CASE STUDY

A new preschool on Prospekt Marshala Blyukhera in St Petersburg, built by Etalon Group, was the first construction project in Russia to undergo a state expert assessment in digital format.

For the first time in Russia, a project designed entirely with the use of BIM technologies successfully passed a state expert assessment in digital format. The project, a preschool, was built as part of Etalon Group's corporate programme for the construction of socially important infrastructure and is included in the register of pilot projects of the Russian Ministry of Construction, Housing and Utilities.

The pre-school project is special because it used BIM technologies for other purposes over and above project design. An integrated digital model was created that could be used for providing geodetic support, managing construction work and monitoring progress in implementation (including compliance with safety rules by workers). Etalon Group created the new technology in-house, using its own know-how.

This marked the first time in Russia that an official assessment of a new social facility was carried out digitally. The work was carried out quickly, despite its novelty, thanks to automation of the inspection process (inspection of building geometry, materials and compliance with standards).

The Ministry of Construction, Housing and Utilities was closely involved in every step of the design work and the actual assessment. The creation of an IT model of the kindergarten on Prospekt Marshala Blyukhera was an important step towards the introduction of BIM technologies throughout the Russian construction industry. The main practical outcome of this pilot project will be the creation of a more advanced algorithm for BIM technology use, adapted to the needs of public bodies. This will make it possible to automate more operations in the future, further accelerating design work for residential buildings and for commercial and social infrastructure.

TRAINING AND INNOVATION IN THE INDUSTRY

Etalon takes part in all major BIM events and is keen to share its knowledge and experience with young specialists and other industry colleagues.

The Group cooperates with universities in St Petersburg that prepare specialists for the construction industry: the ITMO University, Peter the Great St Petersburg Polytechnic University and St Petersburg State University of Architecture and Civil Engineering. Etalon Group provides internships and site visits for students every year. In 2017, the Etalon Science and Technology Centre teamed with ITMO University to design a study programme for BIM technology specialists. In 2020, a course on digital modelling of construction safety was introduced for undergraduate students at the Peter the Great St Petersburg Polytechnic University.

In 2021, Russia's first national-level BIM skills competition for students of universities and technical colleges will be launched and organised by Etalon Group. The winners will be offered internships at leading construction companies and will be included on the Company's recruitment lists.

Etalon Group's Science and Technology Centre and its staff play an active part in various working groups at the Ministry of Construction, Housing and Utilities, offering reports and helping to design solutions for use throughout the industry. Group staff are part of a ministry expert group responsible for the phased implementation of BIM technologies, as well as other key working groups: for the design of an electronic platform for the transition of state assessments in the construction industry to IT modelling; for the design and implementation of a construction information classifier; and for the Commission for Digitalisation of the Construction Industry.

STANDARDISED DESIGN

Etalon is introducing a standard design system based on BIM technology as part of its new development strategy.

The overall approach is to create projects based on libraries of standard elements. A range of combinations of repeating elements can be formed using typical layouts and standard structural and engineering solutions (towers, detached or corner sections, urban villas and other housing types). Standardisation also facilitates the apartment layout for each floor of a new building. For example, multilevel apartments with separate exits on the ground floor, studios and small apartments on lower floors and spacious apartments with terraces on upper floors. Various standard building solutions can be combined into master plans for residential complexes and whole districts (the basis of computer-aided design systems).

Creating digital models and deploying a standard design system is labour-intensive during initial stages, but provides transparency, convenience and time savings in the future. As much more information is entered into the model than when using a traditional approach, the Company receives much of the working documentation at the first stage of a project, so that significantly less time is spent on preparing cost estimates. The quality of design solutions is improved, while design time and costs are reduced. The system also allows standardised projects to be constantly updated, which keeps them relevant and ensures that they fulfil changing customer needs.

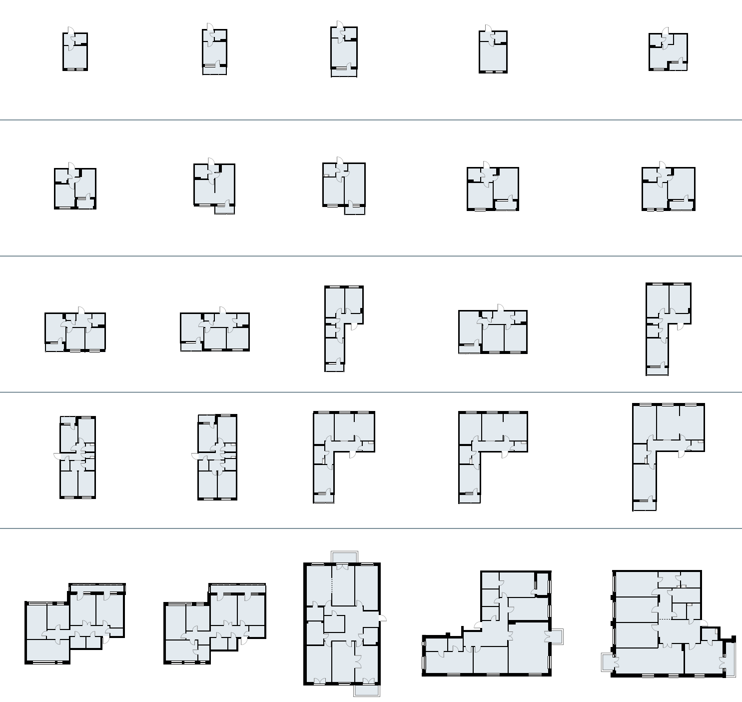
The Company is currently working on a standardised comfort-class product, Etalon. Comfort, which should be completed by the end of 2021.

Etalon Group intends to create libraries of standard elements and solutions for the following:

- Construction solutions
- Layout
- Engineering systems
- Lifts and stairways
- Facades

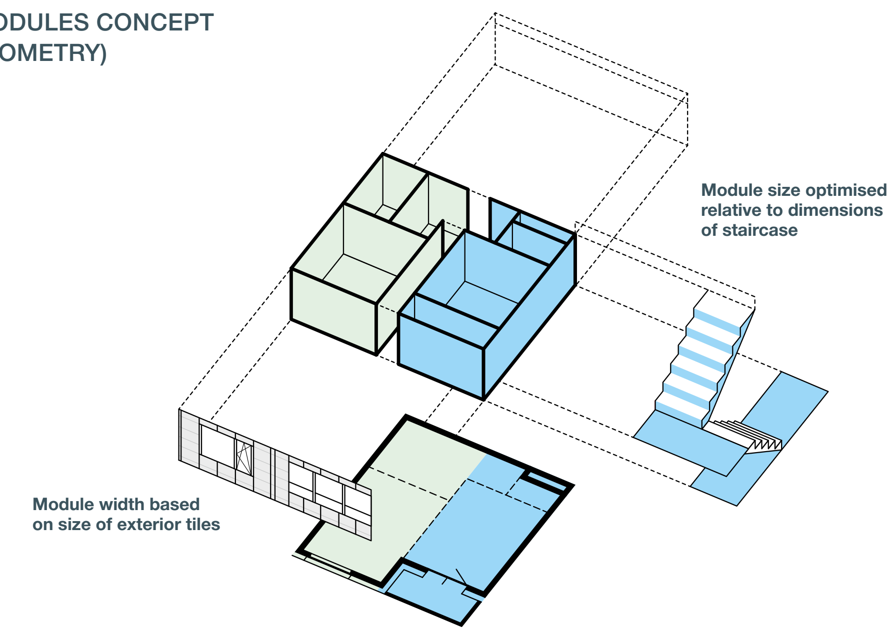
A library of layouts has already been created using formats that the Company has already used in its projects, and that have proved most attractive and popular. It currently contains around 385 layouts. Their number will be reduced to 200-250 (the most successful) in the future, offering a broad selection of apartments as well as flexibility to ensure that Etalon's projects are unique. Improvements in the efficiency and speed of design are assured.

385 STANDARD LAYOUTS	XS	S	M	L	XL	
STUDIO						27
1-BEDROOM						164
2-BEDROOM						136
3-BEDROOM						34
4-BEDROOM						24



Designs based on carefully planned and well-matched standard elements enable a wide range of options and a multiplicity of dimensions, as well as maximise efficiency in the use of building materials. For example, the dimensions of modules can be planned taking account of the step dimensions of staircases, and the width and height of facade tiles.

MODULES CONCEPT (ISOMETRY)



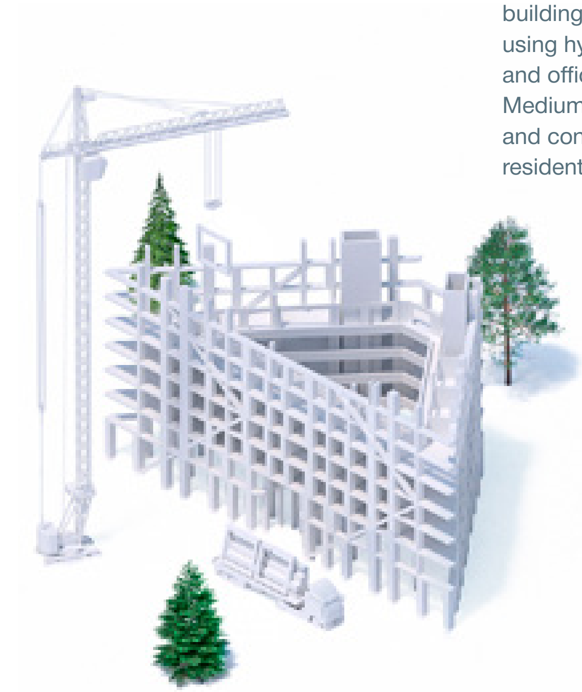
In addition to its libraries of typical layouts, Etalon has begun work on a library of standard engineering solutions. A plan of basic engineering solutions has been prepared, and Group specialists are selecting the best of them based on ergonomics and efficiency. Work is advanced on a set of standard approaches in construction operations: current work is focused on procedures for assembling reinforced concrete structures, to be followed by the design of standard facade solutions.

Etalon is also working on terms of reference for smart building systems in the Zil-Yug project in Moscow. These developments will provide future standards for digital building systems.

NEW CONSTRUCTION TECHNOLOGIES

One of Etalon Group's priorities is to certify and adopt environmentally friendly technologies in residential construction in Russia using CLT panels. Together with Segezha Group, it plans to adapt and certify CLT technology for the Russian market, and is also preparing to produce CLT panels to its standards for use in new projects.

Etalon's plans for the short term include manufacturing facades for residential buildings and constructing apartments using hybrid CLT technology (as developer) and office buildings (as general contractor). Medium-term plans include the design and construction of high-end (Etalon.Plus) residential developments using CLT panels.



Features of buildings using CLT:

- hybrid buildings
- buildings made entirely from wood

Architectural solutions:

- unlimited architectural possibilities due to excellent use properties of CLT panels and elements

Benefits of CLT panels:

- Reduction of the production cycle **by 25 %**
- **High-quality precision assembly** of structures
- Reduction of **construction waste**
- **Increased strength and lightness** (six times lighter than reinforced concrete) at costs comparable to block-and-slab construction
- **Low carbon footprint:** reduction of CO_2 emissions by up to 75 %[1]
- Reduced energy consumption in production and better **overall energy efficiency** of buildings
- Better **sound and heat insulation**
- Increased **fire resistance**

[1] Source: European Forest Week (19/11/2019); report by Stora Enso "Massive wood construction in Europe on the example of CLT: history & outlook"

BUSINESS CONDUCT

Etalon Group adheres to regulatory requirements and upholds high ethical standards throughout its operations. We aim to ensure that any contractors, consultants and agents representing our interests also follow legal requirements and best practices in terms of Business conduct.

Our fundamental values and principles of Business conduct, as well as the methods we use to monitor corporate ethics rules, are enshrined in Etalon Group's Code of Corporate Ethics and the Regulations on Conducting Tenders. In accordance with these documents, the Company has established and maintains a zero-tolerance policy towards corruption and discrimination, as well as a fair selection procedure for suppliers and contractors.

In addition to these documents, in 2020, the Company developed and is implementing "Regulations on the Hotline for Countering Fraud, Corruption and Embezzlement". The Regulations determine the main goals, objectives, principles of the hotline, its operating procedures and the distribution of tasks and responsibilities between Etalon Group and its subsidiaries.

FAIR COMPETITION

Etalon Group selects its suppliers and contractors on a competitive basis. The main principle in the selection process is to ensure fair and open competition. Tender procedures are governed by the Regulations on Conducting Tenders:

- The Company does not permit violations of antitrust laws, including unfair competition;
- In order to carefully monitor the selection of contractors, the Company maintains a master schedule—a complete list of tenders for the performance of work, the provision of services and the supply of goods;
- All applicants must undergo a standard screening process. The requirements for applicants have been formalised and include:

  - positive experience working with large construction companies;
  - high quality in terms of the materials supplied, equipment used and work performed;
  - strict compliance with deadlines;
  - availability of sufficient human resources and the necessary production and technical facilities;
  - sound financial standing;
  - solid business reputation; and
  - compliance with regulatory requirements, including the availability of the necessary licences and certificates.

  In 2020, additional criteria for evaluating candidates were introduced in terms of technical and functional capabilities, as well as financial and commercial requirements. The first involves, inter alia, ensuring that the project is completed on time in accordance with Etalon Group's schedule, as well as confirming relevant project implementation experience in terms of number, volume and complexity.

- Companies that do not fulfil these requirements and thus are not listed in Etalon Group's Register of Accredited Counterparties and Suppliers are not eligible to participate in tenders for the performance of work for, or the provision of supplies to, Etalon Group for six months. Decisions to include a counterparty in the Register or to remove a counterparty from the Register are made by the Accreditation Committee in the region where the applicant company in question is located.
- Group employees have no conflicts of interest and do not create advantages for individual suppliers or contractors. The Company has a standing Tender Committee, which is designed to ensure open competition between counterparties and to determine the best-possible conditions for Etalon Group in terms of collaboration. The Tender Committee selects the winners of competitive tenders and appoints experts on technical and economic issues in the framework of the tender process. The Tender Committee also has the right to select a second (reserve) winner in case the company that wins the tender decides not to sign the contract.
- For tenders totalling less than RUB 40 million, the winners are determined by in-person or absentee voting by the Tender Committee on the basis of the proposals submitted by all participants. In respect of larger contracts, an in-person auction is conducted, and the winner is determined by in-person voting on the part of the Tender Committee. An in-person procedure enables members of the Tender Committee to make an informed decision on the basis of a direct discussion.
- The Company creates a dossier on every counterparty in the Register of Accredited Counterparties and Suppliers that contains information about the Company's relations with the counterparty, including an assessment of its performance.
- The Company conducts random quarterly reviews of counterparties on the basis of the following key criteria: quality, compliance with deadlines, safety, fulfilment of contractual obligations and accounts receivable owed to the Company. Disreputable contractors are excluded from the Register and are not considered as candidates for collaboration in the subsequent 12 months.

In 2020, 476 companies were included in the Register of Accredited Counterparties and Suppliers of Etalon Group in St Petersburg and the Moscow region; 83 companies were excluded from the Register.

- In addition to the Register of Accredited Counterparties and Suppliers, the Company maintains a Register of Strategic Partners for companies that have a long history with Etalon Group. Because of the Company's proven track record with its strategic partners, as well as the opportunity to pool resources and coordinate activities in a mutually beneficial manner, Etalon Group can do business with such companies without conducting tender procedures. The choice of a strategic partner in each specific case is determined by the Tender Committee; that said, the cost of services should correspond to the rates established in the Register of Strategic Partners for the company in question.
- Decisions to include or exclude companies from the Register of Strategic Partners are made by the Accreditation Committee. The Committee holds meetings on the Register of Strategic Partners no more than once every three months.

CODE OF CORPORATE ETHICS

Issues related to the clarification and enforcement of the Code of Corporate Ethics are the responsibility of Company management and the Corporate Ethics Officer. Employees at all levels, as well as counterparties, are made familiar with the Company's anti-corruption policies and procedures. Suppliers and contractors planning to start cooperation with Etalon Group are also subject to mandatory checks by the Security Directorate to confirm their financial stability, impeccable reputation and honest business practices.

Etalon Group employees who need advice or who wish to report conduct violations may contact their immediate supervisor. Concerning a number of issues, they may contact the Corporate Conduct Officer directly through official communication channels (by email or by writing to the Company's head office). The Company guarantees that any information provided by employees about violations of the Code will not be publicised and will not affect the position of the employee reporting the information. The Corporate Conduct Officer is responsible for responding to conduct violations, eliminating conflicts of interest and clarifying the procedure for applying the Code. The Officer may convene a Commission on Corporate Conduct to address challenging situations.

In the event of a violation of internal regulations by a Company employee, disciplinary measures are applied to said employee in accordance with labour laws. If there is reason to believe that an employee has committed an administrative or criminal offence, information on the alleged violation is transmitted immediately to the relevant state oversight body responsible for investigating administrative or criminal offences.

In addition, Etalon Group conducts annual ethics reviews. Employees complete a questionnaire—the Declaration on Ethics and Conflicts of Interest—as a means of verifying whether they are in compliance with the Company's key requirements and principles. Declarations are completed not only as part of ethics reviews but also when employees are hired and in cases where a conflict of interest occurred during the calendar year. The questionnaire enables the Company to identify conduct violations, as well as circumstances that require further discussion and consideration by the Company's senior management.

COUNTERPARTIES INFORMED ABOUT ETALON GROUP'S ANTI-CORRUPTION POLICY IN 2020

COUNTERPARTIES	MOSCOW	ST PETERSBURG	TOTAL
Number of suppliers	540	1,340	1,880
Share of total (%)	30%	40%	36.5%
Number of counterparties	1,261	2,009	3,270
Share of total (%)	70%	60%	63.5%

ANTI-CORRUPTION POLICY

The Code of Corporate Ethics establishes the basic principles and measures of the Company's anti-corruption policy:

- Etalon Group employees are required to comply, both in Russia and abroad, with the requirements and restrictions established by anti-corruption laws.
- Etalon Group does not tolerate any form of unlawful or unethical influence on the decisions of state bodies in the interests of the Company or Group companies, including bribery, offering inappropriate gifts, the practice of nepotism involving civil servants, or engaging in charity or sponsorship at the request of civil servants in an effort to influence their decisions in the Company's favour.
- Etalon Group does not participate in political activities and does not finance political organisations.
- The employees of Etalon Group are prohibited from representing the Company in business relations with organisations in whose activities they have a significant personal interest that differs from the interests of the Group, including the financial and equity interests of an employee or their relatives.
- Employees are prohibited from engaging in business and other commercial activities that involve the use of the Company's assets, resources and/or information, including business contacts.
- Etalon Group Employees are prohibited from accepting gifts either in kind or in monetary terms from any third parties in connection with the performance of their official duties.
- The Company and its employees should avoid situations in which there may be a conflict of interest.

Since 2020, the Company has operated a hotline for combating fraud, corruption and embezzlement. The telephone and email address of the hotline are publicly available on the websites of the Company and its individual projects. Any employee, client, partner or person not related to the Company who has information regarding employees or counterparties of Etalon Group about corrupt behaviour, violations of business ethics or of Etalon Group policies and procedures, violations of current legislation, or other violations and/or abuses of office may send a message to hotmail@etalongroup.com or call 8 800 300 81 03 to report these cases. When processing information, the confidentiality of the identity of the applicant, and of the information submitted is ensured, as is the anonymity of the applicants who do not want to disclose their personal data. Any measures of influence against the person who provided the information are prohibited.

In the reporting year, no court cases were initiated against the Company or its employees in connection with corruption.

ANTI-DISCRIMINATION POLICY

In 2020, the Company had no cases of violations of human rights or incidents of discrimination.

In implementing its anti-discrimination policy, Etalon Group is guided by the following principles:

- Etalon Group does not tolerate any form of discrimination based on age, race, ethnicity, sex or other grounds in accordance with the laws of the Russian Federation.
- No form of harassment, including sexual harassment, or coercion is acceptable, whether in verbal, written, visual, physical or other form.
- Etalon Group provides employees with favourable conditions, as well as equal opportunities to upgrade their qualifications and achieve their potential.
- Etalon Group welcomes so-called work dynasties, where specific skills are passed down from one generation to the next, but protectionism based on nepotism is prohibited. The Company limits cases of direct or indirect subordination involving relatives.
- The Company ensures protection against any form of discrimination. In the implementation of the Company's personnel, wage and social security policies, any preferences based on nationality, gender, age, etc. are prohibited.

RISK MANAGEMENT FRAMEWORK AND KEY RISK MANAGEMENT FUNCTIONS

Successful management of existing and emerging risks is critical to the long-term sustainability and success of our business and to the achievement of our strategic objectives.

In order to successfully take advantage of market opportunities, Etalon Group must accept a certain degree of risk. Risk management is therefore an integral component of our corporate governance system.

Our risk management policy focuses on maintaining a medium to low and predictable risk profile. We continuously monitor all material risks to our operations, taking action as necessary to mitigate and manage them, as well as to anticipate new risks.

We have developed a robust culture of risk management at Etalon Group, which we believe is important to delivering sustainable value to our stakeholders: the Company's risk management systems and processes are designed to minimise potential threats to achieving our goals; internal control and risk management systems are continuously reviewed to incorporate market best practices. Our risk management view is cascaded top-down from the Company's Board of Directors and through management, employee and connected stakeholder activities, as we believe that a proactive, risk-aware culture across the business is crucial for effective risk identification and mitigation.

Etalon Group takes a comprehensive approach to implementation of its risk management policy. Key policy principles remain unchanged regardless of changes in the Company's corporate governance or shareholder structure.

The risk management process at Etalon Group applies across all functions and comprises four main stages: identification, assessment, response and reporting.

KEY RISK MANAGEMENT FUNCTIONS

Management is responsible for the day-to-day implementation of Etalon Group's risk management assessment, monitoring and mitigation procedures.

The main bodies responsible for risk management are the Board of Directors, and the Audit Committee. We also believe that the Company's functional units play significant part in the risk management system.

While ultimate responsibility for the Group's risk management rests with the Board of Directors, the Audit Committee plays a key role in this process. With assistance from the Head of Internal Audit, the Audit Committee oversees and challenges management's assessment of the principal risks to the Group's strategy and the risk appetite for each of those risks, as well as the effectiveness of established risk management controls and assurance activities. In addition, it sets the Group's risk management policies and procedures and monitors compliance with the approved policies.

The Board of Directors determines Etalon Group's strategy and agrees the nature and profile of the risks it is willing to take to achieve its strategic objectives. The Board of Directors is accountable for ensuring that a sound system of internal control and risk management is in place, including approval of all related policies that are recommended by the Audit Committee.

Functional units implement the Risk Management Policy in their respective area and ensure timely and robust submissions of significant risks to management.

IDENTIFICATION → ASSESSMENT → RESPONSE → REPORTING

Identification

Our aim is to identify and assess risks at the earliest possible stage and to implement appropriate risk responses and internal controls in advance. In order to achieve this, we have designed our procedures with the aim of creating shared responsibility for risk identification while avoiding gaps.

Risk identification requirements are also taken into account in the design of accounting and documentation systems in order to be able to identify and process information on potential risk triggers.

Assessment

Once identified, risk factors are assessed to determine the potential quantitative and qualitative impact that they might have on Etalon Group's business, and the likelihood that such an event may occur. Together these make up a risk profile.

Response

If management is comfortable with the current risk score, then the risk is accepted and no further action is required. Controls are implemented on an ongoing basis, and management monitors the risk, the controls and the risk landscape to ensure that the risk score stays stable and in line with management's risk tolerance.

If, however, management assesses that a risk is too high, then an action plan is drawn up in order to introduce new or stronger controls that will help to reduce the impact and/or the likelihood of the risk to an acceptable, tolerable and justifiable level.

Reporting

Ongoing monitoring processes are embedded in our day-to-day operations. These track the effective application of internal control and risk management policies and procedures, including internal audit and specific management reviews. Risk matrices and assurance maps are used to re-evaluate and adjust controls in response to changes in Etalon Group's objectives, its business and the external environment.

RISKS

HIGH
MEDIUM
LOW

The Russian real estate market is cyclical in nature and is generally dependent on the state of the Russian economy, the growth of which also tends to be cyclical. Our business, financial condition, results of operations and the value of different types of properties related to our business activities may, therefore, be adversely affected by the cyclical nature of the real estate market and the Russian economy in general.

Etalon Group develops and sells large-scale housing construction projects in Moscow and St Petersburg. Etalon Group's sales income depends, inter alia, on the supply and demand in the market, price per sqm, construction costs and ongoing maintenance costs. These factors can fluctuate over time due to changes in the risks listed below; however, this list is not exhaustive and only includes the main risks.

Level of potential impact
Likelihood

RISK	WHY IT AFFECTS THE COMPANY	MITIGATION/MINIMISATION OF THE CONSEQUENCES	LIKELIHOOD / LEVEL OF POTENTIAL IMPACT
MACROECONOMIC, INDUSTRY RISKS			
NEGATIVE MACROECONOMIC TRENDS	Decrease in purchasing power of Russian citizens could negatively affect demand. Inflation, on the other hand, could adversely affect the Company and lead to an increase in land cost, materials and labour.	• The Company can independently regulate the volumes and rates of construction, depending on actual demand for real estate in a given area. • In case of a decline in demand, the Company may reschedule the launch and construction of new projects to match potential construction costs with expected cash collections from sales. • The Company maintains land bank volume that is sufficient for 4–5 years of construction and sales without new land acquisitions. Real estate is viewed as a good investment in a low-rate environment with new taxes introduced on bank deposit interest income, as well as a hedge against inflation: while inflation was 4.91 % in 2020 and is expected to reach around 4.7–5.2 % in 2021, an uptick in inflation rates could lead potential buyers to accelerate purchases.	Medium likelihood / medium level of impact
REGIONAL RISKS	Deteriorated economic situation affecting all market participants in key markets could equally have a negative impact on the Company.	• The Company has chosen to focus on Russia's two most resilient and economically stable regions, where economic downturns are less likely to affect demand than in other parts of Russia. • The Company is not dependent on any development programmes financed by the federal budget; therefore, its financial position would not be affected by government expenditure cuts on these programmes.	Low likelihood / low level of impact
CHANGING CONSUMER PREFERENCES/MARKET TRENDS	The Company's ability to manage inventory is intrinsically linked to current and forecast consumer demand. Unanticipated changes in consumer preferences can have an adverse effect on the business, particularly given long project life cycles in the industry.	• The poured-concrete construction technology allows for free-pattern floor plans and architectural design flexibility, and it has the advantage of high scalability. • The Company has a substantial portfolio of complementary business- and comfort-class projects, with a wide range of apartments to suit different tastes within each project. • Etalon Group is developing alternatives to its brick-monolithic construction techniques, including modern prefabricated construction methods, modular construction and construction from CLT (cross-laminated timber) panels, which can significantly reduce costs and/or construction time, while improving the quality of the final product. • The Company conducts research, both with the help of independent specialists and by monitoring customers' feedback at every stage of cooperation, including after commissioning, in order to monitor changes in demand and adjust the product accordingly.	Low likelihood / medium level of impact

RISKS (CONTINUED)

RISK	WHY IT AFFECTS THE COMPANY	MITIGATION/MINIMISATION OF THE CONSEQUENCES	LIKELIHOOD / LEVEL OF POTENTIAL IMPACT
REGULATORY RISKS			
NEW CHANGES IN REGULATIONS	The Company operates in a business that is highly regulated; any failure to comply with the regulations might negatively impact the Company's operating and financial performance. Failure to receive timely approval of a project might lead to delays in the development process.	• The Company monitors any legislative changes that may affect its business in order to address them proactively and decrease associated risks. • Etalon Group's management participates in committees established by the industry in order to reconcile different views and to develop potential amendments with regard to regulatory changes and additional requirements for developers. For more details about the potential impact of the new regulations, please see page 35 • A strong financial position, efficient financial planning, access to a variety of sources of capital and one of the longest track records in the industry enable Etalon Group to meet the requirements of changing industry regulation, as was the case with the introduction of mandatory settlements using escrow accounts.	Medium likelihood / medium level of impact
OPERATIONAL RISKS			
AVAILABILITY OF LAND	An inability to find and purchase adequately priced land for future development might negatively affect the Company's business and its operational and financial results.	• The Company maintains its land bank at a level sufficient to ensure construction and sales for a period of at least four years. The Company's current project portfolio of 2.8 mln sqm of unsold NSA represents 5.3x the volume of new contract sales for FY 2020. • The Company's territorial offices carry out continuous monitoring of the land market and maintain a database of sites whose parameters (location, town planning and permits, proposed terms of acquisition, etc.) satisfy the Company's marketing strategy, required profitability and financial capabilities. • Amendments to the Federal Law on Share Participation Agreements for Construction provide additional opportunities for the Company to purchase new projects and market entrants. Greater transparency in zoning procedures and further experience in zoning of plots during the implementation of the Galactica and Zil-Yug projects enabled the Company to revise its approach to replenishing its land bank and to consider purchasing unzoned plots and independent zoning.	Low likelihood / medium level of impact
AVAILABILITY OF LAND (CONTINUED)		The advantages of this approach include a wider selection of building spots and lower land acquisition costs. In addition, thanks to a strategy aimed at achieving cost leadership, Etalon Group plans to significantly increase its competitiveness in purchasing new land plots in Moscow and St. Petersburg, both zoned and unzoned.	
AVAILABILITY OF CONSTRUCTION MATERIALS	Changes in exchange rates could trigger an increase in the cost of imported materials; inflation, on the other hand, could cause an increase in the cost of domestic materials. Any supply interruption or shortages could delay the construction of our projects, which, in turn, could harm our reputation with our customers and could result in lost sales opportunities.	• The Company's vertically integrated business model helps maintain the optimal load of companies with internal orders. • As one of the biggest real estate developers in Russia with over 30 years of operations and c. 1 mln sqm under construction, the Company can choose the most reliable external suppliers and decrease costs of materials through bulk purchases. • The share of imported construction materials and the cost of maintaining imported equipment used in construction historically constituted about 15 % of the total construction budget of the Company's facilities; therefore, the change in price of imported materials/ equipment would not have a significant impact on the cost of construction.	Low likelihood / low level of impact
SUBCONTRACTORS	An inability to find qualified subcontractors and enter into subcontracting arrangements on acceptable terms could lead to an increase in costs. Furthermore, the Company relies on external subcontractors to perform certain types of construction and development activities and therefore, assumes additional risks associated with the subcontractors—low quality of their work, delays, accidents, etc.	• The Company uses a tender procedure to identify and select the best suppliers, as well as to create a competitive environment. • The Company constantly monitors and evaluates its suppliers against various criteria. • All subcontractors are subject to compulsory annual accreditation to ensure compliance with the Company's requirements. • The Company puts in place retention plans for subcontractors to further control costs, quality and timely delivery of projects. • The Company requires its subcontractors to provide weekly reports on work progress, its safety index, etc. • The Company conducts comprehensive inspections at production sites of factories that supply concrete and mortar mixes; all suppliers are inspected against a comprehensive list of over 40 items. • Thanks to its vertically integrated structure, the Company can minimise its dependence on subcontractors in both construction and service maintenance areas.	Low likelihood / low level of impact

RISKS (CONTINUED)

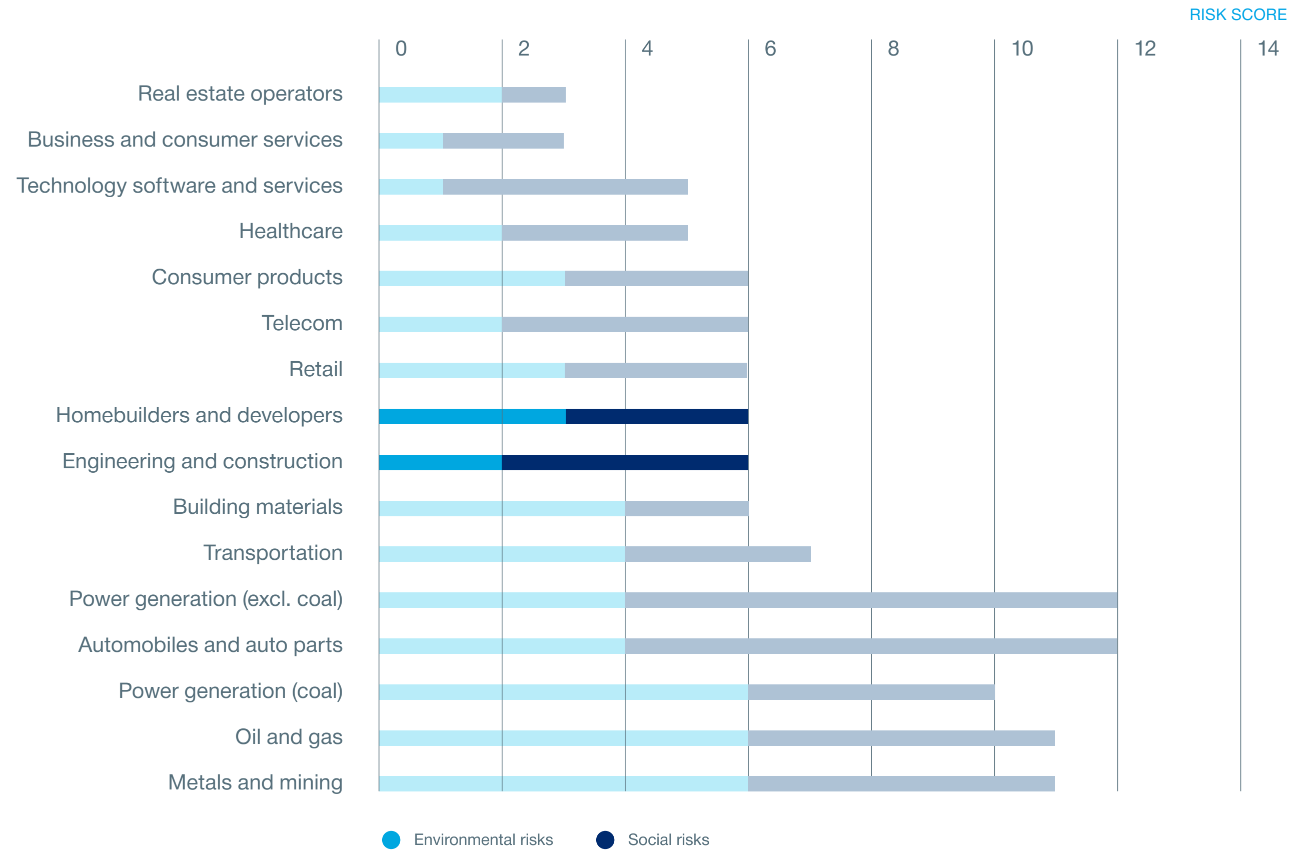
RISK	WHY IT AFFECTS THE COMPANY	MITIGATION/MINIMISATION OF THE CONSEQUENCES	LIKELIHOOD / LEVEL OF POTENTIAL IMPACT
ACCIDENTS AT CONSTRUCTION SITES	Etalon Group operates in the construction industry, where workplace accidents relating to the Company's operations could be costly in terms of potential liability and reputational damage.	• The Company complies with relevant health and safety regulatory requirements. • All employees attend workshops on occupational safety. • All equipment is certified by relevant authorities and additionally inspected by the Company. • The Company is a pioneer in Russia for using Building Information Modelling to increase safety at construction sites. • In 2020, the BIM-based security monitoring tool, the Security index, continued to improve. A methodology for calculating the construction time compliance index is being developed, which is included in a comprehensive safety assessment, and an update is being prepared into the safety index calculation methodology to take into account the criteria of human (employee) influence on the risk assessment.	Low likelihood / low level of impact
AN INABILITY TO ATTRACT AND RETAIN KEY PERSONNEL COULD ADVERSELY AFFECT THE COMPANY'S BUSINESS	Etalon Group's future success depends on its ability to find qualified personnel in various business areas. An inability to motivate key personnel could also have a negative impact on operations.	• The Company maintains an extensive talent pool to attract qualified staff for strategically important positions. The pool is developed through direct searches on job sites and cooperation with verified recruitment agencies. The Company looks for sector specialists at all levels of management, and regularly adds new applicants to the pool. • The Company offers competitive salary packages, life insurance, financial assistance, and flexible working hours to motivate current personnel.	Low likelihood / low level of impact
FINANCIAL RISKS			
DIFFICULTIES IN ACCESSING CAPITAL	Real estate development is a capital-intensive industry, and the Company should always have access to capital to finance its projects.	• The Company's funding sources are diversified, including a variety of debt instruments, project financing and cash collections from presales (for projects sold under the old rules). • With new amendments to the law on shared construction, the Company successfully introduced new schemes for working with escrow accounts as part of project finance agreements. As of the end of 2020, escrow account coverage enabled the Company to secure project financing at preferential rates of 0.01 % to 3.5 %. • As a public company, Etalon Group also has the ability to raise equity capital to finance large acquisitions.	Low likelihood / high level of impact

RISK	WHY IT AFFECTS THE COMPANY	MITIGATION/MINIMISATION OF THE CONSEQUENCES	LIKELIHOOD / LEVEL OF POTENTIAL IMPACT
LIQUIDITY RISK	The Company's failure to meet its financial obligations could result in operational delays, damage to its reputation, increased credit rates in the short term, and bankruptcy in the long term.	• The Company adheres to a conservative financing policy and strives to maintain low debt levels, with a target Net corporate debt / pre-PPA LTM EBITDA ratio of below 2x. FY 2020 Net corporate debt / pre-PPA EBITDA ratio amounted to 1.2x.	Low likelihood / high level of impact
CUSTOMERS' CREDIT RISK	The Company could suffer financial losses if customers fail to meet their contractual obligation on financial instruments used for the purchase of real estate.	• Receivables from customers are secured against sold apartments.	Low likelihood / low level of impact
EXCHANGE RATE RISKS	Appreciation of foreign currencies against the rouble could lead to an increased burden for those companies that issued debt instruments in foreign currencies. Furthermore, this could lead to a price increase of imported construction materials.	• The Company does not have any debt instruments in foreign currencies. Its current debt structure includes bonds denominated in roubles issued by its subsidiaries, LenSpetsSMU and Leader-Invest. • Imported goods make up only a small part of the Company's business costs; issues related to the import of construction materials are discussed further under "Availability of construction materials" in the table on p. 189.	Medium likelihood / low level of impact
INTEREST RATES	An increase in mortgage rates might limit customers' ability to finance the purchase of new apartments, thus decreasing new sales volume. On the other hand, an increase in the rates on the Company's outstanding debt obligations will cause unexpected growth in expenditures.	• If mortgage interest rates increase or the number of available mortgages decreases, the Company could offer its customers more instalment payment options. • To avoid paying high interest rates, the Company might repay certain loans before maturity; it could renegotiate loan terms or look for alternative financing sources.	Medium likelihood / low level of impact

ESG RISKS

Environmental, social, and governance (ESG) risks and opportunities can impact an entity's capacity to meet its financial commitments in many ways. Globally, real estate companies have average exposure to environmental risks and average exposure to social risks compared to other industries, but are relatively more exposed to social factors such as labour availability and workers' safety, and environmental factors such as greenhouse gas emissions, land use, and water consumption.

ESG SECTOR RISK ATLAS[1]



Several ESG risks are described in more detail in the Company's general list of risks. The list below presents an overview of ESG risks in general and ways that the Company seeks to mitigate them.

ENVIRONMENTAL EXPOSURE

Environmental risks are weighted towards exposure to increasing climate change risk and includes greenhouse gas (GHG) emissions, including carbon dioxide, pollution, waste, and water and land usage. Risk of remediation for biodiversity or restitution for incorrect land use is usually low for the construction of high-rise buildings.

Measures to prevent and mitigate environmental risks:

- Careful assessment of risks and their possible impact on the environment before the implementation of project;
- Development of a set of measures to prevent or minimise any impact;
- Use of environmentally friendly materials and technologies;
- Development of projects with high standards of environmental friendliness, as well as energy and resource efficiency;
- Reduction of fuel and energy consumption through lean use, optimisation of logistics routes, use of energy-efficient equipment;
- Reduction of dust and suspended particle emissions into the atmosphere through the use of environmentally friendly materials and technologies, the use of protective nets and fences, and improvement of construction technologies and the production chain;
- Compliance with the rules and regulations for the treatment of water and land resources, strict control and accounting of water, its reuse, and restoration of soil and vegetation cover.

[1] ESG Industry Report Card: Building Materials And Engineering And Construction, 3 June 2019

SOCIAL EXPOSURE

Social risks include human capital management, safety management, community impacts, and consumer-related impacts from customer service and changing behaviour to the extent influenced by environmental, health, human rights, and privacy.

Measures to prevent and mitigate social risks:

- Providing comfortable working conditions, decent wages, a system of monetary and non-monetary bonuses, and measures of social support for employees;
- Cooperation with educational institutions, and offering internships and training at Etalon Group to attract the best graduates and enhance staff potential;
- Strict adherence to legal requirements in relation to safety, internal protocols for checking equipment, multi-stage safety monitoring at all facilities using developments based on BIM technologies, and systematic improvement of the method for calculating and monitoring the safety index with the inclusion of additional components (for example, fire safety index, human impact factor); a single digital space for monitoring the construction process enables the Company to quickly determine the risk zones for workplace injuries and take proactive measures; the extensive capabilities of analytics of safety indicators are the basis for the systematic improvement of the Occupational health and safety system;
- Development of local communities through the creation of social infrastructure, restoration of historical monuments, support for cultural and sports events, charity; the construction of large residential complexes involves the creation of commercial infrastructure, which contributes to the creation of new jobs and the economic development of the surrounding region; high standards for the living environment increase the comfort of residents and create a certain level of requirements for the quality of housing in general, thereby setting the bar for the industry;
- Studying customer preferences through a wide sales network (internal data) and conducting research enables the Company to constantly update project features in accordance with modern standards and customer demand.

GOVERNANCE

The inherent complexity of projects exposes companies to contingent liabilities, and litigation risks grow in tandem with challenges to complete a project profitably and on time. These challenges include client cancellations and delays, change orders, and subcontractor risk. The construction sector is also exposed to bribery, corruption, and anticompetitive practices. Ethical breaches typically result in investigations by public authorities, and large fines, settlement costs, and reputational damage can affect financial performance.

Measures to prevent and minimise risks in the field of corporate governance:

- Strict adherence to legal regulations, establishing and upholding internal policies and monitoring of compliance with rules and procedures for combating corruption, fraud and violations of corporate ethics;
- Formalised tender procedures for the selection of suppliers and contractors;
- Improvement of the management structure and business processes, as well as other measures listed in more detail under "Operational risks" in the table on p. 188;
- Increasing transparency and accessibility of information that the Company discloses, improving functional structures, as well as standards and practices in the field of information disclosure—for example, the reformation of the Disclosure Committee, and expanding the transparency and detailing of financial statements starting from 2020 by including additional indicators and new sections.

GRI STANDARDS

GRI STANDARD		REPORT SECTION / COMMENTARY	DISCLOSURE
GENERAL DISCLOSURE			
ORGANISATION'S PROFILE			
102-1	Name of the organisation	ETALON GROUP PLC	Fully disclosed
102-2	Activities, brands, products, and services	Project portfolio, p. 62	Fully disclosed
102-4	Number of countries where the organisation operates, and the names of the countries where it has significant operations and/or that are relevant to the topics covered in the report	Etalon Group operates in the following regions of Russia: Moscow, the Moscow region and St Petersburg.	Fully disclosed
102-5	Ownership and legal form	Shareholder interactions, p. 212	Fully disclosed
102-6	Markets served, including: i. geographical locations where products and services are offered; ii. sectors served; iii. types of consumers and beneficiaries	Introduction, p. 5	Partially disclosed
102-7	Scale of organisation, including: i. total number of employees; ii. total number of operations, iii. net sales (for private sector organisations) or net revenues (for public sector organisations); iv. total capitalisation (for private sector organisations) broken down in terms of debt and equity; v. quantity of products or services provided.	People, p. 154 Operating results, p. 100 Financial results, p. 116	Fully disclosed
102-8	Information on employees and other workers, including: a. Total number of employees by employment contract (permanent and temporary), by gender. b. Total number of employees by employment contract (permanent and temporary), by region. c. Total number of employees by employment type (full-time and part-time), by gender. d. Whether a significant portion of the organisation's activities are performed by workers who are not employees. e. Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries). f. An explanation of how the data have been compiled, including any assumptions made.	People, p. 154	Partially disclosed
STRATEGY			
102-14	The reporting organisation shall report the following information: a. A statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and its strategy for addressing sustainability.	Chairman's statement, p. 20	Fully disclosed
102-15	The reporting organisation shall report the following information: a. A description of key impacts, risks, and opportunities.	Risk management framework, p. 184	Partially disclosed

GRI STANDARD		REPORT SECTION / COMMENTARY	DISCLOSURE
ETHICS AND INTEGRITY			
102-16	A description of the organisation's values, principles, standards, and norms of behaviour.	Business conduct, p. 180	Fully disclosed
102-17	A description of internal and external mechanisms for: i. seeking advice about ethical and lawful behaviour, and organisational integrity; ii. reporting concerns about unethical or unlawful behaviour, and organisational integrity	Business conduct, p. 180	Fully disclosed
GOVERNANCE			
102-22	The reporting organisation shall report the following information: a. Composition of the highest governance body and its committees by: i. executive or non-executive; ii. independence; iii. tenure on the governance body; iv. number of each individual's other significant positions and commitments, and the nature of the commitments; v. gender; vi. membership of under-represented social groups; vii. competencies relating to economic, environmental, and social topics; viii. stakeholder representation.	Corporate governance, p. 198	Fully disclosed
102-23	The reporting organisation shall report the following information: a. Whether the chair of the highest governance body is also an executive officer in the organisation. b. If the chair is also an executive officer, describe his or her function within the organisation's management and the reasons for this arrangement.	Corporate governance, p. 198	Fully disclosed
102-26	The reporting organisation shall report the following information: a. Highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social topics.	Corporate governance, p. 198	Fully disclosed
102-35	The reporting organisation shall report the following information: a. Remuneration policies for the highest governance body and senior executives for the following types of remuneration: i. Fixed pay and variable pay, including performance-based pay, equity-based pay, bonuses, and deferred or vested shares; ii. Sign-on bonuses or recruitment incentive payments; iii. Termination payments; iv. Clawbacks; v. Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees. b. How performance criteria in the remuneration policies relate to the highest governance body's and senior executives' objectives for economic, environmental, and social topics.	Corporate governance, p. 198	Partially disclosed

GRI STANDARDS (CONTINUED)

GRI STANDARD		REPORT SECTION / COMMENTARY	DISCLOSURE
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups engaged by the organisation	Stakeholder engagement, p. 134	Fully disclosed
102-43	The organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Stakeholder engagement, p. 134	Fully disclosed
REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements	Financial reporting	Fully disclosed
102-47	List of material topics	Sustainability, p. 124	Fully disclosed
102-50	Reporting period	Sustainability, p. 124	Fully disclosed
102-51	The date of the most recent previous report	2019 Annual Report	Fully disclosed
102-52	Reporting cycle (annual or biennial etc.)	Annual	Fully disclosed
102-53	Contact point for questions regarding the report	Shareholder interactions, p. 212	Fully disclosed
102-55	GRI content index	Sustainability, p. 124	Fully disclosed
102-56	External Assurance (audit)	Sustainability, p. 124	Fully disclosed
MANAGEMENT APPROACH			
103-1	Explanation of the material topic and its boundary	Sustainability, p. 124	Fully disclosed
103-3	The management approach and its components	Stakeholder engagement, p. 134 Environment, p. 146 People, p. 154	Partially disclosed
ANTI-CORRUPTION			
205-2	Communication and training about anti-corruption policies and procedures	Business conduct, p. 180	Fully disclosed
ENVIRONMENTAL TOPICS			
301-1	Materials used by weight or volume	Environment, p. 146	Fully disclosed
302-1	Energy consumption within the organisation	Environment, p. 146	Partially disclosed
303-1	Interactions with water as a shared resource	Environment, p. 146	Partially disclosed
303-3	Water withdrawal	Environment, p. 146	Partially disclosed
303-4	Water discharge	Environment, p. 146	Partially disclosed
306-2	Waste by type and disposal method	Environment, p. 146	Partially disclosed
306-3	Waste generated	Environment, p. 146	Fully disclosed

GRI STANDARD		REPORT SECTION / COMMENTARY	DISCLOSURE
306-4	Waste diverted from disposal	Environment, p. 146	Partially disclosed
306-5	Waste directed to disposal	Environment, p. 146	Partially disclosed
307-1	Non-compliance with environmental laws and regulations	Environment, p. 146	Partially disclosed
SOCIAL TOPICS			
EMPLOYMENT			
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	People, p. 154	Fully disclosed
401-3	Parental leave	People, p. 154	Partially disclosed
LABOUR-MANAGEMENT RELATIONS			
402-1	Minimum notice periods regarding operational changes	People, p. 154	Fully disclosed
OCCUPATIONAL HEALTH AND SAFETY			
403-1	Occupational health and safety management system	Occupational health and safety, p. 138	Fully disclosed
403-2	Hazard identification, risk assessment, and incident investigation	Occupational health and safety, p. 138	Fully disclosed
403-5	Worker training on Occupational health and safety	Occupational health and safety, p. 138	Fully disclosed
403-9	Work-related injuries	Occupational health and safety, p. 138	Partially disclosed
TRAINING AND EDUCATION			
404-1	Average hours of training per year per employee	People, p. 154	Partially disclosed
404-2	Programmes for upgrading employees' skills and transition assistance programmes	People, p. 154	Partially disclosed
DIVERSITY AND EQUAL OPPORTUNITY			
405-1	Diversity of governance bodies and employees	People, p. 154	Fully disclosed
NON-DISCRIMINATION			
406-1	Incidents of discrimination and corrective actions taken	Business conduct, p. 180	Fully disclosed
LOCAL COMMUNITIES			
413-1	Operations with local community engagement, impact assessments, and development programmes	Social Responsibility, p. 168	Fully disclosed

CORPORATE GOVERNANCE

8

The Group's corporate governance framework combines leadership with collaboration, and lies at the heart of our robust decision-making process. The Company continues to be committed to maintaining the highest standards of corporate governance based on the following principles:

1 EQUAL TREATMENT OF ALL SHAREHOLDERS AND STRICT PROTECTION OF THEIR LEGITIMATE INTERESTS AND RIGHTS

2 TIMELY DISCLOSURE OF RELIABLE AND ACCURATE INFORMATION ABOUT THE COMPANY'S ACTIVITIES

3 EFFICIENT AND RELIABLE MAINTENANCE OF RECORDS OF OWNERSHIP RIGHTS

4 OPEN DIALOGUE WITH ALL STAKEHOLDERS AND RESPECT FOR THEIR RIGHTS AND LEGITIMATE INTERESTS

5 ACCOUNTABILITY OF THE BOARD OF DIRECTORS TO SHAREHOLDERS, AND ACCOUNTABILITY OF EXECUTIVE BODIES TO THE GENERAL MEETING OF SHAREHOLDERS AND THE BOARD OF DIRECTORS

The Company is governed by the General Meeting of Shareholders and by the Board of Directors and its committees, which act in accordance with the Company's statutory documents, resolutions passed by shareholders at general meetings and applicable legislation.

BOARD OF DIRECTORS

The main objective of the Board of Directors ("the Board") is to ensure the Company's long-term success and sustained returns for shareholders. This includes setting strategic goals, overseeing financial and human resource structures, reviewing management performance and determining the Company's risk appetite. The Board of Directors sets the tone at the top and helps to establish the Company's management culture.

The Board is also driven by its advisory role to complement and support the executive team as it implements the Company's strategy.

The Board believes that it has the necessary skills and experience to provide effective leadership and control of the Company. When recommending directors for appointment, the Remuneration and Nomination Committee ensures that there is an appropriate balance of skills, experience and backgrounds relevant to the Company's success.

The Board comprises independent directors and non-executive directors. Independent directors are an important element of the contemporary corporate governance system. The essential features of independent directors are their autonomy, independence of decision-making and impeccable business reputation. Independent directors play an important role in determining the Company's development strategy and reviewing reports on its implementation, evaluating the performance of the Company's executive bodies and assessing the performance of the risk management and internal control systems. The Company highly appreciates the contribution of independent directors in enhancing the effectiveness of the Board of Directors.

The non-executive directors provide an essential independent element to the Board and a solid foundation for strong corporate governance. They are responsible for constructively challenging the strategies proposed by the executive directors and scrutinising the performance of management in achieving agreed goals and objectives. They also play a key role in the functioning of the Board and its committees. Between them, the current non-executive directors have an appropriate balance of skills, experience, knowledge and independent judgement to undertake their roles effectively.

In 2020, the composition of the Board of Directors underwent only minor changes. On 20 February 2020, the Company accepted the resignation of Kirill Bagachenko, Executive Director and Chief Financial Officer. Ilya Kosolapov took over from Kirill and was appointed Chief Financial Officer.

As of 31 December 2020 the Board of Directors consisted of nine directors. One director is an executive director, and eight directors are non-executive directors, six of whom are also independent directors.

CORPORATE GOVERNANCE STRUCTURE

As of 31 December 2020, the Board and its committees were structured as follows:

SHAREHOLDERS

THE BOARD

(leadership, strategy, risks, governance, values and standards)

AUDIT COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE	STRATEGY COMMITTEE	INVESTOR RELATIONS AND INFORMATION DISCLOSURE COMMITTEE
Martin Cocker (Chairman)	**Sergey Egorov** (Chairman)	**Maxim Berlovich** (Chairman)	**Petr Kryuchkov** (Chairman)
• Boris Svetlichny • Ganna Khomenko	• Oleg Mubarakshin • Ganna Khomenko • Martin Cocker • Charalampos Avgousti	• Oleg Mubarakshin • Sergey Egorov • Gennadiy Shcherbina • Artyom Zasursky • Marina Ogloblina • Dennis Vinokourov	• Dennis Vinokourov • Nikolai Minashin

EXECUTIVE MANAGEMENT

THE BOARD OF DIRECTORS

SERGEY EGOROV

Chairman of the Board of Directors, Chairman of the Remuneration and Nomination Committee, Non-Executive Director

Sergey Egorov was born in 1982. He graduated from the Kyrgyz State National University in 2004 with a degree in finance. Since 2012, he has worked at Sistema, currently as a Managing Partner and before that as the Director of Special Projects.

Sergey also sits on the boards of directors of certain Sistema portfolio companies. Before joining Sistema, Sergey was a Vice President at Intellect Telecom, and he also has significant experience at several companies including Sberbank Capital, United Capital Partners and EY.

OLEG MUBARAKSHIN

Non-Executive Director

Oleg Mubarakshin was born in 1968. He graduated from the Moscow State Academy of Law in 2000 with a degree in law, and from the Finance Academy under the Government of the Russian Federation in 2002 with a degree in Finance. Since 2013, he has worked at Sistema, currently as a Managing Partner and before that as a Senior Vice President and the Head of the Legal Function.

Before joining Sistema, he was the head of legal at EastOne Group, and before that he spent more than a decade at InBev Group, where he rose to the position of Vice President for Legal Affairs for Western Europe.

MAXIM BERLOVICH

Head of Moscow Operations, Chairman of the Strategy Committee, Executive Director

Maxim Berlovich was born in 1987. He graduated from the Peter the Great St Petersburg Polytechnic University in 2009 with a degree in world economy and from the Vlerick Business School in 2013 with an MBA degree.

Before joining Etalon Group in 2014, Maxim was a deputy CEO of one of the largest power grid construction companies in Russia. From 2017 to 2019, he served as the head of the Company's construction and maintenance division. In 2019, Maxim became the Head of Moscow Operations.

THE BOARD OF DIRECTORS (CONTINUED)

MARINA OGLOBLINA

Independent Non-Executive Director

Marina Ogloblina was born in 1957. She graduated from the Moscow Finance University in 1980 with a degree in finance. Most recently, she served as Minister for Construction and the Residential and Utility Sector of the Moscow region, before being appointed as an advisor for construction (with ministerial rank) to the regional governor.

Prior to that, she worked for 20 years in economic planning roles in the Moscow city administration, eventually becoming the Minister and the Head of the Economic Planning and Development Department, and also heading the city's Main Supervision Department.

Marina began her career at the State Bank of the USSR before being appointed a senior auditor for two districts of Moscow at the Russian SFSR Finance Ministry's Audit Directorate. She also served as a professor and the head of the Department of Finance, Accounting and Audit at the Moscow government's Moscow State University of Administration.

GANNA KHOMENKO

Independent Non-Executive Director

Ganna Khomenko was born in 1977. She graduated from Keele University in 1999 with a degree in law and international politics. She also completed a Legal Practice Course at the College of Law in Chester. She currently acts as a consultant providing services in trust and corporate administration, accounting and financial management, and international tax planning, and she also sits on the boards of Ros Agro and Interpipe. Ganna previously held a number of senior legal and management positions.

MARTIN COCKER

Chairman of the Audit Committee, Independent Non-Executive Director

Martin Cocker was born in 1959. He graduated from the University of Keele in 1981 with a joint honours degree in mathematics and economics. From 1981 to 1992, he served as an auditor and later as an audit manager and senior audit manager at Ernst & Young (United Kingdom). From 1992 to 1995, he worked in the oil industry with Amerada Hess before returning to the audit profession in 1996 as a partner with Ernst & Young in Moscow.

Between 1998 and 2007, Mr Cocker occupied various management positions, including the posts of audit director at Deloitte & Touche (United Kingdom), managing audit partner at KPMG Kazakhstan (Almaty), managing audit partner Central Asia at Deloitte & Touche (Almaty) and managing partner at Deloitte & Touche (St Petersburg).

He runs his own development business in Portugal. Since 2010, Mr Cocker has been an independent non-executive director on the Company's Board of Directors and chairman of the Audit Committee.

BORIS SVETLICHNY

Independent Non-Executive Director

Boris Svetlichny was born in 1961. He graduated from the University of Massachusetts in 1985 with a degree in accounting and from Carnegie Mellon University in 1992 with an MBA degree. He brings to the Company 29 years of international financial and senior management experience. He has held various senior finance positions at Orange Business Services in Russia, VimpelCom and Golden Telecom. From March 2014 to August 2016, Mr Svetlichny served as the CFO of the Company.

DENNIS VINOKOUROV

Independent Non-Executive Director

Dennis Vinokourov was born in 1969. He graduated from the Moscow State Institute of International Relations in 1993 with a degree in law with highest honours, Central European University with a Master of Laws degree, New York University with a Master of Laws degree and the Stern Business School with an MBA degree. He has held senior investment roles at Vi Holding Development, the Russian Direct Investment Fund and East Capital. He started his career as a corporate lawyer with White & Case.

CHARALAMPOS AVGOUSTI

Independent Non-Executive Director

Charalampos Avgousti was born in 1982. He graduated from the Democritus University of Thrace in 2007 with a degree in law and Northumbria University in Newcastle with a Master of Laws degree in 2010. He is the Founder and Managing Director of Ch. Avgousti & Partners LLC (Advocates & Legal Consultants).

Previously he worked at several law firms, including E&G Economides LLC—Totalserve Group and Nasos A. Kyriakides & Partners. Mr Avgousti is a board member at CYTA (Cyprus Telecommunication Authority), a member of the Advisory Council of Limassol for the Central Cooperative Bank, and until February 2016 he was a board member of Periferiaki Cooperative Credit Society Nicosia Limited.

THE FOLLOWING TABLE PROVIDES THE NAME, AGE, YEAR OF APPOINTMENT AND POSITION ON THE BOARD OF DIRECTORS FOR EACH DIRECTOR

NAME	AGE	POSITION	FIRST YEAR APPOINTED
SERGEY EGOROV	38	Chairman of the Board of Directors	2019
OLEG MUBARAKSHIN	52	Non-Executive Director	2019
MAXIM BERLOVICH	33	Executive Director	2018
MARINA OGLOBLINA	63	Independent Non-Executive Director	2019
GANNA KHOMENKO	43	Independent Non-Executive Director	2019
MARTIN COCKER	61	Independent Non-Executive Director	2010
BORIS SVETLICHNY	59	Independent Non-Executive Director	2013
DENNIS VINOKOUROV	51	Independent Non-Executive Director	2018
CHARALAMPOS AVGOUSTI	39	Independent Non-Executive Director	2016

BOARD ATTENDANCE DURING THE YEAR

In 2020, the Board of Directors held five meetings in person, with an additional 14 meetings held in absentia. While travelling was constrained due to the COVID-19 pandemic, the Board meetings and committee sessions were held remotely.

	ATTENDANCE AT IN-PERSON BOARD MEETINGS (A TOTAL OF FIVE IN 2020)	ATTENDANCE AT BOARD MEETINGS IN ABSENTIA (WRITTEN RESOLUTIONS) (A TOTAL OF 14 IN 2020)
SERGEY EGOROV	5	14
OLEG MUBARAKSHIN	5	14
MAXIM BERLOVICH	5	14
MARINA OGLOBLINA	4	14
GANNA KHOMENKO	5	14
MARTIN COCKER	5	14
BORIS SVETLICHNY	5	14
DENNIS VINOKOUROV	5	14
CHARALAMPOS AVGOUSTI	5	14
KIRILL BAGACHENKO (until February 2020)	1	1

MATTERS SPECIFICALLY RESERVED FOR THE BOARD INCLUDE:

- approval of the Company's long-term objectives and corporate strategy;
- approval of material acquisitions, disposals, investments, contracts, expenditures and other transactions;
- approval, following a recommendation from the Audit Committee, of interim and final results, the annual report and accounts, including the corporate governance statement, the dividend policy and any declaration of interim dividends and the recommendation of final dividends;
- approval, following a recommendation from the Remuneration and Nomination Committee, of any appointments to the Board and of other key senior management committee members;
- review, following a recommendation from the Audit Committee, of the effectiveness of the internal control and risk management systems; and
- approval of the Company's corporate governance policies and procedures.

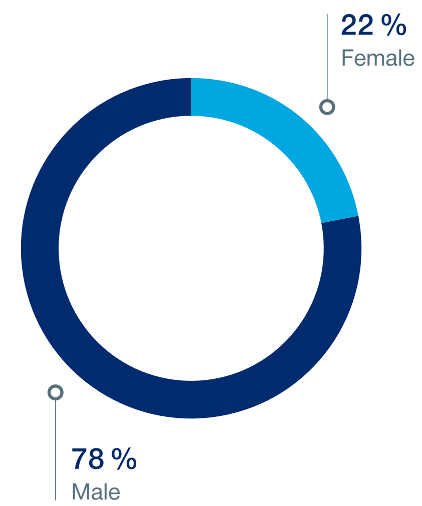
BOARD FOCUS DURING THE YEAR

In 2020, the Board addressed a wide variety of issues, including but not limited to:

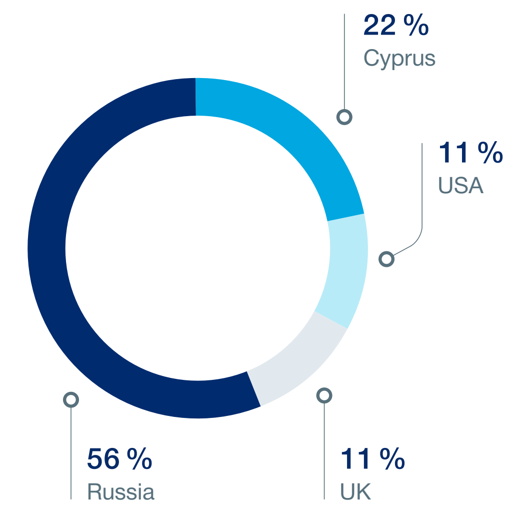
- business strategy
- actions in response to the COVID-19 pandemic;
- budgets and long-term plans for the Company;
- review of estimates of future cash flows, financing arrangements and fundraising;
- development of the Company's corporate governance;
- overall Group performance and future capital expenditures;
- financial statements and announcements;
- review of reports from the committees reporting to the Board;
- shareholder feedback and reports from brokers and analysts;
- risk management and risk oversight.

BOARD DIVERSITY AND EXPERTISE

BOARD COMPOSITION



BOARD NATIONALITY



REMUNERATION

On 17 July 2020, the Board approved the Policy on Remuneration and Compensation Payable to Members of Board of Directors, which sets forth the principles, grounds, conditions and procedure for payment of remuneration to members of the Company's Board of Directors. According to the above-mentioned Policy, no remuneration for serving on the Board of Directors will be paid to members of the Board of Directors who are not independent. The Policy came into force on 1 January 2020; thus only independent directors received remuneration for 2020.

BOARD COMMITTEES

The Board has delegated specific responsibilities to four committees: the Audit Committee, the Remuneration and Nomination Committee, the Strategy Committee and the Investor Relations and Information Disclosure Committee.

All committees act within their remit, report to the Board on their activities and take decisions or make recommendations to the Board concerning decisions within their remit.

AUDIT COMMITTEE

As of 31 December 2020, the members of the Audit Committee were as follows:

MARTIN COCKER

Committee Chairman and Independent Non-Executive Director

BORIS SVETLICHNY
Independent Non-Executive Director

GANNA KHOMENKO
Independent Non-Executive Director

Responsibilities:

- monitoring the integrity of the financial statements of the Company and the Group prepared under International Financial Reporting Standards (the "Financial Statements");
- reviewing the Group's internal controls and risk management systems;
- monitoring and reviewing the effectiveness of the Group's internal audit function ("Internal Audit");
- making recommendations to the Board, for shareholders' approval at a general meeting, concerning the appointment of the external auditor and approval of the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.

THE AUDIT COMMITTEE HELD A NUMBER OF MEETINGS IN 2020, WHERE THE KEY MATTERS FOR CONSIDERATION WERE:

- the year-end financial results, together with the associated report of the external auditor;
- the half-year interim results, together with the associated report of the external auditor;
- matters raised by the external auditor as part of the audit process requiring the attention of management and the actions taken by management to address those matters;
- reviewing the performance and independence of the external auditor;
- recommending to the Board the reappointment of the external auditor and the fee for audit services;
- approving any non-audit services proposed to be undertaken by the external auditor during the year;
- receiving reports from Internal Audit on the results of their engagements and considering the remedial actions taken by management in respect of any matters arising;
- reviewing the accounting policies adopted by the Group and approving any changes to those policies on the recommendation of management or the external auditor.

External audit

The Audit Committee continues to be satisfied with the performance of Deloitte and has recommended to the Board that they be reappointed as auditors. The Audit Committee also considered and approved non-audit services performed by the external auditor during the year to ensure that those services did not threaten the auditor's independence. The Audit Committee regularly meets with the external auditor without management present.

Internal Audit

The Group's Internal Audit function provides independent objective assurance and advisory oversight of the business's operations and systems of internal control and helps the business accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

The Audit Committee regularly meets with the head of Internal Audit without management present.

Internal controls and risk management systems

The Audit Committee, and the Board as a whole, continues to ensure that effective risk management systems are adopted to ensure that key risks faced by Etalon Group are identified and evaluated. Appropriate limits and controls are set, maintained and monitored to ensure compliance. In particular, the risk management framework identifies risks that might, if not appropriately managed, materially affect the Group's ability to achieve its objectives or that might lead to a material misstatement in the Group's financial results.

The Audit Committee periodically reviews risk management policies and systems to ensure that they remain appropriate, relevant and comprehensive, taking into account any variations in market conditions and the Group's activities. Reviews also consider whether identified risks are being managed effectively.

The Audit Committee is responsible for overseeing how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework. In this, the Audit Committee is assisted by the Internal Audit function.

While progress continues to be made in this area, the Audit Committee continues to monitor the Group's risk management processes and to provide support for, and oversight, the amendments undertaken.

While only members of the Audit Committee are entitled to attend meetings, the external auditors, head of Internal Audit and other members of senior management are invited to attend meetings as necessary and appropriate.

REMUNERATION AND NOMINATION COMMITTEE

As of 31 December 2020, the members of the Remuneration and Nomination Committee were as follows:

SERGEY EGOROV
Committee Chairman, Board of Directors Chairman, Non-Executive Director

OLEG MUBARAKSHIN
Non-Executive Director

GANNA KHOMENKO
Independent Non-Executive Director

MARTIN COCKER
Independent Non-Executive Director

CHARALAMPOS AVGOUSTI
Independent Non-Executive Director

Responsibilities

The Committee advises the Board of Directors on the remuneration of executive management and other senior employees, and reviews the terms and conditions of employment agreements for all senior appointments.

The Committee is also responsible for drafting the selection criteria and appointment of members of the Board of Directors and for reviewing the Board's structure, size and composition on a regular basis. In undertaking this role, the Committee considers the skills, knowledge and experience required at Etalon Group's stage of development and the requirements of current legislation, and makes recommendations to the Board as to any changes.

The Committee also considers and makes recommendations regarding the membership of the Audit Committee, Strategy Committee and Investor Relations and Information Disclosure Committee.

The Committee held a number of meetings in 2020 at which it considered the Board remuneration policy, as well as changes to the membership of the Board and its committees.

STRATEGY COMMITTEE

As of 31 December 2020, the members of the Strategy Committee were as follows:

MAXIM BERLOVICH
Committee Chairman, Executive Director

OLEG MUBARAKSHIN
Non-Executive Director

SERGEY EGOROV
Non-Executive Director

GENNADIY SHCHERBINA
Chief Executive Officer

DENNIS VINOKOUROV
Independent Non-Executive Director

MARINA OGLOBLINA
Independent Non-Executive Director

ARTYOM ZASURSKY
PJSFC Sistema, Vice President and Head of Strategy

Responsibilities

The Strategy Committee's terms of reference set out its responsibilities in detail. In summary, the Strategy Committee's role is to assist the Board in fulfilling its oversight responsibilities relating to Etalon Group's medium- and long-term strategic direction and development. The Strategy Committee provides advice and expertise so that strategic options may be explored fully before being tabled at Board meetings for deliberation and approval.

The Strategy Committee held several meetings in 2020, where the key matters for consideration were Etalon Group's strategy, buyback, changes to the current dividend policy, review of Etalon Group's development priorities and strategic guidelines, further improvements in operational efficiency and consideration of new development opportunities.

INVESTOR RELATIONS AND INFORMATION DISCLOSURE COMMITTEE

On 17 July 2020, the Board of Directors approved the transformation of the Information Disclosure Committee into the Investor Relations and Information Disclosure Committee.

As of 29 January 2021, the members of the Investor Relations and Information Disclosure Committee were as follows:

PETR KRYUCHKOV
Director for Corporate Investment and Strategy at Etalon Group

DENNIS VINOKOUROV
Independent Non-Executive Director

NIKOLAI MINASHIN
Managing Director for Investor Relations at PJSFC Sistema

As of 31 December 2020, the members of the Investor Relations and Information Disclosure Committee were as follows:

PETR KRYUCHKOV
Director for Corporate Investment and Strategy at Etalon Group

DENNIS VINOKOUROV
Independent Non-Executive Director

Responsibilities

The Investor Relations and Information Disclosure Committee is responsible for improving communication between institutional investors, shareholders and other stakeholders arising from the Company's public status and determining the key principles for information disclosure. The Committee analyses the Etalon Group Information Disclosure Policy on a regular basis and makes recommendations to the Board regarding any changes.

The Investor Relations and Information Disclosure Committee held several meetings in 2020, where it considered matters of insider information disclosure, adjustment of the Group's approach to insider dealing and dealing of persons discharging managerial responsibilities.

CHIEF EXECUTIVE OFFICER

The Chief Executive Officer at Etalon Group is **Gennadiy Shcherbina**, who has worked in the construction industry for many years, having started his career with Etalon Group in 2003. He has been in charge of Etalon Group's St Petersburg operations since 2007. Gennadiy holds a PhD in economics, and he graduated from the Marshal A. A. Grechko Naval Academy and the St Petersburg State University for Architecture and Civil Engineering.

The CEO's responsibilities include the implementation of decisions of the Board of Directors and the development of plans and programmes for the Company's activities. The CEO is accountable to the Board of Directors.

Key responsibilities:

(a) implementation of strategic and business decisions as approved by the Board of Directors;
(b) management of day-to-day operations;
(c) representation of Etalon Group interests in negotiations pertaining to any transactions made by Etalon Group companies.

SHAREHOLDER INTERACTIONS

9

As a publicly traded company, Etalon Group has enjoyed successful relations with capital markets for 10 years.

Since April 2011, Etalon Group's global depositary receipts GDRs have been traded on the London Stock Exchange, which is still our main trading venue. To expand its investor base, the Company submitted an application to Moscow Exchange in January 2020 and then successfully completed the listing process for its GDRs.

Etalon Group securities are included in Moscow Exchange's Level 1 quotation list, and they have been traded under the ticker ETLN since 3 February 2020. Since March 2020, they have been included in the calculation base for Moscow Exchange's Broad Market Index.

KEY INFORMATION

LSE

(as of 11 February 2021)

Ticker	**ETLN: LI**
Market	MAIN MARKET
FTSE Sector	Real Estate Investments & Services
FTSE Subsector	Real Estate Ownership & Development
MIFID Status	Regulated Market
SEDOL	B5TWX80
ISIN NUMBER	US29760G1031

MOEX

(as of 11 February 2021)

Ticker	**ETLN: RX**
Full name	Global depositary receipts for ETALON GROUP PLC ordinary shares
Short name	ETLN-gdr
Type of security	Depositary receipts for shares of a foreign issuer
Listing level	Level 1
ISIN NUMBER	US29760G1031

COST OF ONE GDR

In USD (closing price)	**1.81**	In Russian roubles (closing price)	**133.24**
52-week maximum price (USD)	**2.25**	52-week maximum price (RUB)	**143.00**
52-week minimum price (USD)	**1.00**	52-week minimum price (RUB)	**77.80**

MARKET CAPITALISATION

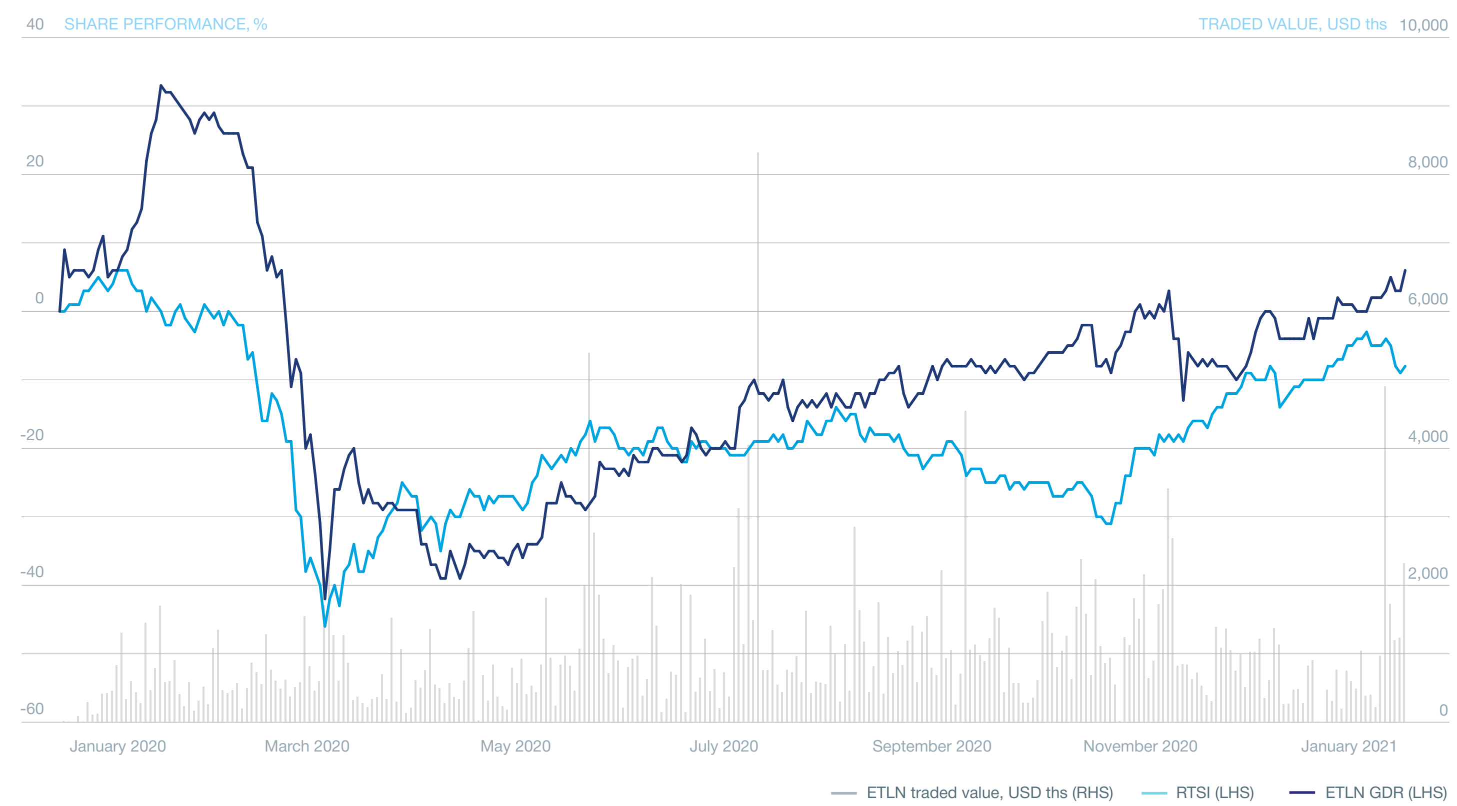
Market capitalisation (USD mln)	**533.9**	Market capitalisation (RUB mln)	**39,300**

TRADING VOLUME

Trading volume for 2020 (USD mln)	**121.9**	Trading volume for 2020 (RUB mln)	**9,997**

SHARE VALUE AND SHAREHOLDER RETURNS

ETALON GROUP GDR PERFORMANCE IN 2020

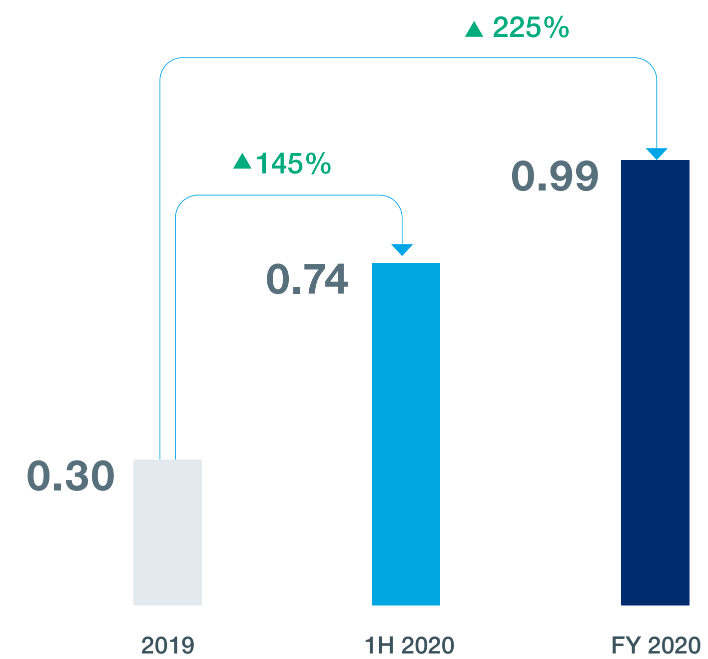


Etalon Group's GDRs have increased in value by 6 % since the beginning of 2020, outpacing the Broad Market Index.

AVERAGE DAILY TRADING VOLUME (ADTV)

USD mln[1]

Partly due to its listing on Moscow Exchange, the liquidity of Etalon Group's GDRs more than tripled year-on-year in 2020. The ADTV for Etalon Group's GDRs increased from USD 300 ths in 2019 to USD 990 ths in 2020.



[1] Bloomberg. Changes in results are calculated without rounding

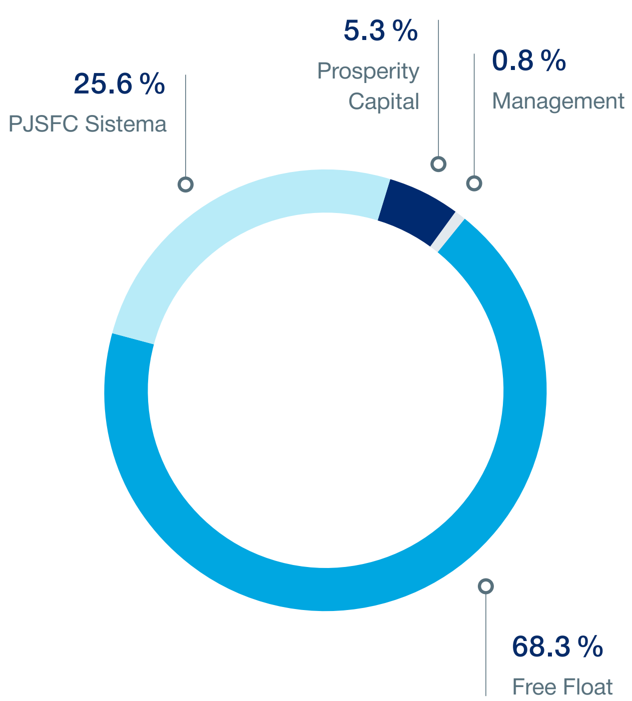
OWNERSHIP STRUCTURE

During the reporting period, Etalon Group's share capital and the number of shares issued by the Company remained unchanged. As of the end of 2020, the Company had 294,957,971 outstanding ordinary shares in addition to 20,000 redeemable preference shares with neither voting rights nor the right to receive dividends.

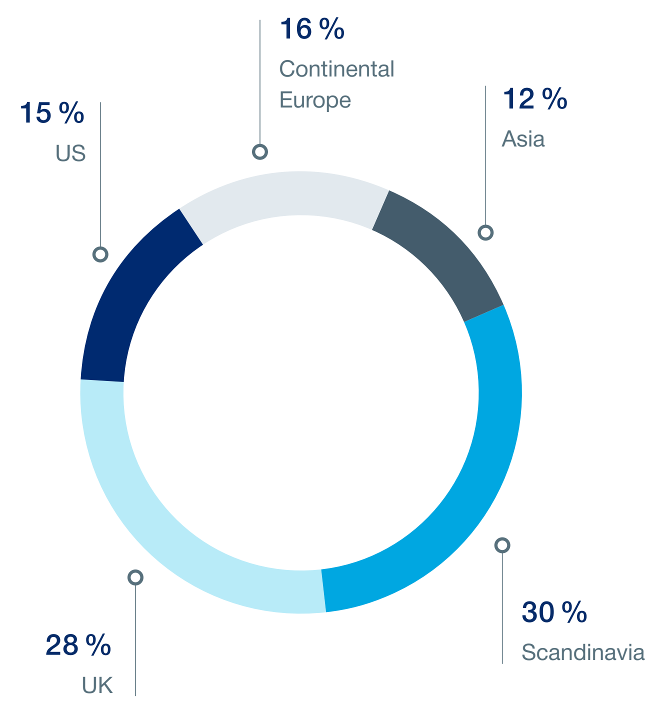
The free float percentage increased from 62 to 68 % in 2020, making Etalon Group a leader among publicly traded Russian real estate developers. At the moment, PJSFC Sistema remains the Company's majority shareholder. In January 2021, Prosperity Capital Management—one of the largest Russia-focused asset managers in the world with around USD 3.9 billion in assets under management—purchased a stake in Etalon Group: the fund acquired 5.34 % of the Company's GDRs and became its largest minority investor.

More than 70 % of the Company's diverse base of institutional investors are located in Scandinavia, the United Kingdom and the United States of America.

THE COMPANY'S SHAREHOLDING STRUCTURE[1]



GEOGRAPHICAL DISTRIBUTION OF INSTITUTIONAL INVESTORS[2]



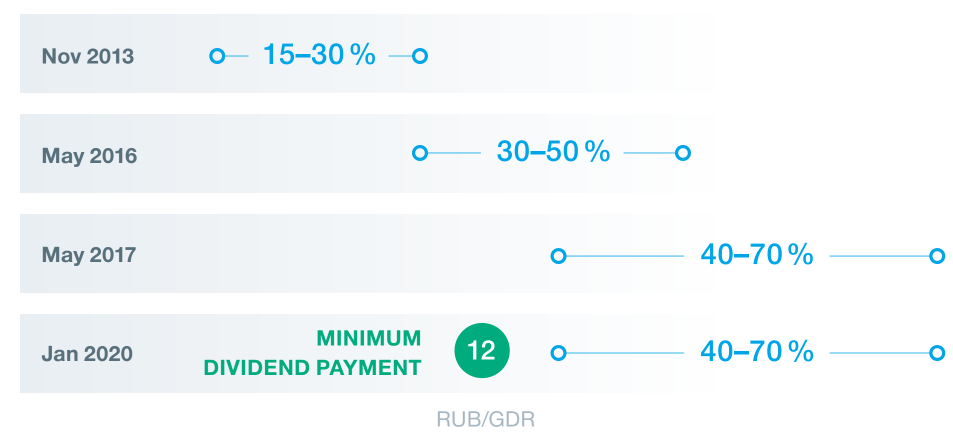
[1] According to Etalon Group data as of 26 January 2021
[2] Ipreo, data as of 10 February 2021; notification forms

DIVIDEND POLICY

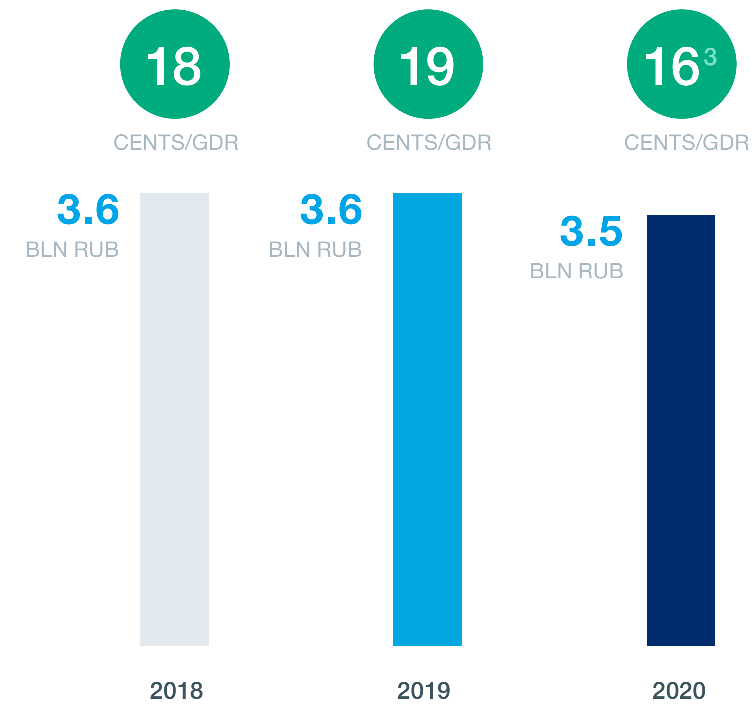
Our business's core principle is to create value for shareholders and investors, including through the distribution of dividends. Since 2013, the Company has steadily increased the target level for dividend payments from 15–30 % to 40–70 % of its IFRS net profit, as approved in May 2017. As part of its review of the dividend policy in January 2020, the Board of Directors decided to keep the range of dividend payments unchanged but decided to supplement it with a minimum guaranteed dividend payment of RUB 12 per share/GDR, provided the Company's EBITDA / interest expense ratio does not fall below 1.5x.

DIVIDEND RATIO

% of consolidated IFRS net profit



DIVIDEND PAYMENTS



[3] RUB 12 per share at the exchange rate of the Bank of Russia three business days before the date of payment (16 December 2020)

SHAREHOLDER RELATIONS

We continued to develop our shareholder relations practices in 2020, including by conducting a comprehensive perception study and creating the renewed Information Disclosure and Investor Relations Committee.

As part of our regulatory disclosures, we published the following information throughout the year:

- Results of shareholder meetings
- Results of key meetings of the Board of Directors
- Information on changes in the ownership structure
- Information on important personnel changes in the management structure
- Quarterly operating results
- Financial results for the half-year and year

Following best practices for investor relations and disclosure of additional information, the Company also published the following:

- News about important stages of project implementation, including acquisition, obtaining permits, the start of sales and delivery
- Visual information on the status of project implementation
- The results of evaluations of the Company's project portfolio

Throughout 2020, and despite COVID-19-related restrictions, Etalon Group's management and IR team used every available opportunity to maintain virtual contact with the investment community: they communicated with investors by means of correspondence and online conferences, and they also held more than 60 calls with investors and analysts.

In order to further improve our relations with investors in the reporting year, the Company, together with BNY Mellon's Global Investor Relations Advisory team and the market data provider IHS Markit, conducted a perception study to gather investment community feedback on the Company's strategy, management team, investment case and communications efforts. The results of the study helped us to better understand how investors and analysts perceive our investment story, to identify focus areas and growth points, and to incorporate these results into our IR action plan and strategy for the coming years.

The next step was a decision of the Board of Directors to transform the Information Disclosure Committee into the Investor Relations and Information Disclosure Committee. The new committee is tasked with developing a unified strategy for interaction with investors and information disclosure, providing effective feedback between the investment community and the Board of Directors, and making Etalon Group's securities a more attractive investment. Nikolai Minashin, Managing Director of Investor Relations at PJSFC Sistema, joined the committee in early 2021.

Determining the Company's main growth areas, creating a unified IR strategy and drawing on new expertise will establish an excellent basis for improving our practices in the areas of investor relations and information disclosure.

The following are the members of the Investor Relations and Information Disclosure Committee (as of 29 January 2021):

Petr Kryuchkov,
Committee Chairman, Director of Corporate Investments and Strategy;

Dennis Vinokourov,
Independent Non-Executive Director;

Nikolai Minashin,
Managing Director of Investor Relations, PJSFC Sistema.

THE CAPITAL MARKETS DAY

The live broadcast of Etalon's virtual CMD in November 2020 was attended by more than 140 investors, analysts and other participants.

In addition, the Capital Markets Day (CMD) held in November with the participation of the Company's management and members of the Board of Directors, was a landmark event in 2020 in terms of our efforts to improve transparency and open dialogue with investors and analysts. At the event, Etalon Group presented its new strategy to 2024, which calls for accelerating changes and taking advantage of promising opportunities for business growth.

Etalon Group's CMD was held in a format that was new for us and for the Russian market as a whole: Etalon Group became one of the first companies to present its strategy completely online, with viewers able to ask questions through a web interface. The CMD brought together more than 250 people who connected to the live stream or watched a recording of the event.

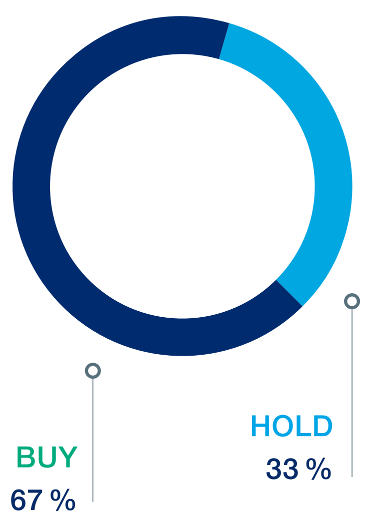
At the CMD, the management team and members of the Board of Directors of Etalon Group spoke about the main focal points of the new strategy, planned changes and expected quantitative and qualitative results; presented the first successful results of strategic initiatives and specific cases reflecting the Company's new approach to doing business, such as the ZIL-Yug project, which takes into account current trends in urban planning and combines traditional cast-on-site and state-of-the-art industrial construction technologies.

The strong interest in the presentation of our strategy and feedback from the investment community clearly indicate that we have chosen the right course in terms of expanding our interaction with investors and further improving the quality of the information we publish.

The market response has reinforced our decision to regularly inform the investment community and in as much detail as possible about our interim results and further plans for the implementation of the new strategy so that our initiatives are in line with shareholder interests, the market situation and current trends. We commented on our progress and future plans for the first time in early 2021 on a conference call dedicated to our operational results for 2020, and we plan to continue discussing on a regular basis with the investment community the steps we are taking to implement the strategy and the results of those steps.

ANALYST COVERAGE

6 OF 9 ANALYSTS THAT CURRENTLY RATE ETALON GROUP SHARES HAVE A BUY RECOMMENDATION



Etalon Group's operations are covered by analysts from 10 international and Russian brokerage firms who prepare reviews of Russian companies in the residential real estate development sector. Regular meetings, calls and e-mail correspondence with analysts help us provide complete and accurate coverage of the Company's operations based on a comprehensive understanding of our strategy, performance, assets and the work of the management team.

In 2020, the European brokerage firm Wood & Co began covering the Company's operations for the first time. In addition, the following brokerage firms prepare reports and analytical notes on Etalon Group's operations: Goldman Sachs, J.P. Morgan, VTB Capital, Renaissance Capital, BCS, Sberbank CIB, Gazprombank, Aton, and Sova Capital.

25 %[1]

GROWTH POTENTIAL

2.27

USD AVERAGE TARGET PRICE

COMPANY	ANALYST	DATE	RECOMMENDATION
Goldman Sachs	Andrey Pavlov-Rusinov	19 January 2021	▲ Buy
J.P. Morgan	Elena Jouronova	15 October 2020	• Hold
VTB Capital	Maria Kolbina	23 November 2020	• Hold
BCS	Anastasia Egazaryan	14 January 2020	• Hold
Sberbank CIB	Fedor Kornachev	21 September 2020	• Review
Renaissance Capital	Artem Yamschikov	15 July 2020	▲ Buy
Gazprombank	Marat Ibragimov	15 October 2020	▲ Buy
Aton	Mikhail Ganelin	20 January 2021	▲ Buy
Sova Capital	Artur Galimov	16 July 2020	▲ Buy
Wood & Co	Jakub Caithaml	10 September 2020	▲ Buy

[1] The growth potential of the Company's GDRs is calculated relative to the price at the close of trading on 11 February 2021: USD 1.81 per GDR

INVESTOR CALENDAR 2021

The calendar indicates preliminary dates. Exact dates may vary, and conferences may be cancelled.

APRIL
PUBLICATION
1Q 2021 Operating Results

APRIL
CONFERENCE
Moscow Exchange Conference

MAY
CONFERENCE
Sova Capital Conference

MAY
CONFERENCE
Wood & Co Conference for Retail

MAY–JUNE
CONFERENCE
Annual Sberbank CIB Conference

24–26 JUNE
CONFERENCE
Annual Renaissance Capital Conference

JULY
PUBLICATION
1H 2021 Operating Results

SEPTEMBER
PUBLICATION
1H 2021 Financial Results

OCTOBER
PUBLICATION
9M 2021 Operating Results

OCTOBER–NOVEMBER
CONFERENCE
MOEX Conference

NOVEMBER
ROADSHOW
Offline/Virtual NDR

8–9 NOVEMBER
CONFERENCE
Goldman Sachs 13th CEEMEA Conference

7–10 DECEMBER
CONFERENCE
Wood's Annual Winter Conference

CONTACT INFORMATION

ETALON GROUP IR TEAM

Petr Kryuchkov, Vice President for Corporate Investments and Strategy
petr.kryuchkov@etalongroup.com

Alexandr Ugryumov, Head of Capital Markets
alexandr.ugryumov@etalongroup.com

Zakhar Ivanov, Head of IR and ESG
zakhar.ivanov@etalongroup.com

IR CONTACTS

ir@etalongroup.com
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GDR Depository Bank
The Bank of New York Mellon
101 Barclay Street
New York 10286
Attention: ADR Division
Fax: +1 212 571 3050

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Nicosia, Cyprus
Tel.: +44 (0)20 8123 1328
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FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

BOARD OF DIRECTORS

SERGEY EGOROV	(appointed on 19 February 2019)
OLEG MUBARAKSHIN	(appointed on 19 February 2019)
MARINA OGLOBLINA	(appointed on 19 February 2019)
GANNA KHOMENKO	(appointed on 19 February 2019)
MARTIN ROBERT COCKER	(appointed on 12 November 2010)
BORIS SVETLICHNY	(appointed on 15 April 2013)
CHARALAMPOS AVGOUSTI	(appointed on 10 November 2016)
MAKSIM BERLOVICH	(appointed on 27 April 2018)
DENIS VINOKUROV	(appointed on 9 November 2018)
KIRILL BAGACHENKO	(appointed on 15 November 2013 and resigned on 20 February 2020)

SECRETARY

G.T. Globaltrust Services Limited

Themistokli Dervi, 15
Margarita House, 5th floor, flat/office 502
1066 Nicosia
Cyprus

INDEPENDENT AUDITORS

Deloitte Limited

Certified Public Accountants and
Registered Auditors
24 Spyrou Kyprianou Avenue
1075, Nicosia
Cyprus

REGISTERED OFFICE

2-4 Arch. Makariou III Avenue
Capital Center, 9th floor
1065 Nicosia
Cyprus

CONSOLIDATED MANAGEMENT REPORT

The Board of Directors of Etalon Group PLC (the "Company") presents to the members its Consolidated Management Report together with the audited Consolidated Financial Statements of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2020. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

REVIEW OF THE DEVELOPMENT AND PERFORMANCE OF THE GROUP'S BUSINESS AND ITS POSITION

The results of the Group for the year ended 31 December 2020 are set out on page 239 of the consolidated financial statements.

(a) Revenue

The Group's total revenue for the year ended 31 December 2020 amounted to RUB 78,655 million compared to RUB 84,330 million for the year ended 31 December 2019, a decrease of RUB 5,675 million or 7 %.

Revenue of the reportable segment "Residential development" decreased by RUB 3,008 million or 4 %, due to a decrease in the revenues recognised from the sales of flats by RUB 698 million or 1 %, a decrease in the revenues recognised from the sales of parking places by RUB 1,232 million or 24 %, and a decrease in the revenues recognised from the sale of built-in commercial premises by RUB 1,078 million or 18 %.

External revenues of the reportable segment "Construction services" decreased by RUB 2,474 million or 44 % mainly due to the overall reduction of activity in the sector as the result of the COVID-19 pandemic.

External revenues of the reportable segment "Other" decreased by RUB 193 million or 4 % due to a decrease in the sales of construction materials by RUB 246 million or 9 % and a decrease in rental revenue by RUB 181 million or 21 % partially offset by an increase in the sale of stand-alone commercial premises by RUB 122 million and an increase in other revenue related to servicing of premises by RUB 112 million or 7 %.

The decrease of revenue was mainly driven by overall turbulence as the result of COVID-19 pandemic (refer to paragraph "COVID-19 and other significant events" below).

(b) Gross profit

Gross profit for the year ended 31 December 2020 amounted to RUB 21,915 million compared to RUB 20,057 million for the year ended 31 December 2019, an increase of RUB 1,858 million or 9 %, which was mainly driven by the increase in gross profit of the reportable segment "Residential development" by RUB 1,385 million or 7 %.

(c) Results from operating activities

Profit from operating activities during the year ended 31 December 2020 amounted to RUB 10,218 million compared to RUB 6,484 million for the year ended 31 December 2019, an increase of RUB 3,734 million or 58 %.

During the year ended 31 December 2020, general and administrative expenses decreased by RUB 2,045 million or 28 %, selling expenses decreased by RUB 262 million or 5 %, other expenses, net decreased by RUB 151 million or 9 %, as compared to the year ended 31 December 2019.

(d) General and administrative expenses

The decrease in general and administrative expenses was mainly caused by contraction in payroll and related taxes by RUB 1,601 million or 33 %, other taxes by RUB 277 million or 53 % and audit and consulting services by RUB 192 million or 45 %.

(e) Selling expenses

The decrease of RUB 262 million was driven by a decrease in advertising expenses by RUB 640 million or 36 %, partially offset by an increase in agency fees by RUB 358 million or 36 % and an increase in payroll and related taxes by RUB 97 million or 11 %.

(f) Other expenses, net

During the year ended 31 December 2020, other expenses, net, decreased by RUB 151 million or 9 % mainly due to a decrease in impairment loss on inventories of RUB 611 million or 47 %, partially offset by a decrease in gain from disposal of property, plant and equipment by RUB 223 million or 81 %, loss on disposal of inventories under construction and development of RUB 200 million and contingent consideration for acquisition of Leader-Invest of RUB 143 million, that were incurred in 2020.

(g) Net finance costs

Net finance costs for the year ended 31 December 2020 increased by RUB 783 million or 17 % as compared to the year ended 31 December 2019.

Finance income decreased by RUB 975 million or 33 % mainly due to a decrease in interest income on cash and cash equivalents and bank deposits by RUB 991 million or 47 %, mainly caused by a significant decrease of the Bank of Russia key rate (from 6,25 % at 31.12.2019 to 4.25 % as at 31.12.2020), and substantial introduction of escrow accounts that led to decrease of cash volume, and a decrease in the amount credited to the income statement in respect of the unwinding of the discount on trade receivables of RUB 71 million or 10 %, offset by an increase in interest income – financing component under IFRS 15 by RUB 77 million or 105 %.

Finance costs decreased by RUB 192 million or 2 % due to a decrease in financing component under IFRS 15 by RUB 1,220 million or 47 %, partially offset by an increase in borrowing costs by RUB 537 million or 12 % due to the transition from the scheme of customer financing to the bank project financing scheme, and an increase in the amount debited to the income statement in respect of the unwinding of the discount on other payables by RUB 744 million or 435 %, which was mainly caused by unwinding of the discount on long-term accounts payable for the acquisition of land plot (82 % share in LLC "Specialized Developer "ZIL-YUG").

(h) Income tax expense

Income tax expense for the year ended 31 December 2020 amounted to RUB 2,686 million compared to an income tax expense of RUB 1,585 million during the year ended 31 December 2019.

(i) Profit for the year

The profit for the year ended 31 December 2020 amounted to RUB 2,036 million, compared to a profit of RUB 186 million for the year ended 31 December 2019.

(j) Adjusted net debt/adjusted EBITDA and net corporate debt/adjusted EBITDA ratios

As described in note 23 and in the Supplementary Information section, certain bank loans are subject to restrictive covenants which are calculated based on the consolidated financial statements of the Group. The loans used to finance the acquisition of JSC "Leader Invest" require the Group to maintain adjusted net debt/ adjusted EBITDA ratio below 4. The current structure of the Group's adjusted net debt, being negative (specified assets exceed borrowings), secures the Group's solid over-performance of the ratio, currently being minus 3.16.

The Group also monitors the ratio of net corporate debt (total loans and borrowings less secured project financing less cash and cash equivalents less bank deposits over 3 months) to adjusted EBITDA. Following the transition to settlements with customers through escrow accounts and to financing of construction by means of project financing, the classical net debt/EBITDA indicator distorts the actual debt burden. At the appropriate level of coverage of project loan with cash on escrow accounts, nominal interest rates on such debt are reduced to near-zero values, while market rates vary from 8-10 % per annum. As of 31 December 2020, the ratio amounted to 1.19 which is in line with the Group's target for the ratio being less than 2-3x.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group are disclosed in the notes 1(b), 2(d) and 26 of the Consolidated Financial Statements.

FUTURE DEVELOPMENTS OF THE GROUP

The Board of Directors expects continued growth in the Group's operations in all markets of its presence, and the improvement in the financial position and financial performance of the Group.

ACTIVITIES RELATED TO RESEARCH AND DEVELOPMENT

The Group has not undertaken any activities in the field of research and development during the year ended 31 December 2020.

BRANCHES

The Group operated through branches in Moscow and Saint Petersburg and 15 representative (sales) offices across the Russian Federation during the year ended 31 December 2020. The Company did not operate through any branches other than in Moscow and Saint Petersburg.

USE OF FINANCIAL INSTRUMENTS BY THE GROUP

The classes of financial instruments used by the Group, the Group's financial risk management objectives and policies as well as the Group's exposure to credit risk, liquidity risk and market risk are disclosed in the note 26 of the consolidated financial statements.

DIVIDENDS

On 20 July 2020, the Board of Directors recommended a final dividend of RUB 12 per share for the year ended 31 December 2019. The final dividend for the total amount of RUB 3,539 million was approved by the Annual General Meeting of shareholders on 23 October 2020, and the dividends were paid on 16 December 2020. Up to the date of approval of these consolidated financial statements, no dividends were recommended for distribution for the year ended 31 December 2020.

CHANGES IN THE COMPANY'S SHARE CAPITAL

There were no changes in the Company's share capital during 2020.

CHANGES IN THE COMPOSITION, ALLOCATION OF RESPONSIBILITIES OR COMPENSATION OF THE BOARD OF DIRECTORS

The changes in the composition and allocation of responsibilities of the Board

CONSOLIDATED MANAGEMENT REPORT

CONTINUED

of Directors during 2020 are disclosed in the Board of Directors and other Officers section of these consolidated financial statements. The changes in the compensation of certain members of the Board of Directors are disclosed in note 10 to these consolidated financial statements.

COVID-19 AND OTHER SIGNIFICANT EVENTS

As the Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. In March 2020 oil prices dropped by more than 40 %, which resulted in the immediate weakening of Russian Ruble against major currencies.

In addition, starting from early 2020, a new coronavirus disease (COVID-19) began rapidly spreading all over the world resulting in an announcement of pandemic status by the World Health Organization in March 2020. Responses put in place by the Russian Federation to contain the spread of COVID-19 resulted in significant operational disruption for many companies and had a significant effect on businesses across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing.

The quarantine measures introduced in the Russian Federation included the closure of the Group's sales offices. In addition, the Government of Moscow imposed a temporary ban on construction works that lasted from the 13th of April until the 12th of May.

The Group managed to provide the necessary conditions for the safe conduct of construction works on all of its construction sites. In the Moscow region, the Group resumed construction shortly after the temporary ban on construction was lifted due to the flexible construction technology and the availability of its own general contractors and sub-contractors. In Saint-Petersburg construction works continued uninterrupted. As a result, all projects that were planned for completion during the year ended 31 December 2020 were completed on time.

In the first weeks following the introduction of restrictive measures, the Group launched an online real estate sales service, formed operational teams of managers, and strengthened its call center. The Group developed a new model of interaction with clients including virtual showrooms and virtual and augmented reality projects that provide a complete picture of the future apartments.

The Group's office-based employees were successfully moved to remote working.

The quarantine measures, accompanied by the reduction in the disposable income of households and the increase in unemployment rates, led to the overall decrease of the demand for real estate.

At the same time, the Government of the Russian Federation implemented various measures to support both the construction industry and its clients, including the introduction of the preferential 6,5 % p.a. mortgage program and an increase of its price limits on apartments, that had a significant positive impact on the demand for real estate.

As of the reporting date, most of the restrictions imposed by the government authorities in the Russian Federation due to the COVID-19 pandemic have been lifted, including on the operation of the Group's sales offices, and the Group observes that the demand for real estate has recovered.

Significant events subsequent to the reporting date are disclosed in note 33 of the Consolidated Financial Statements.

INDEPENDENT AUDITORS

On 20 October 2020, the Annual General Meeting of shareholders of the Company appointed Deloitte Limited as auditor of the Company to hold office until the conclusion of the next annual general meeting and authorised the Board of Directors to fix the auditor's remuneration.

CORPORATE GOVERNANCE REPORT

COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT IN RELATION TO THE PREPARATION OF THE FINANCIAL STATEMENTS

The main documents regulating the activities of the Company are the Cyprus Companies Law, Cap. 113, the UKLA Listing, Prospectus and Disclosure and Transparency Rules, together with the Memorandum and Articles of Association of the Company. The Company has also enacted a number of governance policies and procedures, such as the Management Policy and Committee terms of reference, to ensure that a proper system of corporate governance is in place.

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for making an assessment of the Group's and the Company's ability to continue as a going concern, taking into account all available information about the future and for disclosing any material uncertainties related to events or conditions that may cast significant doubt upon the Group's and the Company's ability to continue as a going concern.

Those charged with governance are responsible for the implementation of internal control necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and in particular for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

The Audit Committee is responsible for monitoring the financial reporting process and the integrity of the Company's financial statements. It is also responsible for reviewing internal controls, overseeing how management monitors compliance with the Group's risk management policies and procedures, the effectiveness of the Group's Internal Audit function and the independence, objectivity and the effectiveness of the external audit process. The Audit Committee is also responsible for considering the terms of appointment and remuneration of the external auditor.

Each of the subsidiaries of the Group keeps accounting records for statutory purposes. The preparation of consolidated IFRS financial statements involves the transformation of the statutory accounting records into IFRS and the consolidation of financial statements. The Group continues the process of implementing a single Group-wide information system featuring automated consolidation of the accounts that will strengthen internal control and risk management in relation to the preparation of the consolidated financial statements.

The Group believes that its financial reporting functions and internal control systems are sufficient to ensure compliance with the requirements of the FSA's Disclosure and Transparency Rules as a listed company and with the requirement of Cyprus Companies Law, Cap. 113.

SIGNIFICANT DIRECT OR INDIRECT SHAREHOLDINGS (INCLUDING INDIRECT SHAREHOLDINGS THROUGH PYRAMID STRUCTURES AND CROSS-SHAREHOLDINGS)

The share capital of the Company is GBP 34,748 divided into 294,957,971 ordinary Shares having the par value of GBP £0.00005 each and 20,000 preference shares having the par value of GBP 1 each. 193,747,322 ordinary shares (65,7 %) are deposited for the issuance of Global Depositary Receipts (GDRs) pursuant to the Deposit Agreement between the Company and the Bank of New York Mellon. The GDRs represent one ordinary share each and are listed and traded on the Main Market of the London Stock Exchange. Starting from 3 February 2020, the Company's GDRs started trading on Moscow Stock Exchange.

As at 31 December 2020, the Company was aware of the following interests in its share capital:

SHAREHOLDERS	%
Free float	73.6
Sistema PJSFC	25.6
Management of the Company	0.8
TOTAL	**100**

THE HOLDERS OF ANY SHARES WITH SPECIAL CONTROL RIGHTS AND A DESCRIPTION OF THESE RIGHTS

The Company does not have any shares with special control rights.

RESTRICTIONS IN EXERCISING OF VOTING RIGHTS OF SHARES

The 20,000 preference shares having the par value of GBP 1 each issued by the Company, bear no voting rights. The Company does not have any other restrictions in exercising of the voting rights of its shares.

THE RULES REGARDING THE APPOINTMENT AND REPLACEMENT OF BOARD MEMBERS

The Company may by ordinary resolution appoint any person as a director and may by ordinary resolution of which special notice has been given, in accordance with sections 178 and 136 of the Cyprus Companies Law, cap. 113 (the Law), remove a director. Any such director will receive special notice of the meeting and is entitled to be heard at

CORPORATE GOVERNANCE REPORT

CONTINUED

the meeting. Any director has to confirm in writing that he is eligible under the Law.

A director may resign from office as a director by giving notice in writing to that effect to the Company, which notice shall be effective upon such date as may be specified in the notice.

THE RULES REGARDING THE APPOINTMENT AND REPLACEMENT OF BOARD MEMBERS (CONTINUED)

The directors have the power from time to time, without sanction of the Company in general meeting, to appoint any person to be a director, either to fill a casual vacancy or as an additional director.

The office of a director shall be vacated if the director:

(a) becomes of unsound mind or an order is made by a court having jurisdiction (whether in Cyprus or elsewhere) in matters concerning mental disorder for their detention or for the appointment of a receiver, curator or other person to exercise powers with respect to their property or affairs; or
(b) is prohibited from acting as director in accordance with section 180 of the Law; or
(c) becomes bankrupt or makes any arrangement or composition with their creditors generally or otherwise has any judgment executed on any of their assets; or
(d) dies; or
(e) resigns their office by written notice to the Company; or
(f) the Company removes them from their position in accordance with section 178 of the Law.

THE RULES REGARDING THE AMENDMENT OF THE ARTICLES OF ASSOCIATION

Subject to the provisions of the Law, the Company may, by special resolution, alter or add to its articles of association. Any alteration or addition shall be as valid as if originally contained therein, and be subject in like manner to alteration by special resolution.

BY ORDER OF THE BOARD OF DIRECTORS

CHARALAMPOS AVGOUSTI
Director

SERGEY EGOROV
Director

Nicosia
22 March 2021

RESPONSIBILITY STATEMENT

OF THE DIRECTORS AND MANAGEMENT OF THE COMPANY IN ACCORDANCE WITH THE TRANSPARENCY LAW

We, the members of the Board of Directors and the Company officials responsible for the drafting of the consolidated financial statements of ETALON GROUP PLC (the 'Company'), the names of which are listed below, in accordance with the requirements of the Section 9 of the Transparency Requirements (Security Admitted to Trading) Law 190(I)/2007 (hereinafter the "Transparency Law"), as amended, confirm that we have complied with the requirements in preparing the financial statement and that to the best of our knowledge:

(a) The consolidated annual financial statements for year ended 31 December 2020:
(i) Have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), in accordance with the provisions of section 9(4) of the Transparency Law and in accordance with Cyprus Companies Law, Cap.113;
(ii) Give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidated financial account as a whole, and
(b) The management report provides a fair overview on information required as per Section 9(6)(a) of the Transparency Law.

SERGEY EGOROV, Chairman of the Board of Directors

MAKSIM BERLOVICH, Member of the Board of Directors

OLEG MUBARAKSHIN, Member of the Board of Directors

MARINA OGLOBLINA, Member of the Board of Directors

GANNA KHOMENKO, Member of the Board of Directors

MARTIN ROBERT COCKER, Member of the Board of Directors

BORIS SVETLICHNY, Member of the Board of Directors

CHARALAMPOS AVGOUSTI, Member of the Board of Directors

DENIS VINOKUROV, Member of the Board of Directors

GENNADII SHCHERBINA, Chief Executive Officer

ILYA KOSOLAPOV, Chief Financial Officer

22 March 2021

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Independent Auditor's Report

To the Members of Etalon Group PLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Etalon Group PLC (the "Company") and its subsidiaries (the "Group"), which are presented in pages 19 to 87 and comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We remained independent of the Group throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Revenue recognition	
In accordance with IFRS 15 *Revenue from Contracts with Customers*, the Group recognizes revenue from sale of real estate inventories as performance obligations are satisfied (i.e. over time) or when performance obligations are satisfied (i.e. at a point in time) depending on the type of contract and the date of its registration with the state authorities. We consider revenue recognition under IFRS 15 to be a key audit matter due to: • significance of judgments applied when determining at the reporting date percentage of construction completion and the progress toward satisfying the Group's performance obligations and cost to completion under share participation agreements giving rise to over-time revenue recognition; • the complexity of judgements involved in determining the financing component for the particular share participation agreements, as well as calculating the correct portion to be recognized in profit or loss of the reporting period. The accounting policies on revenue under share participation agreements and key sources of estimation uncertainly are disclosed in Note 2(d) and Note 3(i). For other disclosures of revenue refer to Note 6.	Our audit procedures included amongst others: We analyzed the Group's contracts with customers to identify the rights and obligations of the parties, challenged the appropriateness of revenue recognition method used by the Group, taking into account current legal practices in respect of such contracts. We obtained an understanding, assessed design and implementation and tested the operating effectiveness of controls over the construction costs budgeting process and assessed the appropriateness of assumptions related to estimating the planned costs and expected construction timeline, which are used by the Group's management in measuring the progress toward completion when revenue is recognized over time. In addition, we performed a retrospective analysis of the Group's fulfilment of the budgets and construction milestones in the past. On a sample basis, we verified the costs of particular construction stages in accordance with the agreements with contractors signed by the reporting date to the costs in the respective stages of the construction budgets. In addition, we inspected a sample of primary documentation supporting the cost of construction incurred by contractors by the reporting date. We also verified the Group's calculations of recognized revenue and significant financing component by performing the following: • on a sample basis, we traced input data in the calculations to the respective share participation agreements; • we verified that the discount rates applied by the Group reflect the credit characteristics of the party receiving financing in the contract, and that the rates determined at contract inception are applied consistently over the contract term; • we checked the arithmetical accuracy of the Group's calculations. We reviewed the disclosures in the consolidated financial statements for compliance with the requirements of IFRS 15. All the above procedures were completed in a satisfactory manner.

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Independent Auditor's Report (continued)
To the Members of Etalon Group PLC

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Net realizable value of inventories	

The Group has significant inventory balance (refer to Note 17 in the consolidated financial statements), which includes real estate under construction and development, as well as completed properties, construction materials and other inventories. The Group measures its inventories at the lower of cost and net realizable value.
 	
We consider this area to be a key audit matter because it requires use of observable and unobservable inputs and application of a significant degree of judgment when developing assumptions, in particular in relation to:
• the cost to complete construction;
• expected timing and prices of sales;
• the level of overhead expenses as percentage of revenue;
• the discount rate used to arrive to the present value of the future expected cash flows.
 	
The accounting policies on inventories key sources of estimation uncertainly are disclosed in Note 2(d) and Note 3(h).
	Our audit procedures included amongst others:
	
	We evaluated the appropriateness of management's assumptions applied in calculating the carrying value of inventories including:
	• understanding the Group's processes and procedures for developing assumptions used;
	• assessing the appropriateness of the discount rate used;
	• reviewing, recalculating and critically assessing the reasonableness of the assumptions used in calculation of allowance for inventories considering:
	  • historical turnover and prices of sales in these and/or similar projects;
	  • price growth rates for future sales;
	  • budgeted costs to complete construction;
	  • budgeted general, administrative and selling expenses.
	We also assessed whether the disclosure in the consolidated financial statements in respect of the inventory allowances is in compliance with IFRS requirement.
	
	All the above procedures were completed in a satisfactory manner.

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Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report and the Responsibility Statement of the Directors and management of the Company in accordance with the Transparency Law of the Directors and Management of the Company, which are presented in pages 4 to 11, and the supplementary information included in pages 88 to 89 presented for the purpose of additional analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continue)

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view;

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters.

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Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Group on 19 December 2019 by an Extraordinary Meeting of shareholders. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of two years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 19 March 2021 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated financial statements or the consolidated management report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the Consolidated Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Consolidated Management Report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance report in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the Consolidated Management Report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the consolidated financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance report includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

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Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Other Matters

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Kerry Whyte.

Kerry Whyte

Kerry Whyte
Certified Public Accountant and Registered Auditor
for and on behalf of

Deloitte Limited
Certified Public Accountants and Registered Auditors

Nicosia, 22 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

MLN RUB	NOTE	2020	2019
Revenue from sale of real estate accounted for at historical cost		51,801	62,609
Revenue from sale of real estate acquired through business combinations and recognised at fair value at initial recognition		18,675	10,875
Other revenue		8,179	10,846
REVENUE	6	**78,655**	**84,330**
Cost of sales of real estate accounted for at historical cost		(33,744)	(44,150)
Cost of sales of real estate acquired through business combinations and recognised at fair value at initial recognition		(15,605)	(9,592)
Other cost of sales		(7,391)	(10,531)
COST OF SALES		**(56,740)**	**(64,273)**
Gross profit from sales of real estate accounted for at historical cost		18,057	18,459
Gross profit from sales of real estate acquired through business combinations and recognised at fair value at initial recognition		3,070	1,283
Gross profit from other sales		788	315
GROSS PROFIT		**21,915**	**20,057**
General and administrative expenses	7	(5,235)	(7,280)
Selling expenses		(4,560)	(4,822)
Impairment loss on trade and other receivables	26 (b)(iii)	(329)	(476)
Gain from bargain purchase	27	–	729
Other expenses, net	8	(1,573)	(1,724)
RESULTS FROM OPERATING ACTIVITIES		**10,218**	**6,484**
Finance income—interest revenue	11	1,887	2,872
Finance income – other	11	129	119
Finance costs	11	(7,512)	(7,704)
NET FINANCE COSTS		**(5,496)**	**(4,713)**
POFIT BEFORE INCOME TAX		**4,722**	**1,771**
Income tax expense	12	(2,686)	(1,585)
PROFIT FOR THE YEAR		**2,036**	**186**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,036**	**186**

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 246 to 303

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

MLN RUB	NOTE	2020	2019
PROFIT ATTRIBUTABLE TO:			
Owners of the Company		2,036	795
Non-controlling interest		–	(609)
PROFIT FOR THE YEAR		**2,036**	**186**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		2,036	795
Non-controlling interest		–	(609)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,036**	**186**
EARNINGS PER SHARE			
Basic and diluted earnings per share (RUB)	22	6.90	2.70

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 246 to 303

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

MLN RUB	NOTE	2020	2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	3,508	3,561
Investment property	14	691	1,065
Other long-term investments	15	424	190
Trade and other receivables	18	4,253	4,692
Deferred tax assets	16	6,692	3,921
TOTAL NON-CURRENT ASSETS		**15,568**	**13,429**
CURRENT ASSETS			
Inventories under construction and development	17	102,179	85,270
Inventories – finished goods	17	11,291	14,286
Other inventories	17	1,975	1,133
Advances paid to suppliers	18	8,137	9,750
Costs to obtain contracts		840	752
Contract assets	18	7,138	2,463
Trade receivables	18	6,358	7,444
Other receivables	18	6,991	5,486
Short-term investments	19	212	203
Cash and cash equivalents	20	25,830	31,128
TOTAL CURRENT ASSETS		**170,951**	**157,915**
TOTAL ASSETS		**186,519**	**171,344**

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 246 to 303

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020 (CONTINUED)

MLN RUB	NOTE	2020	2019
EQUITY AND LIABILITIES			
EQUITY			
Share capital	21	2	2
Share premium	21	15,486	15,486
Reserve for own shares	21	(1)	(1)
Retained earnings		35,586	37,089
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**51,073**	**52,576**
Non-controlling interest		–	–
TOTAL EQUITY		**51,073**	**52,576**
NON-CURRENT LIABILITIES			
Loans and borrowings	23	34,636	42,258
Trade and other payables	25	26,734	3,227
Provisions	24	129	116
Deferred tax liabilities	16	7,930	6,463
TOTAL NON-CURRENT LIABILITIES		**69,429**	**52,064**
CURRENT LIABILITIES			
Loans and borrowings	23	15,869	10,434
Trade and other payables	25	21,399	19,142
Contract liabilities	25	28,351	36,439
Provisions	24	398	689
TOTAL CURRENT LIABILITIES		**66,017**	**66,704**
TOTAL EQUITY AND LIABILITIES		**186,519**	**171,344**

These Consolidated Financial Statements were approved by the Board of Directors on 22 March 2021 and were signed on its behalf by:

CHARALAMPOS AVGOUSTI
Director

SERGEY EGOROV
Director

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 246 to 303

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

MLN RUB	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY						
	SHARE CAPITAL	SHARE PREMIUM	RESERVE FOR OWN SHARES	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
Balance as at 1 January 2019	2	15,486	(1)	39,802	55,289	2	**55,291**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR							
Profit for the year	–	–	–	795	795	(609)	**186**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**–**	**–**	**–**	**795**	**795**	**(609)**	**186**
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY							
Dividends to equity holders	–	–	–	(3,577)	(3,577)	–	**(3,577)**
Dividends to non-controlling shareholders of JSC "Leader-Invest"	–	–	–	–	–	(13)	**(13)**
Acquisition of subsidiary with NCI (note 27)	–	–	–		–	15,289	**15,289**
Acquisition of NCI (note 21)	–			69	69	(14,669)	**(14,600)**
TOTAL TRANSACTIONS WITH OWNERS	**–**	**–**	**–**	**(3,508)**	**(3,508)**	**607**	**(2,901)**
BALANCE AS AT 31 DECEMBER 2019	**2**	**15,486**	**(1)**	**37,089**	**52,576**	**–**	**52,576**

MLN RUB	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY						
	SHARE CAPITAL	SHARE PREMIUM	RESERVE FOR OWN SHARES	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
Balance as at 1 January 2020	2	15,486	(1)	37,089	52,576	–	**52,576**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR							
Profit for the year	–	–	–	2,036	2,036	–	**2,036**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**–**	**–**	**–**	**2,036**	**2,036**	**–**	**2,036**
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY							
Dividends to equity holders	–	–	–	(3,539)	(3,539)	–	**(3,539)**
TOTAL TRANSACTIONS WITH OWNERS	**–**	**–**	**–**	**(3,539)**	**(3,539)**	**–**	**(3,539)**
BALANCE AS AT 31 DECEMBER 2020	**2**	**15,486**	**(1)**	**35,586**	**51,073**	**–**	**51,073**

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 246 to 303

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

MLN RUB	NOTES	2020	2019
OPERATING ACTIVITIES:			
PROFIT FOR THE YEAR		**2,036**	**186**
ADJUSTMENTS FOR:			
Depreciation	13, 14	481	542
Gain on disposal of property, plant and equipment	8	(51)	(274)
Gain on disposal of investment property	8	(103)	(13)
Loss on disposal of inventories under construction and development	8	200	–
Impairment loss on inventories	17	676	1,287
Impairment loss on trade and other receivables, advances paid to suppliers and investments	26 (b)(iii)	418	578
Gain on disposal of subsidiary		–	(87)
Gain from bargain purchase	27	–	(729)
Significant financing component from contracts with customers recognised in revenue		(1,210)	(1,703)
Savings on escrow-backed loans recognised in revenue		(448)	–
Finance costs, net	11	5,496	4,713
Income tax expense	12	2,686	1,585
CASH FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS		**10,181**	**6,085**
Change in inventories		(15,619)	12,506
Change in accounts receivable		2,642	544
Change in accounts payable		24,390	(9,511)
Change in provisions	24	(278)	(420)
Change in contract assets	18	(4,675)	(1,219)
Change in contract liabilities	25	(8,088)	9,290
CASH GENERATED FROM OPERATING ACTIVITIES		**8,553**	**17,275**
Income tax paid		(4,647)	(3,939)
Interest paid		(4,803)	(4,824)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		**(897)**	**8,512**

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 246 to 303

MLN RUB	NOTES	2020	2019
INVESTING ACTIVITIES:			
Proceeds from disposal of property, plant and equipment		265	346
Proceeds from disposal of investment property		440	76
Interest received		1,103	2,167
Acquisition of property, plant and equipment		(396)	(496)
Loans given		(216)	48
Loans repaid		2	–
Proceeds from disposal of subsidiaries, net of cash disposed of		–	19
Acquisition of subsidiary, net of cash acquired		–	(10,481)
Acquisition of other investments	15, 19	(139)	(75)
Disposal of other investments	15, 19	105	1,359
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		**1,164**	**(7,037)**
FINANCING ACTIVITIES:			
Proceeds from borrowings	23	8,691	30,332
Repayments of borrowings	23	(10,108)	(4,432)
Acquisition of non-controlling interest	21 (e)	–	(14,600)
Payments for lease liabilities, excluding interest	28	(645)	(939)
Dividends paid		(3,527)	(3,599)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		**(5,589)**	**6,762**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(5,322)**	**8,237**
Cash and cash equivalents at the beginning of the year		31,128	23,066
Effect of exchange rate fluctuations		24	(175)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	20	**25,830**	**31,128**

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 246 to 303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. BACKGROUND

a) ORGANISATION AND OPERATIONS

Etalon Group PLC (Etalon Group Public Company Limited before 27 July 2017 and Etalon Group Limited before 5 April 2017) (the “Company”) and its subsidiaries (together referred to as the “Group”) comprise Russian joint stock companies and limited liability companies, as defined in the Civil Code of the Russian Federation, and companies located abroad.

The Company was incorporated on 8 November 2007 in the Bailiwick of Guernsey.

On 5 April 2017, the Company migrated from Guernsey, Channel Islands, and was registered in the Republic of Cyprus under the name of Etalon Group Public Company Limited.

On 27 July 2017, the Annual General Meeting of Shareholders resolved to change the name of the Company from Etalon Group Public Company Limited to Etalon Group PLC. On 8 August 2017, the change of the Company’s name was approved by the Registrar of Companies and Official Receiver of the Republic of Cyprus.

The Company’s registered office is located at:
2-4 Arch. Makariou III Avenue
Capital Center, 9th floor
1065 Nicosia
Cyprus

The Group’s principal activity is residential development in the Saint-Petersburg metropolitan area and the Moscow metropolitan area, both of which are located in the Russian Federation.

In April 2011, the Company completed an initial public offering and placed its ordinary shares in the form of global depository receipts (“GDR”) on the Main Market of the London Stock Exchange.

b) BUSINESS ENVIRONMENT

Starting from early 2020, a new coronavirus disease (COVID-19) began rapidly spreading all over the world resulting in an announcement of pandemic status by the World Health Organization in March 2020. Responses put in place by the Russian Federation to contain the spread of COVID-19 resulted in significant operational disruption for many companies and had a significant effect on businesses across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing.

The quarantine measures introduced in the Russian Federation included the closure of the Group’s sales offices. In addition, the Government of Moscow imposed a temporary ban on construction works that lasted from the 13th of April until the 12th of May.

The quarantine measures, accompanied by the reduction of disposable income of households and the increase in unemployment rates, led to the overall decrease of the demand for real estate. At the same time, the Government of the Russian Federation implemented various measures to support both the construction industry and its clients, including the introduction of the preferential 6,5 % p.a. mortgage program and an increase of its price limits on apartments, that had a significant positive impact on the demand for real estate.

As of the reporting date, most of the restrictions imposed by the government authorities in the Russian Federation due to the COVID-19 pandemic have been lifted, including on the operation of the Group’s sales offices, and the Group observes that the demand for real estate is recovering.

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 the characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which contribute together with other legal and fiscal impediments to the challenges faced by entities operating in the Russian Federation.

Starting in 2014, the United States of America, the European Union and some other countries have imposed and gradually expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

The consolidated financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

2. BASIS OF PREPARATION

a) STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

b) BASIS OF MEASUREMENT AND GOING CONCERN PRINCIPLE

The consolidated financial statements are prepared on the historical cost basis. Management prepared these consolidated financial statements on a going concern basis. When making an assessment of the Group’s ability to continue as a going concern over the next 12 months, the management took into account all available information about the future, noting that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Group’s ability to continue as a going concern.

c) FUNCTIONAL AND PRESENTATION CURRENCY

The national currency of the Russian Federation is the Russian Rouble (“RUB”), which is the Company’s functional currency and the currency in which these consolidated financial statements are presented. The functional currency of most of the most Group’s subsidiaries, including foreign operations, is the RUB, as the activities of foreign operations are carried out as an extension of the activities of the Group in the Russian Federation.

All financial information presented in RUB has been rounded to the nearest million.

d) USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated 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 those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical accounting judgments
The following is the critical accounting judgement (apart from judgements involving estimation which are dealt with separately below), made during the year that had the most significant effect on the amounts recognised in the consolidated financial statements.

Effective from 1 January 2019, the Group ceased capitalisation of borrowing costs into the cost of inventories under construction and development, revenue for which is recognized over time. The change in accounting policy was driven by a change in significant judgment that the land cost, being the part of inventory (work-in-progress), is not a qualifying asset for capitalisation of borrowings costs as defined in IAS 23 Borrowing Costs.

Key sources of estimation uncertainty
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 6 – revenue: measurement of the progress towards complete satisfaction of the performance obligation, including estimation of the total costs to satisfy the performance obligation;
- Note 17 – inventories – impairment provisions: the discount rate and the years of turnover of parking places; recognition of obligations for the construction of social infrastructure: construction budgets and timing of construction;
- Note 26(b)(ii) – measurement of Expected Credit Loss (ECL) allowance for trade and other receivables and contract assets: probability of default and loss given default;
- Note 27 – acquisition of subsidiary: fair value of the assets acquired and liabilities assumed.

e) CHANGES IN ACCOUNTING POLICIES

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

i) New Standards and Interpretations

The Group adopted all new standards and interpretations that were effective from 1 January 2020. The adoption of these standards and interpretations did not have any material effect on the Group's consolidated financial statements.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following amendments to the standards and interpretations are effective for annual periods beginning on or after 1 January 2021. The Group has not yet analysed the likely impact of the new standards and interpretations on its financial position or performance.

- Amendments to IFRS 3 **Business Combinations** – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 **Conceptual Framework** instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 **Provisions, Contingent Liabilities and Contingent Assets**, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 **Levies**, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated **Conceptual Framework**) at the same time or earlier.

- IFRS 17 **Insurance Contracts** (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 **Presentation of Financial Statements** – classification of liabilities as current or non-current – (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 9 **Financial Instruments** as a result of the 2018-2020 Annual Improvements to IFRSs. – fees in the "10 percent" test for derecognition of financial liabilities (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 10 **Consolidated Financial Statements** and IAS 28 **Investments in Associates** – sale or contribution of assets between an investor and its associate or joint venture (effective date to be determined by the IASB);
- Amendments to IAS 16 **Property, Plant and Equipment**, prohibiting companies from deducting from the value of property, plant and equipment the amounts received from sale of manufactured items while the company is preparing the asset for its intended use (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 37 – costs to be included in assessing onerous contracts (effective for annual periods beginning on or after 1 January 2022);
- Other annual improvements to IFRSs.

3. SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF CONSOLIDATION

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The identifiable assets acquired and the liabilities assumed, as well as the consideration transferred in the acquisition are measured at their acquisition-date fair values.

The Group recognises goodwill as of the acquisition date as acquisition-date fair value consideration transferred plus the amount of any non-controlling interest in the acquiree plus the acquisition-date fair value of the acquirer's previously held equity interest in the acquire (in a business combination achieved in stages) less the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls another entity when it holds more than half of the voting rights of the other entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The Group's significant subsidiaries are disclosed in note 32.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

b) FOREIGN CURRENCY

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

c) FINANCIAL INSTRUMENTS

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets
On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Financial assets – Business model assessment
The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets – assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

3. SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

A prepayment feature is consistent solely with the payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Group has fixed rate bank loans for which the banks have the option to revise the interest rate following the change of key rate set by the Central Bank of Russia (CBR). The Group have an option to either accept the revised rate or redeem the loan at par without penalty. The Group considers these loans as in essence floating rate loans.

(iii) Modification of financial assets and financial liabilities

Financial assets
If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Group analogizes to the guidance on the derecognition of financial liabilities.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities
The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Group applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Group recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the CBR key rate, if the loan contract entitles banks to do so and the Group have an option to either accept the revised rate or redeem the loan at par without penalty. The Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change in the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(iv) Derecognition

Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(vi) Impairment

Financial instruments and contract assets
The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group uses a simplified approach to measure loss allowance at an amount equal to lifetime ECLs for trade receivables and contract assets that result from transactions that are within the scope of IFRS 15, irrespective of whether they contain a significant financing component or not.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

For measuring of loss allowance for trade receivables and contract assets, the Group allocates those financial assets into the following two categories based on shared credit risk characteristics that are determined by existence of a collateral:

- Trade receivables and contract assets arising from sales of real estate;
- Trade receivables and contract assets arising from provision of construction services and other operations.

The Group does not transfer title for sold properties to customers until they settle their accounts in full. In case a customer fails to settle obligations in a reasonable time as determined in their sales contract, the Group initiates termination of the sales contract, the properties are returned to the Group and in addition, the Group withholds a penalty from the amount of consideration it returns to the customer. The properties are subsequently sold to other customers, and the cash flows from sale of collateral are included into the cash flows that the Group expects to receive under the initial contract. The Group estimates and recognises ECLs on trade receivables based on its own statistics about contract termination and credit losses incurred.

For the second category of receivables and contract assets, the Group calculates ECL based on individual credit risk ratings of each debtor and the remaining terms to maturity. The Group determines the inputs for calculation of ECL such as probability of default and loss given default using both internal and external statistical data. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group defines default event when a financial asset is more than 90 days past due or it is unlikely that the debtor's obligations to the Group will be repaid in full without the Group taking such actions as the sale of the collateral (if any).

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery of a financial asset. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

d) ADVANCES PAID AND CONTRACT LIABILITIES

Due to the nature of its activities, the Group receives significant advances from customers (designated as contract liabilities), and makes significant prepayments to sub-contractors and other suppliers. Advances paid are recognised on an undiscounted basis. The Group adjusts contract liabilities for the significant financing component if the timing of payments agreed to by the parties provides the Group with a significant benefit of financing.

e) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and bank balances and call deposits with original maturities of three months or less. In accordance with IFRS 9, cash and cash equivalents are classified at amortised cost.

f) PROPERTY, PLANT AND EQUIPMENT

(i) Recognition and measurement

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment loss.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1 January 2008, the date of transition to IFRSs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "other income" in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings and constructions	7-30 years
Machinery and equipment	5-15 years
Vehicles	5-10 years
Other assets	3-7 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. No estimates in respect of plant and equipment were revised in 2020.

g) INVESTMENT PROPERTY

Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

h) INVENTORIES

Inventories comprise real estate properties under construction and development (including residential premises, stand-alone and built-in commercial premises) when the Group acts in the capacity of a developer, finished goods, and construction and other materials.

The Group accounts for stand-alone and built-in commercial properties within inventories because it does not intend to engage in renting-out those assets and keeping those as investment properties to generate rental income and benefit from appreciation. Properties classified as inventory may be rented out on a temporary basis while the Group is searching for a buyer. Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of real estate properties under construction and development is determined on the basis of specific identification of their individual costs. The costs of individual residential units and built-in commercial premises are arrived at by allocating the costs of a particular development project to individual apartments and built-in premises on a pro rata basis relative to their size.

Since 1 January 2017, for items on which revenue is recognized over time, real estate property under construction and development is treated as an asset ready for sale in its current condition and is not a qualifying asset for the capitalization of borrowing costs.

The costs of real estate property comprise costs of construction and other expenditure directly attributable to a particular development project.

The cost of inventories, other than construction work in progress intended for sale, is based on the weighted average cost formula and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost of manufactured inventories and work in progress includes an appropriate share of overheads based on normal operating capacity. Transfer from real estate properties under construction and development to the stock of finished goods occurs when the respective building is approved by the State commission established by the local regulating authorities for acceptance of finished buildings and the building is ready for housing.

The Group's inventory is not limited to 12 months and may be of longer term since the development cycle exceeds 12 months. Inventories are classified as current assets even when they are not expected to be realised within twelve months after the reporting date.

i) REVENUE

(i) Revenue from sale of real estate properties (including flats, commercial premises and parking places)

Revenue is measured based on the consideration specified in a contract with a customer adjusted for the effect of the time value of money (significant financing component) if the timing of payments agreed to by the parties provides the customer or the Group with a significant benefit of financing. The timing of satisfaction of the Group's performance obligations does not necessarily correspond to the typical payment terms, as the Group either accepts full down payments at the inception of construction, or provides instalment plans for the whole period of construction or beyond it.

The Group recognises revenue when (or as) it transfers control over an asset to a customer. Transfer of control may vary depending on the individual terms of the sales contracts.

For contracts for the sale of finished goods, the Group generally considers that control have been transferred on the date when a buyer signs the act of acceptance of the property.

For each performance obligation satisfied over time (promise to transfer an apartment specified in the contract with a customer in a multicompartment building under construction), the Group recognises revenue over time by measuring the progress towards satisfaction of that performance obligation using the input method.

The Group applies the input method because it believes that there is a direct relationship between the Group's inputs and the transfer of control of goods or services to a customer. The measurement of the value to the customer of the goods or services transferred to date, applied under the output method, is not available for the Group without undue cost. The Group excludes from the input method the effects of any inputs that do not contribute to the Group's progress in satisfying the performance obligation.

Under the input method, revenue is recognised on the basis of costs incurred relative to the total expected costs to the satisfaction of that performance obligation that is the proportion of costs incurred to date to construct a multicompartment building to the total costs to construct the building in accordance with a business plan.

The progress is considered to be the same for all apartments within a building, irrespective of their floors, and revenue is recognised with respect to apartments that are contracted under share participation agreements. Costs used to measure progress towards complete satisfaction of performance obligation include costs of design and construction of a multicompartment building and exclude the cost of acquisition of land plots. The cost of acquisition of land plot is recognised in cost of sales consistently with the transfer to the customers of the apartments to which the land plot relates.

3. SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

In relation to sales via housing cooperatives, revenue is recognized on the date when sold real estate property is transferred to, and accepted by, the cooperative. Before that date, the respective building has to be approved by the State commission for acceptance of finished buildings.

When adjusting the promised amount of consideration (monetary or non-monetary) for a significant financing component, the Group applies discount rates that would be reflected in a separate financing transaction between the entity and its customer at contract inception that is typically the average mortgage rate for contract assets and the Group's incremental borrowing rate for contract liabilities.

When the Group finances construction of residential buildings using project financing backed by balances on escrow accounts, it adjusts transaction price for the difference between interest expense on borrowings calculated using the base interest rate and the preferential interest rate. Interest rate on project financing depends on the proportion of balances on escrow accounts to the balance of project loan and varies from base interest rate (no balances on escrow accounts) to preferential interest rates (balances on escrow accounts exceed or equal balance of project loan).

As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between the transfer of a promised good to a customer and the customer's payment for that good will be one year or less.

COSTS TO OBTAIN CONTRACTS

The Group recognises as an asset the incremental costs of obtaining a contract with a customer. These costs usually include sales commissions and insurance payments for share participation agreements. Such assets are amortised on the basis of the progress towards complete satisfaction of respective performance obligations and are included into selling expenses.

(ii) Revenue from construction services

For accounting purposes, the Group distinguishes two types of construction contracts:

1) Contracts for provision of construction services;
2) Contracts for construction of an asset.

For the first type of contracts, revenue from construction services rendered is recognized in the consolidated statement of Profit or Loss and Other Comprehensive Income when the Group transfers control of a service to customer. These contracts are normally short-term, therefore revenue is recognised when the customer signs the act of acceptance of the construction service.

For the second type of contracts revenue is recognized over time by measuring progress towards complete satisfaction of the performance obligation at the reporting date, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, using the input method. Contract costs are recognised as expenses in the period in which they are incurred except when the costs are the costs that generate or enhance resources of the entity that will be used in satisfying a performance obligation in future.

Some or all of an amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when that uncertainty associated with the variable consideration is subsequently resolved.

The Group accounts for a contract modification (change in the scope or price (or both)) when that is approved by the parties to the contract.

Where the outcome of a performance obligation cannot be reasonably measured, contract revenue is recognised to the extent of costs incurred in satisfying the performance obligation that is expected to be recovered.

When it becomes probable that total contract costs will exceed total contract revenue, the Group recognises expected losses from onerous contract as an expense immediately.

(iii) Revenue from sale of construction materials

Revenue from the sale of construction materials is recognised in the consolidated statement of profit or loss and other comprehensive income when the Customer obtains control of a promised asset.

j) LEASES

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises right-of-use assets and lease liabilities primarily for its operating leases of land plots for development purposes.

The Group does not present right-of-use assets for land plots separately in the statement of financial position but includes such assets within inventories under construction and development. The depreciated part of right-of-use asset arising from lease of land plots is recognised within cost of sales on the same basis as the cost of acquisition of land plots, see note 3(h)(i).

The Group presents lease liabilities in "Trade and other payables" (note 25) in the statement of financial position.

In accordance with IFRS 16 variable payments which do not depend on an index or rate, i.e. do not reflect changes in market rental rates, should not be included in the calculation of lease liability. In respect of municipal (or federal) land leases where the lease payments are based on cadastral value of the land plot and do not change until the next potential revision of that value or payments (or both) by the authorities, the Group determined that these lease payments are not considered as either variable (that depend on an index or rate or reflect changes in market rental rates) or in-substance fixed, and therefore these payments are not included in the measurement of the lease liability.

The lease liability is initially measured at the present value of the outstanding lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

LEASE MODIFICATIONS

A lessee accounts for a lease modification as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For lease modifications that are not accounted for as separate leases, lease liabilities are remeasured by discounting the revised lease payments using revised discount rates and making corresponding adjustments to the right-of-use assets.

3. SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

k) INCOME TAX

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

IFRIC 23 **Uncertainty over Income Tax Treatments** clarified how to account for a tax liability or a tax asset when there is an uncertainty over income tax treatments by the taxation authorities. The tax amounts recorded in these consolidated financial statements are consistent with the tax returns of the Group's subsidiaries and therefore no uncertainty is reflected in measurement of current and deferred taxes, as the Group believes that it is probable that the taxation authorities will accept the treatment in tax returns. The Group will reassess its judgements and estimates whenever there is a change in facts and circumstances—e.g. examinations of taxation authorities, changes in tax legislation or expiration of rights to examine tax amounts.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) NON-DERIVATIVE FINANCIAL ASSETS

The fair value of trade and other receivables, excluding construction work in progress and held to maturity investments, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

b) NON-DERIVATIVE FINANCIAL LIABILITIES

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Further information about the assumptions made in measuring fair values in course of business combinations is included in the note 27 – Acquisition of subsidiary.

5. OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- **Residential development**. Includes construction of residential real estate including flats, built-in premises and parking places.
- **Construction services**. Includes construction services for third parties and for internal purpose.
- **Other operations**. Include selling of construction materials, construction of stand-alone premises for commercial use and various services related to sale and servicing of premises. None of these meets any of the quantitative thresholds for determining reportable segments during the year ended 31 December 2020 or 2019.

Performance of the reportable segments is measured by the management based on gross profits, on the way in which the management organises the segments within the entity for making operating decisions and in assessing performance.

Starting from 2020, the performance of the reportable segment "Residential development" is additionally assessed on the basis of gross profit adjusted for purchase price allocation from acquisition of Leader-Invest. The information for that reportable segment in respect of the year ended 31 December 2019 is provided for the comparability purposes.

General and administrative expenses, selling expenses, finance income and finance costs are treated as equally attributable to all reporting segments and are not analysed by the Group on a segment-by-segment basis and therefore not reported for each individual segment.

5. OPERATING SEGMENTS

(CONTINUED)

The transition from the scheme of customer financing to the bank project financing backed by escrow accounts led to the emergence of significant assets and liabilities that are attributable only to the reportable segment **Residential development** and are not attributable to other segments. Under the circumstances, the Board of Directors elected to focus on the measures of profit or loss of each reportable segment. Therefore the information about reportable segments' assets and liabilities, including the amounts for the year ended 31 December 2019, were excluded from the information about reportable segments.

a) INFORMATION ABOUT REPORTABLE SEGMENTS

	RESIDENTIAL DEVELOPMENT		CONSTRUCTION SERVICES		OTHER		TOTAL	
MLN RUB	2020	2019	2020	2019	2020	2019	2020	2019
External revenues	70,476	73,484	3,137	5,611	5,042	5,235	78,655	84,330
INCLUDING:								
St. Petersburg metropolitan area	30,649	32,463						
Moscow metropolitan area	39,827	41,021						
INTER-SEGMENT REVENUE	**–**	**–**	**16,459**	**15,187**	**2,149**	**626**	**18,608**	**15,813**
TOTAL SEGMENT REVENUE	**70,476**	**73,484**	**19,596**	**20,798**	**7,191**	**5,861**	**97,263**	**100,143**
Etalon without Leader-Invest	51,801	62,609	19,422	20,798	6,693	5,538	77,916	88,945
Leader-Invest sub-group	18,675	10,875	174	–	498	323	19,347	11,198
GROSS PROFIT ADJUSTED FOR PURCHASE PRICE ALLOCATION FROM ACQUISITION OF LEADER-INVEST	**24,987**	**22,420**	**251**	**110**	**558**	**205**	**25,796**	**22,735**
Gross profit adjusted for purchase price allocation from acquisition of Leader-Invest, %	35%	31%						
GROSS PROFIT	**21,127**	**19,742**	**251**	**110**	**537**	**205**	**21,915**	**20,057**
INCLUDING:								
St. Petersburg metropolitan area	8,556	7,571						
Moscow metropolitan area	12,571	12,171						
GROSS PROFIT, %	**30%**	**27%**						
INCLUDING:								
St. Petersburg metropolitan area	28%	23%						
Moscow metropolitan area	32%	30%						

b) GEOGRAPHICAL INFORMATION

In presenting information on the basis of geographical information, revenue is based on the geographical location of properties. Non-current assets exclude financial instruments and deferred tax assets.

	REVENUES		NON-CURRENT ASSETS	
MLN RUB	2020	2019	2020	2019
St. Petersburg metropolitan area	37,679	40,640	2,982	3,190
Moscow metropolitan area	40,976	43,690	1,217	1,436
	78,655	**84,330**	**4,199**	**4,626**

c) RECONCILIATIONS OF REPORTABLE SEGMENT REVENUES AND GROSS PROFIT

MLN RUB	2020	2019
RECONCILIATION OF REVENUE		
Total revenue for reportable segments	97,263	100,143
Elimination of inter-segment revenue	(18,608)	(15,813)
CONSOLIDATED REVENUE	**78,655**	**84,330**
RECONCILIATION OF GROSS PROFIT ADJUSTED FOR PURCHASE PRICE ALLOCATION FROM ACQUISITION OF LEADER-INVEST TO PROFIT BEFORE TAX		
Total gross profit for reportable segments adjusted for purchase price allocation from acquisition of Leader-Invest	25,796	22,735
Purchase price allocation from acquisition of Leader-Invest included in cost of sales	(3,881)	(2,678)
CONSOLIDATED GROSS PROFIT	**21,915**	**20,057**
UNALLOCATED AMOUNTS		
General and administrative expenses	(5,235)	(7,280)
Selling expenses	(4,560)	(4,822)
Impairment loss on trade and other receivables	(329)	(476)
Gain from bargain purchase	–	729
Other expenses, net	(1,573)	(1,724)
Finance income and interest revenue	2,016	2,991
Finance costs	(7,512)	(7,704)
CONSOLIDATED PROFIT BEFORE INCOME TAX	**4,722**	**1,771**

6. REVENUE

MLN RUB	2020	2019
Sale of flats – transferred at a point in time	13,781	14,032
Sale of flats – transferred over time	48,077	48,524
Sale of built-in commercial premises – transferred at a point in time	1,973	3,033
Sale of built-in commercial premises – transferred over time	2,815	2,833
Sale of parking places – transferred at a point in time	2,199	3,521
Sale of parking places – transferred over time	1,631	1,541
TOTAL REVENUE – SEGMENT RESIDENTIAL DEVELOPMENT (note 5 (a))	**70,476**	**73,484**
Long term construction contracts – transferred over time	2,368	4,922
Short term construction services – transferred at a point in time	769	689
TOTAL REVENUE OF SEGMENT CONSTRUCTION SERVICES (note 5 (a))	**3,137**	**5,611**
Sale of construction materials – transferred at a point in time	2,429	2,675
Sale of stand-alone commercial premises – transferred over time	122	–
Other revenue – transferred over time	1,807	1,695
TOTAL OTHER REVENUE (note 5 (a))	**4,358**	**4,370**
TOTAL REVENUES FROM CONTRACTS WITH CUSTOMERS	**77,971**	**83,465**
Rental revenue (note 5 (a))	684	865
TOTAL REVENUES	**78,655**	**84,330**

CONTRACT BALANCES

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers

MLN RUB	2020	2019
Trade receivables	10,413	12,073
Contract assets	7,138	2,463
Contract liabilities	(28,351)	(36,439)

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on sale of flats and built-in commercial premises under share participation agreements and for long-term construction contracts. Contract assets are transferred to trade receivables when the rights become unconditional.

Payment terms for contracts on the sale of flats and built-in commercial premises under share participation agreements usually include advance payments, payments in installments until the date of completion of construction and for specific projects – payment in arrears of 2 to 5 years after the date of completion of construction.

Contract liabilities include advance consideration received from customers.

The explanation of significant changes in contract asset and contract liability balances during the reporting period is presented in the table below.

MLN RUB	2020 CONTRACT ASSETS	2020 CONTRACT LIABILITIES	2019 CONTRACT ASSETS	2019 CONTRACT LIABILITIES
BALANCE AT 1 JANUARY	**2,463**	**(36,439)**	**1,244**	**(27,149)**
Revenue recognised in the reporting year that was included in the contract liability balance at the beginning of the year	–	33,524	–	28,984
Increases due to cash received, excluding amounts recognized as revenue during the year	–	(24,037)	–	(28,590)
Acquisition through business combination	–	–	134	(7,065)
Transfers from contract assets recognised at the beginning of the year to receivables	(1,552)	–	(1,037)	–
Increase as a result of changes in the measure of progress	6,077	–	2,049	–
Financing component under IFRS 15	150	(1,399)	73	(2,619)
BALANCE AT 31 DECEMBER	**7,138**	**(28,351)**	**2,463**	**(36,439)**
CHANGE DURING THE YEAR	**4,675**	**8,088**	**1,219**	**(9,290)**

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

31 DECEMBER 2020 MLN RUB	2021	2022	2023	TOTAL
Residential development	28,867	9,270	691	**38,828**
Construction services	569	–	–	**569**
Construction of stand-alone commercial premises	2,591	1,931	–	**4,522**
TOTAL	**32,027**	**11,201**	**691**	**43,919**

31 DECEMBER 2019 MLN RUB	2020	2021	2022	2023	TOTAL
Residential development	23,294	5,434	869	98	**29,695**
Construction services	2,313	–	–	–	**2,313**
TOTAL	**25,607**	**5,434**	**869**	**98**	**32,008**

The Group applies a practical expedient included in par. 121 of IFRS 15 and does not disclose information about its remaining performance obligations for contracts that have an original expected duration of one year or less.

7. GENERAL AND ADMINISTRATIVE EXPENSES

MLN RUB	2020	2019
Payroll and related taxes	3,224	4,825
Services	655	460
Other taxes	244	521
Audit and consulting services	237	429
Depreciation	227	218
Bank fees and commissions	111	156
Repair and maintenance	75	102
Materials	50	73
Other	412	496
TOTAL	**5,235**	**7,280**

Remuneration of the statutory audit firm for the year ended 31 December 2020 amounted to RUB 7.7 million for audit services (2019: RUB 5.9 million) and RUB 0.9 million for other assurance services (2019: RUB 3 million). Remuneration of other members of the statutory auditors' network for the year ended 31 December 2020 amounted to RUB 4.7 million for audit services (2019: RUB 4.7 million) and RUB 0.8 million for other assurance services (2019: RUB 7.9 million).

8. OTHER EXPENSES, NET

MLN RUB	2020	2019
OTHER INCOME		
Fees and penalties received	220	153
Gain on disposal of investment property	103	13
Gain on disposal of property, plant and equipment	51	274
Reversal of impairment of an investment in an associate	38	–
Gain on disposal of subsidiary	–	87
OTHER INCOME	**151**	**74**
	563	**601**
OTHER EXPENSES		
Impairment loss on inventories (note 17)	(676)	(1,287)
Other taxes	(265)	(493)
Loss on disposal of inventories under construction and development	(200)	–
Fees and penalties incurred	(67)	(231)
Cost of social infrastructure for completed projects	(178)	(125)
Contingent consideration for acquisition of Leader-Invest	(143)	–
Charity	(38)	(29)
Other expenses	(569)	(160)
	(2,136)	**(2,325)**
OTHER EXPENSES, NET	**(1,573)**	**(1,724)**

9. PERSONNEL COSTS

MLN RUB	2020	2019
Wages and salaries	7,121	8,030
Social security contributions	1,567	1,729
	8,688	**9,759**

Remuneration to employees in respect of services rendered during the year is recognised on an undiscounted basis as an expense in the consolidated statement of profit or loss and other comprehensive income as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or other profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The Group pays fixed contributions to Russia's State pension fund and has no legal or constructive obligation to pay further amounts.

During the year ended 31 December 2020, personnel costs and related taxes included in cost of production amounted to RUB 4,480 million (year ended 31 December 2019: RUB 4,032 million). The remaining part of personnel expenses was subsumed within general and administrative expenses and selling expenses in the total amount of RUB 4,208 million (year ended 31 December 2019: RUB 5,727 million).

The average number of staff employed by the Group during the year ended 31 December 2020 was 4,671 employees (year ended 31 December 2019: 4,821 employees).

10. SHARE-BASED PAYMENT ARRANGEMENTS

SHARE OPTION PROGRAMME (EQUITY-SETTLED)

On 8 June 2018, the Company granted awards in the form 5,550,000 GDRs of the Company's ordinary shares under the Company's management incentive plan to senior management team employees and executive directors. There were no vesting conditions in the share based payment, but a restriction (lock up period) of 7 years, during which the participants were not entitled to sell, transfer or otherwise dispose any respective GDRs received from the Group, unless such sale, transfer or disposal has been approved by the Group.

Following the share based payment dated 8 June 2018, the Group has no share-based payment arrangements in place.

As of the date these consolidated financial statements have been authorised for issue, senior management team employee currently employed by the Group, continues holding the granted GDRs.

11. FINANCE INCOME AND FINANCE COSTS

MLN RUB	2020	2019
RECOGNISED IN PROFIT OR LOSS		
FINANCE INCOME		
Interest income under the effective interest method on:		
- Cash and cash equivalents (except bank deposits)	518	1,358
- Unwinding of discount on trade receivables	634	705
- Bank deposits – at amortised cost	585	736
- Interest income – financing component under IFRS 15	150	73
TOTAL INTEREST INCOME ARISING FROM FINANCIAL ASSETS MEASURED AT AMORTISED COST	**1,887**	**2,872**
Gain on write-off of accounts payable	105	111
Impairment (loss)/reversal on investments	(12)	8
Net foreign exchange gain	36	–
FINANCE INCOME – OTHER	**129**	**119**
FINANCE COSTS		
Financial liabilities measured at amortised cost:		
- Interest expenses- financing component under IFRS 15	(1,399)	(2,619)
- Interest expenses – borrowing costs	(4,924)	(4,387)
- Interest expense on leases	(167)	(233)
- Unwinding of discount on other payables	(915)	(171)
Impairment loss on advances paid to suppliers	(9)	(102)
Other finance costs	(98)	(20)
Net foreign exchange loss	–	(172)
FINANCE COSTS	**(7,512)**	**(7,704)**
NET FINANCE COSTS RECOGNISED IN PROFIT OR LOSS	**(5,496)**	**(4,713)**

In addition to interest expense recognised in the consolidated statement of profit or loss and other comprehensive income, the following amounts of borrowing costs and significant financing component have been capitalised into the cost of real estate properties under construction and development (revenue for which is not recognised over time):

MLN RUB	2020	2019
Borrowing costs and significant financing component capitalised during the year	274	397
Weighted average capitalisation rate	14,86 %	14,86 %

During the year ended 31 December 2020, borrowing costs and significant financing component that have been capitalised into the cost of real estate properties under construction and development (revenue for which was not recognised over time) in the amount of RUB 212 million (year ended 31 December 2019: RUB 1,164 million), were included into the cost of sales upon construction and sale of those properties—including borrowing costs in the amount of RUB 116 million (year ended 31 December 2019: RUB 808 million) and significant financing component in the amount of RUB 96 million (year ended 31 December 2019: RUB 356 million).

12. INCOME TAX EXPENSE

The Company’s applicable tax rate under the Cyprus Income Tax Law is 12.5 %. The Cypriot subsidiaries’ applicable tax rate is 12.5 %. For the Russian companies of the Group the applicable income tax rate is 20 % (year ended 31 December 2019: 20 %).

MLN RUB	2020	2019
CURRENT TAX EXPENSE		
Current year	3,991	3,390
(Over)/under-provided in prior year	(4)	9
	3,987	**3,399**
DEFERRED TAX EXPENSE		
Origination and reversal of temporary differences	(1,301)	(1,814)
INCOME TAX EXPENSE	**2,686**	**1,585**

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate 20 %:

MLN RUB	2020	2019
Profit before income tax	4,722	1,771
Theoretical income tax at statutory rate of 20 %	944	354
ADJUSTMENTS DUE TO:		
(Over)/under-provided in prior year	(4)	9
Tax losses for which no deferred tax asset was recognised	84	–
Write-off of previously recognised deferred tax assets	273	–
Tax effect of dividends from Russian subsidiaries	233	115
Expenses not deductible and income not taxable for tax purposes, net	1,156	1,107
INCOME TAX EXPENSE	**2,686**	**1,585**

13. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2020, depreciation expense of RUB 239 million (year ended 31 December 2019: RUB 281 million) has been charged to cost of sales, RUB 13 million (year ended 31 December 2019: RUB 16 million) to cost of real estate properties under construction and development, RUB 28 million to other expenses, net (year ended 31 December 2019: RUB 12 million) and RUB 179 million (year ended 31 December 2019: RUB 218 million) to general and administrative expenses.

MLN RUB	BUILDINGS AND CONSTRUCTIONS	MACHINERY AND EQUIPMENT	VEHICLES	OTHER	LAND	CONSTRUCTION IN PROGRESS	TOTAL
COST							
Balance at 1 January 2019	2,344	2,537	133	270	121	210	**5,615**
Additions	319	66	27	64	–	154	**630**
Acquisition through business combination	372	6	–	20	–	5	**403**
Disposals	(188)	(130)	(42)	(39)	(1)	(2)	**(402)**
Transfers	81	3	–	14	–	(98)	**–**
BALANCE AT 31 DECEMBER 2019	**2,928**	**2,482**	**118**	**329**	**120**	**269**	**6,246**
Balance at 1 January 2020	2,928	2,482	118	329	120	269	**6,246**
Additions	144	90	5	83	–	143	**465**
Disposals	(215)	(113)	(12)	(33)	(3)	–	**(376)**
Transfers	70	–	–	69	–	(139)	**–**
BALANCE AT 31 DECEMBER 2020	**2,927**	**2,459**	**111**	**448**	**117**	**273**	**6,335**
DEPRECIATION AND IMPAIRMENT LOSSES							
Balance at 1 January 2019	(378)	(1,788)	(91)	(163)	–	–	**(2,420)**
Depreciation for the year	(287)	(159)	(18)	(61)	–	–	**(525)**
Disposals	105	94	36	25	–	–	**260**
Balance at 31 December 2019	(560)	(1,853)	(73)	(199)	–	–	**(2,685)**
Balance at 1 January 2020	(560)	(1,853)	(73)	(199)	–	–	**(2,685)**
Depreciation for the year	(232)	(140)	(16)	(69)	–	–	**(457)**
Disposals	182	101	10	22	–	–	**315**
BALANCE AT 31 DECEMBER 2020	**(610)**	**(1,892)**	**(79)**	**(246)**	**–**	**–**	**(2,827)**
CARRYING AMOUNTS							
Balance at 1 January 2019	1,966	749	42	107	121	210	**3,195**
Balance at 31 December 2019	2,368	629	45	130	120	269	**3,561**
Balance at 1 January 2020	2,368	629	45	130	120	269	**3,561**
Balance at 31 December 2020	2,317	567	32	202	117	273	**3,508**

14. INVESTMENT PROPERTY

MLN RUB	2020	2019
COST		
Balance at 1 January	1,375	587
Acquisition through business combination	–	838
Additions	–	15
Disposals	(358)	(65)
BALANCE AT 31 DECEMBER	**1,017**	**1,375**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES		
Balance at 1 January	(310)	(281)
Depreciation for the period	(37)	(31)
Disposals	21	2
BALANCE AT 31 DECEMBER	**(326)**	**(310)**
Carrying amount at 1 January	1,065	306
CARRYING AMOUNT AT 31 DECEMBER	**691**	**1,065**

The Group's investment properties represent various commercial property. The Group accounts for investment properties at cost less accumulated depreciation and impairment losses.

As at 31 December 2020, the fair value of investment property amounted to RUB 1,027 million (31 December 2019: RUB 1,289 million), which was determined based on discounted cash flows from the use of the property. Fair value estimate represents level 3 of the fair value hierarchy. The Group did not identify any indicators of impairment as at 31 December 2020 and 31 December 2019, and did not recognise any impairment losses for investment property during the year ended 31 December 2020 and 2019.

15. OTHER LONG-TERM INVESTMENTS

MLN RUB	2020	2019
Loans – at amortised cost	321	106
Investment in associate	124	–
Bank promissory notes – at amortised cost	3	96
	448	**202**
Loss allowance for loans given	(24)	(11)
Loss allowance for promissory notes	–	(1)
	424	**190**

As at 31 December 2020, bank promissory note in the amount of RUB 3 million (31 December 2019: nil) was pledged as security for secured bank loan, see note 23.

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 26.

16. DEFERRED TAX ASSETS AND LIABILITIES

a) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

MLN RUB		ASSETS		LIABILITIES		NET
	2020	2019	2020	2019	2020	2019
Property, plant and equipment	178	288	(255)	(1,051)	(77)	(763)
Investments	169	26	(28)	(73)	141	(47)
Inventories	9,269	6,541	(3,522)	(5,179)	5,747	1,362
Contract assets and trade and other receivables	1,750	698	(4,034)	(3,605)	(2,284)	(2,907)
Deferred expenses	19	483	–	(729)	19	(246)
Loans and borrowings	52	53	(130)	(29)	(78)	24
Provisions	141	614	(95)	(37)	46	577
Contract liabilities and trade and other payables	5,285	1,483	(11,146)	(2,706)	(5,861)	(1,223)
Tax loss carry-forwards	1,295	845	–	(1)	1,295	844
OTHER	**155**	**78**	**(341)**	**(241)**	**(186)**	**(163)**
Tax assets/(liabilities)	18,313	11,109	(19,551)	(13,651)	(1,238)	(2,542)
SET OFF OF TAX	**(11,621)**	**(7,188)**	**11,621**	**7,188**	**–**	**–**
NET TAX ASSETS/(LIABILITIES)	**6,692**	**3,921**	**(7,930)**	**(6,463)**	**(1,238)**	**(2,542)**

b) UNRECOGNISED DEFERRED TAX LIABILITY

At 31 December 2020, a deferred tax liability arising on temporary differences of RUB 70,777 million (31 December 2019: RUB 66,132 million) related to investments in subsidiaries was not recognized because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

c) MOVEMENT IN TEMPORARY DIFFERENCES DURING THE PERIOD

MLN RUB	1 JANUARY 2020	RECOGNISED IN PROFIT OR LOSS		31 DECEMBER 2020
Property, plant and equipment	(763)	685		(77)
Investments	(47)	188		141
Inventories	1,362	4,385		5,747
Contract assets and trade and other receivables	(2,907)	623		(2,284)
Deferred expenses	(246)	265		19
Loans and borrowings	24	(102)		(78)
Provisions	577	(531)		46
Contract liabilities and trade and other payables	(1,223)	(4,638)		(5,861)
Tax loss carry-forwards	844	451		1,295
Other	(163)	(25)		(186)
	(2,542)	**1,301**		**(1,238)**

MLN RUB	1 JANUARY 2019	RECOGNISED IN PROFIT OR LOSS	ACQUISITION THROUGH BUSINESS COMBINATION	31 DECEMBER 2019
Property, plant and equipment	(692)	16	(87)	(763)
Investments	(28)	(2)	(17)	(47)
Inventories	3,909	2,623	(5,170)	1,362
Contract assets and trade and other receivables	(4,915)	1,837	171	(2,907)
Deferred expenses	(330)	84	–	(246)
Loans and borrowings	20	7	(3)	24
Provisions	362	109	106	577
Contract liabilities and trade and other payables	2,898	(3,023)	(1,098)	(1,223)
Tax loss carry-forwards	73	236	535	844
Other	(90)	(73)	–	(163)
	1,207	**1,814**	**(5,563)**	**(2,542)**

17. INVENTORIES

MLN RUB	2020	2019
INVENTORIES UNDER CONSTRUCTION AND DEVELOPMENT		
Own flats under construction and development	81,898	70,831
Built-in commercial premises under construction and development	14,453	8,406
Parking places under construction and development	8,526	8,394
	104,877	**87,631**
Less: Allowance for inventories under construction and development	(2,698)	(2,361)
TOTAL INVENTORIES UNDER CONSTRUCTION AND DEVELOPMENT	**102,179**	**85,270**
INVENTORIES – FINISHED GOODS		
Own flats	4,684	7,157
Built-in commercial premises	2,426	2,563
Parking places	5,993	5,495
	13,103	**15,215**
Less: Allowance for inventories – finished goods	(1,812)	(1,466)
TOTAL INVENTORIES – FINISHED GOODS	**11,291**	**13,749**
OTHER INVENTORIES		
Construction materials	1,297	939
Other	700	760
	1,997	**1,699**
Less: Allowance for other inventories	(22)	(29)
TOTAL OTHER INVENTORIES	**1,975**	**1,670**
TOTAL	**115,445**	**100,689**

a) BARTER TRANSACTIONS

During 2013 – 2019, the Group entered into several transactions for the acquisition of investment rights for land plots in five construction projects, where certain parts of the acquisition price had to be paid by means of transfer of specified premises constructed on these land plots. The Group included the land component of these construction projects into inventories at fair value of the investment rights acquired, while the respective liabilities to the sellers of land plots (landlords) were recognised within contract liabilities. Such liabilities will be settled against revenue recognised from transfer of specified premises to these landlords.

The fair values of land plots were determined by independent appraisers based on discounted cash flows from the construction and sale of properties. The details of transactions are specified below.

Project 1, years ended 31 December 2013-2016

The fair value of the investments rights acquired equal to RUB 1,862 million (land plot acquired in 2013), RUB 3,835 million (land plot acquired in 2014), RUB 3,105 million (land plot acquired in 2015), RUB 222 million (land plot acquired in 2016).

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates—4,5 %-6,4 % per annum, a rate within this range was used, depending on year of recognition of land component;
- Discount rates—11,5 % – 25 % per annum, a rate within this range was used, depending on year of recognition of land component and stage of the project.

Project 2, year ended 31 December 2015

The fair value of the investments rights acquired equal to RUB 4,522 million.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates—4,5 %-6,4 % per annum;
- Discount rate—23 % per annum.

Project 3, year ended 31 December 2017

The fair value of the investments rights acquired equal to RUB 4,395 million.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates—2,5 %-4 % per annum;
- Discount rate—13 % per annum.

Project 4, year ended 31 December 2017

The fair value of the investments rights acquired equal to RUB 1,800 million.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates—2,5 %-4 % per annum;
- Discount rate—13 % per annum.

Project 5, year ended 31 December 2019

The Group entered into a transaction for the acquisition of investment rights for two land plots where part of the acquisition price is to be paid by means of transfer of certain premises that were in the course of construction on the previously acquired land plots.

The fair value of the investments rights acquired equal to RUB 1,193 million was determined based on discounted cash flows from the construction and sale of properties in previously acquired land plots.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates—0,9 % – 1 % per annum;
- Discount rate—12,78 % per annum.

Accordingly, at 31 December 2020, the cost of land plots (Project 1) measured as described above and related to sold premises, was recognised in cost of sales during 2013—2020 in the amount of RUB 8,514 million, while the remaining balance of RUB 260 million is included into finished goods and RUB 250 million – into inventories under construction and development.

17. INVENTORIES
(CONTINUED)

At 31 December 2020, the cost of land plots (Project 2) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the year ended 31 December 2020 in the amount of RUB 3,712 million, while the remaining balance of RUB 10 million is included in finished goods and RUB 799 million in inventories under construction and development.

At 31 December 2020, the cost of land plots (Project 3) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the year ended 31 December 2020 in the amount of RUB 4,132 million, while the remaining balance of RUB 66 million is included in finished goods and RUB 197 million in inventories under construction and development.

At 31 December 2020, the cost of land plots (Project 4) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the year ended 31 December 2020 in the amount of RUB 1,770 million, while the remaining balance of RUB 13 million is included in finished goods and of RUB 17 million in inventories under construction and development.

At 31 December 2020, the cost of land plots (Project 5) measured as described above and related to premises sold under share participation agreements, was recognised in cost of sales during the year ended 31 December 2020 in the amount of RUB 396 million, while the remaining balance of RUB 797 million is included in inventories under construction and development.

In the course of implementation of several development projects the Group has to construct and transfer certain social infrastructure to City authorities. As at 31 December 2020, the cost of such social infrastructure amounts to RUB 1,001 million and is included into the balance of finished goods and inventories under construction and development (31 December 2019: RUB 1,219 million). These costs are recoverable as part of projects they relate to. The cost of social infrastructure is recognised in cost of sales consistently with the transfer to the customers of the apartments to which this social infrastructure relates.

b) ALLOWANCE FOR IMPAIRMENT OF INVENTORIES

The following is movement in the allowance for impairment of inventories:

MLN RUB	2020	2019
Balance at 1 January	3,856	2,569
Impairment loss on inventories (note 8)	676	1,287
BALANCE AT 31 DECEMBER	**4,532**	**3,856**

As at 31 December 2020, the net realizable value testing resulted in an amount which was less than the carrying amount by RUB 4,532 million (31 December 2019: RUB 3,856 million) and the respective allowance was recognised in other expenses, see note 8. As at 31 December 2020, the allowance of RUB 4,283 million relates to parking places (31 December 2019: RUB 3,414 million).

The balance of parking places is equal to RUB 14,519 million as at 31 December 2020 (31 December 2019: RUB 13,889 million). An impairment allowance was made based on the following key assumptions:

- Cash flows were projected during the expected period of sales equal to years of turnover of parking places determined based on historical information on contracts concluded with customers;
- Discount rate –10,96 % per annum;
- Inflation rates—3,55—4,19 % per annum;
- In case there was no historical information on sales of certain parking places, the Group considered historical information in relation to similar parking places.

The determination of net realizable value for parking places is subject to significant estimation uncertainty and, as such, the impairment allowance is judgmental. Changes in the above assumptions – in particular the discount rate and the years of turnover of parking places – could have a material impact on the impairment allowance amount.

The following table demonstrates changes in key inputs and sensitivity of measurement of allowance for impairment:

			31 DECEMBER 2020
	CHANGE OF PARAMETER	IMPACT ON ALLOWANCE FOR IMPAIRMENT	IN MONETARY TERMS (MLN RUB)
Growth of discount rate	2 %	5 %	207
Growth of inflation rates	2 %	-7 %	(278)
Reduction of turnover of finished goods	1	3 %	104
Reduction of revenue from uncontracted parking places	2 %	2 %	83

			31 DECEMBER 2019
	CHANGE OF PARAMETER	IMPACT ON ALLOWANCE FOR IMPAIRMENT	IN MONETARY TERMS (MLN RUB)
Growth of discount rate	2 %	5 %	159
Growth of inflation rates	2 %	-6 %	(199)
Reduction of turnover of finished goods	1	4 %	121
Reduction of revenue from uncontracted parking places	2 %	3 %	101

c) RENT OUT OF PROPERTY CLASSIFIED AS INVENTORIES—FINISHED GOODS

The Group has temporarily rented out a part of certain items of property classified as inventories—finished goods in these consolidated financial statements. As at 31 December 2020, the total carrying value of these items of property was RUB 361 million (31 December 2019: RUB 327 million). The Group is actively seeking buyers for these properties.

d) PLEDGES

As at 31 December 2020, inventories with a carrying amount of RUB 16,505 million (31 December 2019: RUB 7,139 million) are pledged as security for borrowings, see note 23.

e) COST OF ACQUISITION OF CONSTRUCTION PROJECTS (LAND PLOTS)

The following table summarises cash spent on acquisition of construction projects (land plots) and related costs incurred during the reporting period.

MLN RUB	2020	2019
Cost of acquisition of rights for land plots during the year	1,496	3,706
Including fees for changing of the type of permitted use of land plots	539	805
Capitalised lease payments for land plots	896	1,020
TOTAL	**2,392**	**4,726**

18. CONTRACT ASSETS, TRADE AND OTHER RECEIVABLES

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 26.

MLN RUB	2020	2019
LONG-TERM TRADE AND OTHER RECEIVABLES		
Trade receivables	4,082	4,596
Less: Allowance for doubtful trade accounts receivable	(27)	(57)
LONG-TERM TRADE RECEIVABLES LESS ALLOWANCE	**4,055**	**4,539**
Other receivables	231	164
Less: Allowance for doubtful other accounts receivable	(34)	(11)
LONG-TERM OTHER RECEIVABLES LESS ALLOWANCE	**197**	**153**
Advances paid to suppliers	1	–
TOTAL LONG-TERM TRADE AND OTHER RECEIVABLES	**4,253**	**4,692**
SHORT-TERM TRADE AND OTHER RECEIVABLES		
Contract assets	7,138	2,463
Trade receivables	6,993	8,134
Less: Allowance for doubtful trade accounts receivable	(635)	(690)
SHORT-TERM TRADE RECEIVABLES LESS ALLOWANCE	**13,496**	**9,907**
Advances paid to suppliers	8,384	9,988
Less: Allowance for doubtful advances paid to suppliers	(247)	(238)
SHORT-TERM ADVANCES PAID TO SUPPLIERS LESS ALLOWANCE	**8,137**	**9,750**
VAT recoverable	3,656	3,231
Income tax receivable	1,434	696
Financial asset arising from preferential rate on escrow-backed loans	1,053	–
Other taxes receivable	70	73
Other receivables due from related parties	187	108
OTHER RECEIVABLES	**1,521**	**2,130**
Less: Allowance for doubtful other accounts receivable	(930)	(752)
Short-term other receivables less allowance	6,991	5,486
TOTAL SHORT-TERM TRADE AND OTHER RECEIVABLES	**28,624**	**25,143**
TOTAL	**32,877**	**29,835**

19. SHORT-TERM INVESTMENTS

MLN RUB	2020	2019
Bank promissory notes – at amortised cost	91	108
Bank deposits (over 3 months)	100	80
Loans – at amortised cost	109	146
	300	**334**
Loss allowance for loans given	(88)	(131)
TOTAL	**212**	**203**

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 26.

20. CASH AND CASH EQUIVALENTS

MLN RUB	2020	2019
Cash in banks, in RUB	10,456	18,423
Cash in banks, in USD	163	89
Cash in banks, in EUR	18	15
Cash in banks, in GBP	2	2
Petty cash	2	2
Cash in transit	1	–
Short-term deposits (less than 3 months)	15,188	12,597
TOTAL	**25,830**	**31,128**

The Group keeps significant bank balances in major Russian banks with credit ratings assigned by international rating agencies of BBB-, BB+, BB, BB-, B+, B, B-, as well as in foreign bank with credit rating A+.

At 31 December 2020, the most significant amount of cash and cash equivalents held with one bank totalled RUB 13,707 million (31 December 2019: RUB 10,309 million). At 31 December 2020, the Group had outstanding loans and borrowings with the same bank that held the most significant amount of cash and cash equivalents in the amount of RUB 28,342 million (outstanding loans and borrowings with the same bank that held the most significant amount of cash and cash equivalents at 31 December 2019: nil). The bank has a Standard & Poor's/ Moody's credit rating credit rating of BBB-.

At 31 December 2020, short-term deposits bore interest rate ranging from 2.27 % to 4.56 % per annum (31 December 2019: 3.73 % to 6.7 % per annum).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26.

BANK BALANCES ON ESCROW ACCOUNTS – SUPPLEMENTARY DISCLOSURE

MLN RUB	2020	2019
Bank balances in escrow accounts	23,572	692

Bank balances kept in escrow accounts are not included in the balance of cash and cash equivalents in the Group's consolidated statement of financial position. They represent funds received by authorized banks from escrow-account holders – participants of share participation agreements for construction of real estate as a means of payment of consideration under such agreements. The funds will be transferred to the Group's bank accounts upon completion of construction of respective real estate.

The table below demonstrates the movement of funds on escrow accounts during the reporting period.

MLN RUB	2020	2019
Balance at 1 January	692	-
Receipts of funds on escrow accounts	22,880	692
Release of funds from escrow accounts	-	-
BALANCE AT 31 DECEMBER	**23,572**	**692**

21. CAPITAL AND RESERVES

a) SHARE CAPITAL

The table below summarizes the information about the share capital of the Company.

NUMBER OF SHARES UNLESS OTHERWISE STATED	2020		2019	
	ORDINARY SHARES	PREFERENCE SHARES	ORDINARY SHARES	PREFERENCE SHARES
ISSUED SHARES				
Par value at the beginning of the year	0.00005 GBP	1 GBP	0.00005 GBP	1 GBP
On issue at the beginning of the year	294,957,971	20,000	294,957,971	20,000
PAR VALUE AT THE END OF THE YEAR	**0.00005 GBP**	**1 GBP**	**0.00005 GBP**	**1 GBP**
ON ISSUE AT THE END OF THE YEAR, FULLY PAID	**294,957,971**	**20,000**	**294,957,971**	**20,000**

At 31 December 2019 and at 31 December 2020, the number of authorised and issued shares was 294.957.971. All issued ordinary shares are fully paid.

The holders of ordinary shares are entitled to receive dividends and to one vote per share at meetings of the Company.

b) SHARE PREMIUM

The Company's share premium account originated from the initial public offering of 71,428,571 ordinary shares at a value USD 7 each in form of global depository receipts (GDR's) on the London Stock Exchange on 4 April 2011, and from issuance of 117,647 ordinary £0.01 shares for a consideration of USD 82,352,900 in March 2008.

c) RESERVE FOR OWN SHARES

During 2011-2017, the Company acquired 8,216,378 GDRs (Global Depositary Receipts) for own shares under the GDRs repurchase programme.

During the year ended 31 December 2018, the Group transferred 8,212,432 shares to certain members of its key management personnel as part of their remuneration, see note 10. As at 31 December 2020 and 31 December 2019, the total number of own shares acquired by the Group amounted to 3,946 shares or 0.001 % of issued share capital.

The consideration paid for own shares, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. When own shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

GDR BUYBACK PROGRAMME

On 24 January 2020, the Board of Directors of the Company authorised a buyback programme to purchase up to 10 % of the Company's issued capital in the form of GDR until 14 April 2021. On 22 March 2020, the program was approved by the extraordinary general meeting of shareholders. As at 31 December 2020, no shares have been purchased.

d) DIVIDENDS

As the majority of the Company's subsidiaries are incorporated in the Russian Federation, and in accordance with Russian legislation, the subsidiaries' distributable reserves are limited to the balance of retained earnings as recorded in their statutory financial statements prepared in accordance with Russian Accounting Principles.

During the year ended 31 December 2020, the Company paid dividends in the amount of RUB 3,527 million (year ended 31 December 2019: RUB 3,577 million).

e) NON-CONTROLLING INTERESTS IN SUBSIDIARIES

On 19 February 2019, the Group acquired a 51 % stake in JSC "Leader-Invest" (note 27). The non-controlling interest was measured as a 49 %-share of the recognised amounts of the acquiree's net identifiable assets and amounted to RUB 15,289 million. On 16 August 2019, the Group acquired the remaining 49 % of the share capital of JSC "Leader-Invest" for the consideration of RUB 14,600 million, while the carrying amount of the share of net assets acquired amounted to RUB 14,669 million. The excess of RUB 69 million of the share of net assets acquired over the consideration transferred was recognised as an increase in retained earnings.

22. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding during the year, as shown below. The Company has no dilutive potential ordinary shares.

NUMBER OF SHARES UNLESS OTHERWISE STATED	2020	2019
Issued shares at 1 January	294,954,025	294,954,025
Weighted average number of shares for the year ended 31 December	**294,954,025**	**294,954,025**

	2020	2019
Profit attributable to the owners of the Company, mln RUB	2,036	795
Basic and diluted earnings per share (RUB)	6.90	2.70

23. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 26.

MLN RUB	2020	2019
NON-CURRENT LIABILITIES		
Secured bank loans	26,571	27,965
Secured project financing	4,995	–
Unsecured bank loans	1,375	4,316
Unsecured bond issues	1,695	9,977
	34,636	**42,258**
CURRENT LIABILITIES		
Current portion of secured bank loans	2,329	2,393
Current portion of unsecured bank loans	4,988	4,438
Current portion of unsecured bond issues	8,552	3,603
	15,869	**10,434**

The reconciliation of movements of liabilities to cash flows arising from financing activities during the reporting period is presented in the table below.

MLN RUB	1 JANUARY 2020	PROCEEDS FROM BORROWINGS	REPAYMENT OF BORROWINGS	OTHER CHANGES		31 DECEMBER 2020
Secured bank loans	30,358	787	(2,236)	(10)		28,899
Secured project financing	-	5,782	-	(787)		4,995
Unsecured bank loans	8,754	2,122	(4,518)	5		6,363
Unsecured bond issues	13,580	-	(3,354)	22		10,248
	52,692	**8,691**	**(10,108)**	**(771)**		**50,505**

MLN RUB	1 JANUARY 2019	PROCEEDS FROM BORROWINGS	REPAYMENT OF BORROWINGS	OTHER CHANGES	CHANGES FROM ACQUISITION OF SUBSIDIARIES (NOTE 27)	31 DECEMBER 2019
Secured bank loans	1,622	30,048	(1,313)	(220)	221	30,358
Unsecured bank loans	9,298	284	(1,469)	25	616	8,754
Unsecured bond issues	9,992	-	(1,650)	(78)	5,316	13,580
	20,912	**30,332**	**(4,432)**	**(273)**	**6,153**	**52,692**

During the year ended 31 December 2020, the Group received new credit line facilities to finance construction of residential buildings with variable interest rates adjusted based on the volume of escrow accounts balances (designated as "Project financing" in these consolidated financial statements). The loans' rates have two components: the base rate and the preferential rate applied to debt covered by escrow account balances. In case of excess of balances on escrow accounts over outstanding loans, the rate is capped depending on the amount of the excess.

				2020		2019	
MLN RUB	CURRENCY	NOMINAL INTEREST RATE AS OF 31 DECEMBER	YEAR OF MATURITY	FACE VALUE	CARRYING AMOUNT	FACE VALUE	CARRYING AMOUNT
SECURED BANK LOANS				**35,023**	**33,896**	**30,658**	**30,358**
Secured bank loan	RUB	CBR's key rate + 3 %	2027	14,642	14,522	14,642	14,566
Secured bank loan	RUB	CBR's key rate + 2,35 %	2024	13,700	13,529	15,224	15,000
Secured project financing	RUB	0,01 % – 9,5 %	2025	3,402	2,814	–	–
Secured project financing	RUB	0,01 %-7,1 %	2024	1,539	1,372	–	–
Secured bank loan	RUB	CBR's key rate + 3,5 %	2022	482	482	460	460
Secured bank loan	RUB	10,00 %	2020	–	–	332	332
Secured project financing	RUB	0,01 %-7,1 %	2024	440	407	–	–
Secured project financing	RUB	0,01-9 %	2022	445	404	–	–
Secured bank loan	RUB	10,50 %	2023	373	366	–	–
UNSECURED BANK LOANS				**6,371**	**6,363**	**8,754**	**8,754**
Unsecured bank loan	RUB	7,15 %	2022	2,124	2,124	–	–
Unsecured bank loan	RUB	9,25 %	2022	827	819	902	902
Unsecured bank loan	RUB	CBR's key rate + 1 %	2021	482	482	740	740
Unsecured bank loan	RUB	4,25 – 8,9 %	2021	751	751	1,502	1,502
Unsecured bank loan	RUB	8,75 %	2021	501	501	501	501
Unsecured bank loan	RUB	4,25 – 8,7 %	2022	501	501	501	501
Unsecured bank loan	RUB	CBR's key rate + 1,75 %	2021	500	500	500	500
Unsecured bank loan	RUB	4,25 % – 9,70 %	2021	435	435	1,458	1,458
Unsecured bank loan	RUB	CBR's key rate + 1,75 %	2021	250	250	250	250
Unsecured bank loan	RUB	4,50 % – 9,00 %	2020	–	–	1,200	1,200
Unsecured bank loan	RUB	8,30 %	2020	–	–	1,200	1,200
UNSECURED BOND ISSUES				**10,289**	**10,246**	**13,652**	**13,580**
Unsecured bonds	RUB	11,70 %	2021	5,215	5,181	5,213	5,166
Unsecured bonds	RUB	8,95 %	2022	3,919	3,911	5,022	5,005
Unsecured bonds	RUB	11,85 %	2021	1,155	1,154	3,363	3,355
Unsecured bonds	RUB	7,95 %	2020	–	–	54	54
				51,683	**50,505**	**53,064**	**52,692**

23. LOANS AND BORROWINGS

(CONTINUED)

As of 31 December 2020, the weighted average interest rate on current credit portfolio amounted to 8,31 % p.a. (31 December 2019: 9,47 % p.a.).

Bank loans are secured by:

- inventories with a carrying amount of RUB 16,505 million (31 December 2019: RUB 7,139 million), see note 17;
- pledge of bank promissory note in the amount of RUB 3 million (31 December 2019: nil), note 15;
- pledge of 48 % of shares in subsidiary company JSC “Zatonskoe” which represents RUB 2,866 million in its net assets[1] (31 December 2019: 68 % of shares represents RUB 4,198 million in net assets);
- pledge of 100 % of shares in subsidiary company LLC “Specialized Developer “LS-Rielty” which represents RUB 4,151 million in its net assets[1] (31 December 2019: RUB RUB 2,259 million in net assets);
- pledge of 100 % shares of JSC “Leader-Invest” and 100 % of other 45 subsidiary companies of JSC “Leader-Invest” which collectively represent RUB 43,927 million in net assets[1] (31 December 2019: RUB 36,059 million in net assets);
- pledge of 100 % shares of JSC “Etalon LenSpetsSMU”, LLC “ZhK Moskovskiy” and LLC “Zolotaya Zvezda”, which collectively represent RUB 45,994 million in net assets[1] (31 December 2019: RUB 46,695 million in net assets);
- pledge of 98,3 % shares of LLC “Specialized Developer “Serebryaniy Fontan” which represents RUB 3,487 million in its net assets.

The bank loans are subject to certain restrictive covenants. Financial covenants are based on the individual financial statements of certain entities of the Group, as well as on the consolidated financial statements of the Group. Operating covenants prescribe certain legal actions to be executed by the Group or the level of operations to be maintained with a bank.

Except as described further, there has been no breach of any of the financial covenants during the reporting period. However, at the end of the year, the Group breached operating covenants on several loans. The Group obtained waivers from the banks, and the obligations were not transferred to current liabilities.

[1] *net assets are based on individual IFRS accounts of the relevant companies.

24. PROVISIONS

MLN RUB	WARRANTY PROVISION	PROVISION FOR DEFERRED WORKS	PROVISION FOR ONEROUS CONTRACTS	PROVISION FOR LITIGATIONS AND CLAIMS	TOTAL
Balance at 1 January 2019	121	909	52	–	1,082
Provisions made during the year	48	403	–	93	544
Assumed through business combination	–	47	–	95	142
Provisions used during the year	(53)	(822)	–	(54)	(929)
Provision reversed during the year	–	(30)	(4)		(34)
BALANCE AT 31 DECEMBER 2019	**116**	**507**	**48**	**134**	**805**
Balance at 1 January 2020	116	507	48	134	805
Provisions made during the year	173	1,825	–	5	2,003
Provisions used during the year	(54)	(1,905)	–	(52)	(2,011)
Provision reversed during the year	(106)	(58)	(23)	(83)	(270)
BALANCE AT 31 DECEMBER 2020	**129**	**369**	**25**	**4**	**527**
Non-current	129	–	–	–	129
Current	–	369	25	4	398
	129	**369**	**25**	**4**	**527**

a) WARRANTIES

The provision for warranties relates mainly to the residential units sold during the year. The provision is based on estimates made from historical experience from the sale of such units. The Group expects the expenses to be incurred over the next three years on average. The warranty provision relates to construction works done.

b) PROVISION FOR DEFERRED WORKS

The Group records provisions in respect of the Group’s obligation to incur additional costs associated with landscaping and other works after finishing the construction of apartment buildings. The provision is estimated based on historical experience. The Group expects the expenses to be incurred over the next year.

25. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES

MLN RUB	2020	2019
LONG-TERM		
Trade payables	25,695	1,462
Lease liabilities	998	1,365
Other payables	41	400
	26,734	**3,227**
SHORT-TERM		
Contract liabilities	28,351	36,439
Trade payables	6,396	5,382
VAT payable	3,466	3,383
Payroll liabilities	928	874
Income tax payable	183	105
Other taxes payable	302	348
Lease liabilities	864	673
Other payables	9,260	8,377
	49,750	**55,581**
TOTAL	**76,484**	**58,808**

Long-term trade payables mainly consist of an obligation equal to RUB 25,245 million (31 December 2019: nil) for acquisition of 88 % of share capital of LLC "Specialized Developer "ZIL-YUG" (an entity owning the land plot in the Moscow metropolitan area), payable in 2022-2024. In addition, the short-term part of the obligation in the amount of RUB 2,265 million (31 December 2019: nil) is included into short-term trade payables. The carrying amounts of these payable were calculated by discounting the consideration of RUB 32,200 million payable in 2021-2024 described in the note 30 (b) to reflect the time value of money.

Short-term other payables mainly consist of an obligation equal to RUB 6,847 million (31 December 2019: RUB 6,394 million) to construct social infrastructure objects and a liability of RUB 1,928 million (31 December 2019: RUB 1,096 million) to the City authorities for change of intended use of land plot recognised as part of inventories.

Contract liabilities include advances from customers in the amount of RUB 1,777 million which will be satisfied after 12 months from the reporting date (31 December 2019: RUB 2,563 million). They are classified within short-term liabilities as the development cycle of construction projects exceeds one year.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1 inputs
Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs
Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs
Level 3 inputs are unobservable inputs for the asset or liability.

31 DECEMBER 2020	CARRYING AMOUNT		FAIR VALUE		
MLN RUB	AT AMORTISED COST	TOTAL	LEVEL 1	LEVEL 2	TOTAL
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE					
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	14,194	14,194	–	13,846	**13,846**
Bank deposits (over 3 months)	100	100	–	100	**100**
Bank promissory notes	94	94	–	93	**93**
Cash and cash equivalents	25,830	25,830	25,830	–	**25,830**
	40,218	**40,218**	**25,830**	**14,039**	**39,869**
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE					
Secured bank loans	(28,899)	(28,899)	–	(30,438)	**(30,438)**
Secured project financing	(4,997)	(4,997)		(4,592)	**(4,592)**
Unsecured bank loans	(6,363)	(6,363)	–	(6,526)	**(6,526)**
Unsecured bond issues	(10,246)	(10,246)	(10,147)	–	**(10,147)**
Trade and other payables	(44,175)	(44,175)	–	(37,179)	**(37,179)**
	(94,680)	**(94,680)**	**(10,147)**	**(78,735)**	**(88,882)**

31 DECEMBER 2019	CARRYING AMOUNT		FAIR VALUE		
MLN RUB	AT AMORTISED COST	TOTAL	LEVEL 1	LEVEL 2	TOTAL
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE					
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	13,733	13,733	–	13,272	**13,272**
Bank deposits (over 3 months)	80	80	–	80	**80**
Bank promissory notes	203	203	–	231	**231**
Cash and cash equivalents	31,128	31,128	31,128	–	**31,128**
	45,144	**45,144**	**31,128**	**13,583**	**44,711**
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE					
Secured bank loans	(30,358)	(30,358)	–	(31,233)	**(31,233)**
Unsecured bank loans	(8,754)	(8,754)	–	(8,805)	**(8,805)**
Unsecured bond issues	(13,580)	(13,580)	(15,066)	–	**(15,066)**
Trade and other payables	(18,533)	(18,533)	–	(17,497)	**(17,497)**
	(71,225)	**(71,225)**	**(15,066)**	**(57,535)**	**(72,601)**

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(CONTINUED)

Fair values of financial assets and financial liabilities were determined by quantitative maturity analysis of contractual cash flows according to remaining contractual maturities, discounted using the following Central Bank of Russia rates:

	DISCOUNTING FACTOR	2020	2019
Receivables (excluding taxes receivable and advances paid to suppliers)	Weighted average rate on mortgages issued during the year	7,36 %	9,56 %
Loans given	Weighted average interest rates on loans to non-financial organizations	6,88 %	8,33 %
Unsecured loans and bond issued, and trade and other payables		6,88 %	8,33 %
Bank promissory notes	Weighted average interest rate on deposits of non-financial organizations	4,30 %	5,87 %

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, has developed a disciplined and constructive control environment in which all employees understand their roles and obligations.

b) CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash and cash equivalents, deposits with banks as well as credit exposures to customers, including outstanding trade and other receivables.

Credit risk with regards to cash and cash equivalents and deposits with banks is managed by placing funds primarily in the banks listed in note 20.

Credit risk connected with trade receivable arising from the sale of apartments to individuals is managed by securing those receivables against sold apartments. A significant share of such sales is made on a prepayment basis.

To manage the credit risk of trade receivables from legal entities the Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are applied.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 31 December 2020, receivables from one customer equalled to RUB 284 million or 2 % of the Group's consolidated trade and other receivables (31 December 2019: RUB 610 million or 4 %).

(ii) Exposure to credit risk

The carrying amount of financial assets and contract assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	CARRYING AMOUNT	
MLN RUB	31 DECEMBER 2020	31 DECEMBER 2019
FINANCIAL ASSETS AND CONTRACT ASSETS		
Loans and receivables (excluding taxes receivable, advances paid to suppliers), including contract assets [1]	10,627	7,409
Bank promissory notes	94	203
Bank deposits (over 3 months)	100	80
Cash and cash equivalents	25,830	31,128
	36,651	**38,820**

The amount of trade and other receivables including contract assets represents the maximum exposure to credit risk without taking account of trade receivables covered by collateral.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was concentrated in the St. Petersburg region.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was concentrated on industrial customers—legal entities included in the segment "Construction services".

MATURITY ANALYSIS AND IMPAIRMENT

The ageing of trade receivables at the reporting date was:

	GROSS	IMPAIRMENT	GROSS	IMPAIRMENT
MLN RUB		2020		2019
Not past due	7,650	(7)	10,293	(153)
Past due 0-30 days	318	–	461	(5)
Past due 31-90 days	395	–	513	(275)
Past due 91-120 days	198	–	60	(9)
Past due more than 120 days	2,514	(655)	1,493	(305)
	11,075	**(662)**	**12,820**	**(747)**

The ageing of loans given at the reporting date was:

	GROSS	IMPAIRMENT	GROSS	IMPAIRMENT
MLN RUB		2020		2019
Not past due	342	(24)	120	(10)
Past due 0-30 days	–	–	46	(46)
Past due more than 120 days	88	(88)	86	(86)
	430	**(112)**	**252**	**(142)**

[1] presented net of receivables arising from the sale of real estate that is secured by a pledge of the sold real estate (see 3(c)(vi)).

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(CONTINUED)

Allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during reporting period was as follows:

MLN RUB	2020	2019
Balance at 1 January	747	719
Amounts written off	(137)	(89)
Net remeasurement of loss allowance	52	117
BALANCE AT 31 DECEMBER	**662**	**747**

The Group calculates lifetime expected credit losses for trade receivables at an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information published by Moody's Investors Service about the probabilities of default (PD) and losses given default (LGD) for issuers with different credit ratings and financial instruments with different durations.

To assess the probability of default of individual debtors, the Group assigned to them credit ratings similar to the classification of Moody's Investors Service. Speculative ratings (speculative-grade) were assigned to debtors that do not have official ratings and are not undergoing bankruptcy procedures. Such counterparties represent a major part of the Group debtors.

The Group defines a default event when a financial asset is more than 90 days past due.

The Group established an allowance for accounts receivable arising from the sale of real estate, in accordance with the methodology, described in the note 3(c)(vi).

During the reporting period, there were no changes in the quality of the collateral. There were no changes in the collateral policies of the Group during the year 2020.

Allowance for impairment in respect of other receivables

The movement in the allowance for impairment in respect of other receivables during the reporting period was as follows:

MLN RUB	2020	2019
Balance at 1 January	763	524
Amounts written off	(72)	(129)
Net remeasurement of loss allowance	273	368
BALANCE AT 31 DECEMBER	**964**	**763**

Allowance for impairment in respect of financial investments (loans given and promissory notes)

The movement in the allowance for impairment in respect of loans given during the reporting period was as follows:

MLN RUB	2020	2019
Balance at 1 January	143	157
Amounts written off	(43)	(6)
Net remeasurement of loss allowance	12	(8)
BALANCE AT 31 DECEMBER	**112**	**143**

Allowance for impairment of cash and cash equivalents

The Group assessed impairment of cash and cash equivalents on the 12-month expected loss basis that reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Group uses a similar approach for assessment of expected credit losses for cash and cash equivalents to those used for debt securities.

Allowance for impairment in respect of advances paid to suppliers

During the reporting period, the movement in the allowance for impairment in respect of advances paid to suppliers, which are outside the scope of IFRS 9, was as follows:

MLN RUB	2020	2019
Balance at 1 January	238	348
Amounts written off	(68)	(212)
Increase during the year	77	102
BALANCE AT 31 DECEMBER	**247**	**238**

The Group includes a specific loss component that relates to individually significant exposures in its allowance for impairment of advances paid to suppliers.

c) LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Each year the Group prepares a cash flow budget to forecast possible liquidity deficits and to define the sources of financing of those deficits.

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(CONTINUED)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts. However, repayment of secured project financing may occur prior to their contractual maturities—as soon as construction projects are completed and funds from escrow accounts are released.

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES WERE AS FOLLOWS:

31 DECEMBER 2020

MLN RUB	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	0 – 12 MTHS	1-2 YRS	2-3 YRS	3-4 YRS	4-5 YRS	OVER 5 YRS
NON-DERIVATIVE FINANCIAL LIABILITIES								
Loans and borrowings	50,505	60,507	18,994	11,779	9,984	11,395	4,358	3,997
Trade and other payables (excluding taxes payable and contract liabilities)	42,313	42,315	11,810	1,881	9,836	18,569	217	2
Lease liabilities	1,862	1,460	593	366	183	25	26	267
	94,680	**104,282**	**31,397**	**14,026**	**20,003**	**29,989**	**4,601**	**4,266**

31 DECEMBER 2019

MLN RUB	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	0 – 12 MTHS	1-2 YRS	2-3 YRS	3-4 YRS	4-5 YRS	OVER 5 YRS
NON-DERIVATIVE FINANCIAL LIABILITIES								
Loans and borrowings	52,692	66,263	14,655	17,164	10,227	9,847	6,864	7,506
Trade and other payables (excluding taxes payable and contract liabilities)	16,495	16,587	10,155	3,032	1,271	1,217	867	45
Lease liabilities	2,038	2,622	972	806	388	182	20	254
	71,225	**85,472**	**25,782**	**21,002**	**11,886**	**11,246**	**7,751**	**7,805**

d) MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group's exposure to foreign currency risk is limited. As at 31 December 2020 and 31 December 2019 the Group's net positions in foreign currency were as follows:

			2020			2019
MLN RUB	USD	GBP	EUR	USD	GBP	EUR
Cash and cash equivalents (see note 20)	163	2	18	89	2	15
NET EXPOSURE	**163**	**2**	**18**	**89**	**2**	**15**

The following significant exchange rates applied during the year:

IN RUB	AVERAGE RATE		REPORTING DATE SPOT RATE	
	2020	2019	31 DECEMBER 2020	31 DECEMBER 2019
USD 1	72.32	64.62	73.88	61.91
EUR 1	82.84	72.32	90.68	69.34

(ii) Interest rate risk

Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Group. The Group does not use any derivative instruments to manage interest rate risk exposure.

PROFILE

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

MLN RUB	CARRYING AMOUNT	
	2020	2019
FIXED RATE INSTRUMENTS		
Financial assets	19,806	17,598
Financial liabilities	(22,602)	(22,009)
	(2,796)	**(4,411)**
VARIABLE RATE INSTRUMENTS		
Financial liabilities	(29,765)	(31,356)
	(29,765)	**(31,356)**

CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE RATE INSTRUMENTS

	PROFIT OR LOSS		EQUITY	
MLN RUB	200 BP INCREASE	100 BP DECREASE	200 BP INCREASE	100 BP DECREASE
31 December 2020				
Variable rate instruments	(595)	298	(595)	298
Cash flow sensitivity (net)	(595)	298	(595)	298
31 December 2019				
Variable rate instruments	(627)	314	(627)	314
Cash flow sensitivity (net)	(627)	314	(627)	314

FAIR VALUE SENSITIVITY ANALYSIS FOR FIXED RATE INSTRUMENTS

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(CONTINUED)

e) CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to equity holders through the optimisation of the debt and equity balance. The management of the Group reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with it.

The capital structure of the Group consists of net debt (total loans and borrowings offset by cash and bank balances and bank deposits over 3 months) and equity of the Group (comprising issued capital and retained earnings as detailed in note 21). Certain subsidiaries of the Group may be subject to externally imposed capital requirements in accordance with Russian law.

The Group's debt to capital ratio at the end of the reporting period was as follows:

MLN RUB	2020	2019
Loans and borrowings, note 23	50,505	52,692
Less: cash and cash equivalents, note 20	(25,830)	(31,128)
Less: bank deposits over 3 months, notes 19 and 15	(100)	(80)
NET DEBT	**24,575**	**21,484**
TOTAL EQUITY	**51,073**	**52,576**
Debt to capital ratio at end of period	0,48	0,41

At 31 December 2020, lease liabilities of RUB 1,888 million (31 December 2019: RUB 2,038 million) are included in trade and other payables (see notes 25 and 28) and are not included in the total amount of borrowings.

27. ACQUISITION OF SUBSIDIARY

On 19 February 2019, the Group acquired 51 % of the shares and voting interests in JSC "Leader-Invest" from Sistema PJSFC and its affiliates for the cash consideration of RUB 15,185 million. JSC "Leader-Invest" is a Moscow-based residential developer focusing on projects in the comfort, business and premium-class segments. As at 19 February 2019, its portfolio included 31 projects under construction and development or at the design stage, unsold inventory at twelve completed residential complexes, and commercial real estate, with a total NSA of 1.3 million square meters.

The primary reason for the acquisition was to increase the Group's share of the Moscow residential real estate market and to replenish its land bank.

Consideration transferred

The acquisition-date fair value of the total consideration transferred (cash payment) amounted to RUB 15,185 million.

Contingent consideration

The Group has agreed to pay the selling shareholders the Group's share of dividends received from Leader-Invest's affiliate company for three years following the acquisition as a deferred adjustment to the consideration described above. Due to the uncertainty of the outcome, the Group did not adjust the cost of combination in these consolidated financial statements.

During the year ended 31 December 2020, the Group paid out the consideration in the amount of RUB 143 million, which was recognised within net other expenses.

Acquisition-related costs

The Group incurred acquisition-related costs of RUB 256 million related to external legal fees and due diligence costs, which have been included in administrative expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

MLN RUB	NOTE	RECOGNISED FAIR VALUES ON ACQUISITION
NON-CURRENT ASSETS		
Property, plant and equipment	13	403
Investment property	14	838
Other long term investments		4
Deferred tax assets		94
CURRENT ASSETS		
Inventories		45,655
Trade and other receivables		1,057
Advances issued		1,781
Short-term investment		752
Cash and cash equivalents		4,704
Other current assets		187
NON-CURRENT LIABILITIES		
Loans and borrowings		(5,779)
Long-term trade and other payables		(998)
Deferred tax liabilities		(5,657)
CURRENT LIABILITIES		
Loans and borrowings		(374)
Trade and other payables		(11,322)
Provisions	24	(143)
TOTAL IDENTIFIABLE NET ASSETS		**31,202**
Total identifiable net assets acquired (51 %)		15,913
Non-controlling interest (49 %)		15,289

Trade and other receivables comprised gross contractual amounts due of RUB 1,383 million, of which RUB 326 million was expected to be uncollectable at the date of acquisition.

27. ACQUISITION OF SUBSIDIARY

(CONTINUED)

Indemnification assets
The seller in a business combination had contractually indemnified the Group for the outcome of uncertainties related to specific liabilities, including losses above a specified amount by specified subsidiaries, liabilities arising from tax contingencies and recultivation costs above specified limit.

The Group did not recognise such liabilities at the acquisition date and therefore did not recognise any indemnification assets.

Measurement of fair values
The valuation techniques used for measuring the fair value of material assets acquired were as follows.

INVENTORIES

The acquiree's inventories are mainly represented by real estate development projects at different stages of development.

The fair values of real estate development projects were determined by an independent appraiser based on discounted cash flows from the construction and sale of such real estate.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction and sale of real estate;
- Inflation rates—in the range 3,5 %-4,5 % per annum;
- Discount rates—12,3 % – 23 % per annum, depending on the class of the project, stage of development of a particular project and the availability of construction permits.

Bargain purchase
The Group recognised the excess of the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed over consideration transferred in the amount of RUB 729 million as a gain from bargain purchase in its consolidated statement of profit or loss and other comprehensive income.

From the date of acquisition to 31 December 2019 JSC "Leader-Invest" and its subsidiaries contributed revenues of RUB 11,198 million and a loss of RUB 3,145 million.

If the acquisition of the business had occurred on 1 January 2019, management estimates that consolidated revenue would have been RUB 86,132 million, and consolidated loss for the year would have been RUB 58 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

28. LEASES

The Group leases a number of land plots for the purpose of the construction of residential and commercial premises for sale, as well as land plots occupied by its own production and office facilities. The leases typically run for the years of construction of premises for sale.

The following table summarises the movement in the right-of-use assets and lease liabilities during the reporting period.

MLN RUB	INVENTORIES UNDER CONSTRUCTION	PROPERTY, PLANT AND EQUIPMENT	TOTAL
RIGHT-OF-USE ASSETS			
Balance at 1 January 2020	2,080	400	2,480
Additions to right-of-use assets	482	69	551
Modifications of lease contracts	(31)	(41)	(72)
Depreciation charge	(136)	(116)	(252)
BALANCE AT 31 DECEMBER 2020	**2,395**	**312**	**2,707**
LEASE LIABILITIES			
Balance at 1 January 2020	1,636	402	2,038
Settlement of lease liabilities, including interest	(632)	(180)	(812)
Interest expense on lease liabilities	132	35	167
Additions to lease liabilities	481	66	547
Modifications of lease contracts	(31)	(47)	(78)
BALANCE AT 31 DECEMBER 2020	**1,586**	**276**	**1,862**

MLN RUB	INVENTORIES UNDER CONSTRUCTION	PROPERTY, PLANT AND EQUIPMENT	TOTAL
RIGHT-OF-USE ASSETS			
Balance at 1 January 2019	1,786	135	1,921
Additions to right-of-use assets	4	134	138
Termination of lease contracts	–	(39)	(39)
Depreciation charge	(342)	(149)	(491)
Acquired through business combination	631	319	950
BALANCE AT 31 DECEMBER 2019	**2,079**	**400**	**2,479**
LEASE LIABILITIES			
Balance at 1 January 2019	1,786	135	1,921
Settlement of lease liabilities, including interest	(975)	(197)	(1,172)
Interest expense on lease liabilities	190	43	233
Additions to lease liabilities	4	136	140
Termination of lease contracts	–	(34)	(34)
Assumed through business combination	631	319	950
BALANCE AT 31 DECEMBER 2019	**1,636**	**402**	**2,038**

Future cash outflows to which the Group is exposed that are not reflected in the measurement of lease liabilities arising from variable lease payments amount to RUB 812 million (31 December 2019: RUB 789 million).

29. CAPITAL COMMITMENTS

As at 31 December 2020, the Group had no capital commitments (31 December 2019: nil).

30. CONTINGENCIES

a) INSURANCE

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

b) LITIGATION

During the year ended 31 December 2019 and 2020, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business.

One of the Group's subsidiaries was involved in an arbitral process as defendant, where plaintiff obliges the Group to purchase from the plaintiff 22 % of share capital of LLC "Specialized Developer "ZIL-YUG" for the consideration of RUB 7,305 million. The Group declined to proceed with the acquisition since the project planning documentation provided by the plaintiff contradicted technical and economical parameters established in the initial tender documentation and agreed with the plaintiff.

On 30 July 2020, a mediation agreement, involving independent professional mediator of the Board of Mediators for Conciliatory Procedures at the Chamber of Commerce and Industry of the Russian Federation was prepared and signed by the parties. Under the terms of the agreement, the Group accepted project planning documentation provided by the plaintiff, and the plaintiff agreed to transfer to the Group the remaining 88 % of share capital of LLC "Specialized Developer "ZIL-YUG" for the consideration of RUB 32,200 million payable in 2021-2024.

As a result of the mediation agreement, the plaintiff dismissed the claims to the Group described above.

In the opinion of management, there are no other current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

31. RELATED PARTY TRANSACTIONS

a) TRANSACTIONS WITH MANAGEMENT

(i) Management remuneration

Key management received the following remuneration during the year, which is included in personnel costs (see note 9):

MLN RUB	2020	2019
Short-term employee benefits – salaries and bonuses	312	1,599
Termination benefit paid to key management personnel	3	57
	315	**1,656**

During the year ended 31 December 2020 and 2019, the Group did not grant any loans and pensions to its key management personnel.

During the year ended 31 December 2020, the remuneration of the members of the Board of Directors of the Company amounted to RUB 28 million (2019: RUB 48 million).

b) TRANSACTIONS WITH OTHER RELATED PARTIES

The Group's other related party transactions are disclosed below.

	TRANSACTION VALUE		OUTSTANDING BALANCE	
MLN RUB	2020	2019	2020	2019
Other related parties	409	113	218	613
	409	**113**	**218**	**613**

All outstanding balances with related parties are to be settled in cash. None of the balances are secured.

(ii) Expenses

	TRANSACTION VALUE		OUTSTANDING BALANCE	
MLN RUB	2020	2019	2020	2019
Other related parties	(178)	(123)	(116)	(221)
	(178)	**(123)**	**(116)**	**(221)**

All outstanding balances with related parties are to be settled in cash. None of the balances are secured.

(iii) Loans

	AMOUNT LOANED / RECEIVED		OUTSTANDING BALANCE	
MLN RUB	2020	2019	2020	2019
Loans given	(5)	4	2	6
Loans received	(1,210)	(298)	(5,145)	(3,935)
	(1,215)	**(294)**	**(5,143)**	**(3,929)**

All outstanding balances with related parties are to be settled in cash. None of the balances are secured.

(iv) Other transactions

	TRANSACTION VALUE		OUTSTANDING BALANCE	
MLN RUB	2020	2019	2020	2019
Current accounts in banks – related parties	262	(469)	276	14
Proceeds from investments in associates	12	117	–	–
Interest payable	157	(51)	(6)	(163)
	431	**(403)**	**270**	**(149)**

32. GROUP ENTITIES

SIGNIFICANT SUBSIDIARIES

SUBSIDIARY	COUNTRY OF INCORPORATION	31 DECEMBER 2020	31 DECEMBER 2019
"Etalon Group company" AO	Russian Federation	100,00 %	100,00 %
LLC "EtalonAktiv"	Russian Federation	100,00 %	100,00 %
JSC "Etalon LenSpetsSMU"	Russian Federation	100,00 %	100,00 %
JSC "Novator"	Russian Federation	100,00 %	100,00 %
JSC "LenSpetsSMU-Reconstruktsiya"	Russian Federation	100,00 %	100,00 %
LLC "Etalon-Invest"	Russian Federation	100,00 %	100,00 %
JSC "Zatonskoe"	Russian Federation	100,00 %	100,00 %
LLC "SPM-Zhilstroy"	Russian Federation	100,00 %	100,00 %
LLC "Specialized Developer "Serebryaniy Fontan"	Russian Federation	99,97 %	99,97 %
LLC "Specialized Developer "Etalon Galaktika"	Russian Federation	100,00 %	100,00 %
LLC "Specialized Developer "Etalon Development"	Russian Federation	100,00 %	100,00 %
JSC "Leader-Invest"	Russian Federation	100,00 %	100,00 %
LLC "Razvitiye"	Russian Federation	100,00 %	100,00 %
LLC "Specialized Developer "ZIL-YUG"	Russian Federation	100,00 %	12,00 %
LLC "Specialized Developer "MBI"	Russian Federation	100,00 %	100,00 %
JSC "Lobachevskogo 120"	Russian Federation	100,00 %	100,00 %

As at 31 December 2020, the Group controlled 119 legal entities (31 December 2019: 128). Their assets, liabilities, revenues and expenses have been included in these consolidated financial statements. The above is a list of the most significant subsidiaries.

33. EVENTS SUBSEQUENT TO THE REPORTING DATE

OPERATING EVENTS

Commitment for acquisition of a land plot
The Group is finalising negotiations on the acquisition of a land plot located in the St. Petersburg metropolitan area for the consideration of RUB 1,100 million payable in 2021-2022

Share capital increase and offering of newly issued ordinary shares
On 26 February 2021, the Board of Directors of the Company held a meeting where it was proposed that extraordinary general meeting of shareholders ("EGM") of the Company authorises the Board of Directors to consider a potential share capital increase for a potential public or private placement. If approved, proceeds from such placement will enable the Company to replenish and develop its land bank, as well as finance the early development of new projects.

Subject to approval of EGM, the authorised share capital of the Company will be increased from £34,747.899 to £39,172.2686 by the creation of 88,487,391 ordinary shares of nominal value of £0.00005 each, and the authority will be given to the Board of Directors to allot and issue, out of the authorised but unissued share capital of the Company, up to 88,487,391 ordinary shares at par or at a premium as they deem appropriate, and such authority to expire on 22 March 2023. The share capital increase is expected to be structured in the form of one or several public and /or institutional offerings of newly issued ordinary shares represented by GDRs.

On 22 March 2021, the EGM resolved that the authorised share capital of the Company be increased from £34,747.899 to £39,172.2686 by the creation of 88,487,391 ordinary shares of nominal value of £0.00005 each.

FINANCING EVENTS

Subsequent to the reporting date, the Group has repaid loans and borrowings outstanding as at 31 December 2020 for the total amount of RUB 2,609 million and unsecured bonds for the total amount of RUB 1,257 million.

Subsequent to the reporting date, the Group has obtained additional tranches of loans for the total amount of RUB 6,019 million with nominal interest rates of 0,01 % – 10,5 % and repayable by 2025.

Subsequent to the reporting date, coupon rate on JSC «Leader-Invest» unsecured bond issue decreased from 11,7 % to 7,95 %.

SUPPLEMENTARY INFORMATION

In this note, additional information is disclosed. We believe that the adjusted net debt/adjusted EBITDA ratio, together with measures determined in accordance with IFRS, provides the readers with valuable information and a further understanding of the underlying performance of the business.

The below non-IFRS measures should be considered and read in addition to, but not as a substitute for, the information contained in the consolidated financial statements. Non-IFRS measures are not uniformly defined by all companies, including those in the Group's industry. Therefore, the non-IFRS measures used by the Group may not be comparable to similar measures and disclosures made by other companies.

ADJUSTED NET DEBT/ADJUSTED EBITDA RATIO

MLN RUB	2020	2019
Loans and borrowings	50,505	52,692
Less: cash and cash equivalents	(25,830)	(31,128)
Less: bank deposits over 3 months, note 19	(100)	(80)
Add: contract liabilities, reportable segment Residential development	25,530	32,798
Less: Inventories under construction, note 17	(102,179)	(85,270)
ADJUSTED NET DEBT	**(52,074)**	**(30,988)**

	2020	2019
Gross profit	21,915	20,057
Less: General and administrative expenses	(5,235)	(7,280)
Less: Selling expenses	(4,560)	(4,822)
Adjusted operating profit	12,120	7,955
Add: Depreciation and amortisation	481	542
EBITDA	**12,601**	**8,497**
Add: Purchase price allocation from acquisition of Leader-Invest included in cost of sales	3,881	2,678
ADJUSTED EBITDA	**16,482**	**11,175**
ADJUSTED NET DEBT/ADJUSTED EBITDA	**(3.16)**	**(2.77)**

Adjusted net debt represents net total of loans and borrowings less cash and cash equivalents and bank deposits over 3 months adjusted for contract liabilities in the Residential development segment less balance of inventories under construction and development. Adjusted net debt measures the Group's net indebtedness that provides an indicator of the overall balance sheet strength.

Adjusted EBITDA represents gross profit for the year adjusted by general and administrative expenses, selling expenses, depreciation and amortisation and effect of purchase price allocation from acquisition of subsidiary.

The result is the equivalent of profit (loss) for the year before net finance costs, income tax expense, depreciation and amortization and effect of purchase price allocation, impairment loss on trade and other receivables, gain from bargain purchase from acquisition of subsidiary and other operating expenses.

We believe that adjusted EBITDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures and other investments and our ability to incur and service debt.

Adjusted net debt/adjusted EBITDA ratio is used by creditors, credit rating agencies and other stakeholders.

NET CORPORATE DEBT/ADJUSTED EBITDA

Net corporate debt represents net debt as defined in the note 26 (e) adjusted for the amount of project financing (borrowings backed by balances on escrow accounts).

MLN RUB	2020	2019
Loans and borrowings	50,505	52,692
Less: secured project financing	(4,995)	–
TOTAL CORPORATE BORROWINGS	**45,510**	**52,692**
Less: cash and cash equivalents	(25,830)	(31,128)
Less: bank deposits over 3 months, notes 15 and 19	(100)	(80)
NET CORPORATE DEBT	**19,580**	**21,484**
NET CORPORATE DEBT/ADJUSTED EBITDA	**1.19**	**1.92**

Net corporate debt and Adjusted net debt are not balance sheet measures under IFRS and they should not be considered as an alternative to other measures of financial position. Although Net corporate debt and Adjusted net debt are non-IFRS measures, they are widely used to assess liquidity and the adequacy of a company's financial structure. The Group believes that Net corporate debt and Adjusted net debt provide an accurate indicator of its ability to meet financial obligations, represented by gross debt, from available cash and future proceeds from sales. However, the use of Net corporate debt and Adjusted net debt effectively assumes that gross debt can be reduced by cash. In fact, it is unlikely that the Group would, or could, use all of its cash to reduce gross debt all at once, as those Group companies which sell properties using shared construction agreements are not entitled to use cash received from their customers for any purposes until commissioning of the relevant project.

THE MOVEMENT OF THE PURCHASE PRICE ALLOCATION (PPA) FROM THE ACQUISITION OF LEADER-INVEST, RECOGNISED WITHIN PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY, INVENTORIES

PPA is a significant non-operational factor that significantly affects the Group's financial performance and will continue to do so in the next few years. The disclosure increases the transparency of the reporting and enables users of the financial statements to correctly assess the effect of PPA on the financial results.

MLN RUB	2020	2019
Balance at 1 January	25,695	–
Adjustment to fair value of identified net assets of Leader-Invest	–	29,386
Included in Cost of sales	(3,881)	(2,678)
Included in General and administrative expenses	–	(38)
Included in Other expenses, net	(918)	(975)
BALANCE AT 31 DECEMBER	**20,896**	**25,695**

PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

BOARD OF DIRECTORS

SERGEY EGOROV	(appointed on 19 February 2019)
OLEG MUBARAKSHIN	(appointed on 19 February 2019)
MARINA OGLOBLINA	(appointed on 19 February 2019)
GANNA KHOMENKO	(appointed on 19 February 2019)
MARTIN ROBERT COCKER	(appointed on 12 November 2010)
BORIS SVETLICHNY	(appointed on 15 April 2013)
CHARALAMPOS AVGOUSTI	(appointed on 10 November 2016)
MAKSIM BERLOVICH	(appointed on 27 April 2018)
DENIS VINOKUROV	(appointed on 9 November 2018)
KIRILL BAGACHENKO	(appointed on 15 November 2013 and resigned on 20 February 2020)

SECRETARY

G.T. Globaltrust Services Limited

Themistokli Dervi, 15
Margarita House, 5th floor, flat/office 502
1066 Nicosia
Cyprus

INDEPENDENT AUDITORS

Deloitte Limited

Certified Public Accountants and
Registered Auditors
24 Spyrou Kyprianou Avenue
1075, Nicosia
Cyprus

REGISTERED OFFICE

2-4 Arch. Makariou III Avenue
Capital Center, 9th floor
1065 Nicosia
Cyprus

MANAGEMENT REPORT

The Board of Directors presents its report together with the audited financial statements of Etalon Group PLC (the “Company”) for the year ended 31 December 2020.

COUNTRY OF INCORPORATION

Etalon Group PLC was registered in the Republic of Cyprus on 5 April 2017. Its registered office is 2-4 Arch. Makariou III Avenue, Capital Center, 9th floor, 1065 Nicosia, Cyprus.

In April 2011, the Company completed an initial public offering and placed its ordinary shares in the form of global depository receipts (“GDR”) on the London Stock Exchange’s Main Market. In 2017 the Company was re-domiciled from Guernsey to Cyprus.

PRINCIPAL ACTIVITIES

The principal activities of the Company, which are unchanged from last year, are the holding of investments and provision of financing to related parties.

The Company’s financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113.

CHANGES IN GROUP STRUCTURE

On 30 November 2020, the Company’s subsidiary, Etalon Group Limited, approved a transfer to the Company of 440.250 shares in JSC GK Etalon with nominal value of RUB 1.200. As a result of the transaction, the Company increased its share of ownership in JSC GK Etalon to 26.16%.

REVIEW OF DEVELOPMENTS, POSITION AND PERFORMANCE OF THE COMPANY’S BUSINESS

The profit of the Company for the year ended 31 December 2020 was Russian Ruble (‘RUB’)’000 8.018.572 (2019: profit of RUB’000 2.266.908). The main source of profit for the period is the change in fair value of investments in subsidiaries in the amount of RUB’000 4.458.099 (2019: the dividend income from subsidiaries in the amount of RUB’000 1.647.653).

On 31 December 2020, the total assets of the Company were RUB’000 73.746.552 (31 December 2019: RUB’000 69.145.867) and the net assets were RUB’000 73.057.213 (31 December 2019: RUB’000 68.578.137). Investment in subsidiaries was RUB’000 64.769.755 (31 December 2019: RUB’000 60.311.656).

The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

More details are set out on pages 317 and 318 (statement of financial position and statement of profit or loss and other comprehensive income).

RESEARCH AND DEVELOPMENT ACTIVITIES

The Company did not carry out any research and development activities during the year.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Company are disclosed in Note 3 of the financial statements.

This operating environment may have a significant impact on the Company’s operations and financial position.

Management is taking necessary measures to ensure sustainability of the Company’s operations. However, the future effects of the current economic situation are difficult to predict and management’s current expectations and estimates could differ from actual results.

USE OF FINANCIAL INSTRUMENTS BY THE COMPANY

The Company's activities expose it to a variety of financial risks: market risk, currency risk, credit risk and liquidity risk.

The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Board provides principles for overall risk management, such as foreign exchange risk, interest rate risk, credit risk and liquidity risk.

The detailed analysis of the Company’s exposure to financial risks as at the reporting date and the measures taken by the Management in order to mitigate those risks are disclosed in Note 3 of the financial statements.

FUTURE DEVELOPMENTS OF THE COMPANY

The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future.

SHARE CAPITAL

During the year ended 31 December 2020, there were no changes to the share capital of the Company.

ACQUISITION OF OWN SHARES

As of 31 December 2020 the total number of own shares acquired by the Company amounted to 3.946 shares or 0,001% of issued share capital.

BOARD OF DIRECTORS

The members of the Board of Directors of the Company at 31 December 2020 and at the date of this report are shown on page 305. The details of all appointment and resignations of Directors are shown on page 305.

COVID-19 AND OTHER SIGNIFICANT EVENTS

As the Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. In March 2020, oil prices dropped by more than 40%, which resulted in the immediate weakening of Russian Ruble against major currencies.

In addition, starting from early 2020, a new coronavirus disease (COVID-19) began rapidly spreading all over the world resulting in an announcement of pandemic status by the World Health Organization in March 2020. Responses put in place by the Russian Federation to contain the spread of COVID-19 resulted in significant operational disruption for many companies and had a significant effect on businesses across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing.

The quarantine measures introduced in the Russian Federation included the closure of the Group’s sales offices. In addition, the Government of Moscow imposed a temporary ban on construction works that lasted from the 13th of April until the 12th of May.

The Group managed to provide the necessary conditions for the safe conduct of construction works on all of its construction sites. In the Moscow region, the Group resumed construction shortly after the temporary ban on construction was lifted due to the flexible construction technology and the availability of own general contractors and sub-contractors. In Saint-Petersburg construction works continued uninterrupted. As a result, all projects that were planned for completion during the year ended 31 December 2020 were completed on time.

In the first weeks following the introduction of restrictive measures, the Group launched an online real estate sales service, formed operational teams of managers, and strengthened its call center. The Group developed a new model of interaction with clients including virtual showrooms, virtual and augmented reality projects that provide a complete picture of the future apartments.

The Group’s office-based employees were successfully moved to remote working.

The quarantine measures, accompanied by a reduction in the disposable income of households and an increase in unemployment rates, led to the overall decrease of the demand for real estate. At the same time, the Government of the Russian Federation has implemented various measures to support both the construction industry and its clients, including the introduction of a preferential 6,5% p.a. mortgage program and an increase of its price limits on apartments, that had a significant positive impact on the demand for real estate.

As of the reporting date, most of the restrictions imposed by the government authorities in the Russian Federation due to the COVID-19 pandemic have been lifted, including on the operation of the Group’s sales offices, and the Group observes that the demand for real estate has recovered.

INDEPENDENT AUDITORS

On 20 October 2020, the Annual General Meeting of shareholders of the Company appointed Deloitte Limited as auditor of the Company to hold office until the conclusion of the next annual general meeting and authorised the Board of Directors to fix the auditor’s remuneration.

DIVIDENDS

On 20 July 2020, the Board of Directors recommended that the Company pay a final dividend for FY 2019 in the amount of RUB 12 per share. The final dividend for the total amount of RUB 3 539 million was approved by the Annual General Meeting of shareholders on 23 October 2020, and the dividends were paid on 16 December 2020.

BRANCHES

The Company did not operate through any branches during the year ended 31 December 2020.

CORPORATE GOVERNANCE REPORT

COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT IN RELATION TO THE PREPARATION OF THE FINANCIAL STATEMENTS

The main documents regulating the activities of the Company are the Cyprus Companies Law, Cap. 113, the UKLA Listing, Prospectus and Disclosure and Transparency Rules, together with the Memorandum and Articles of Association of the Company. The Company has also enacted a number of governance policies and procedures to ensure that a proper system of corporate governance is in place, such as the Management Policy and Committee terms of reference.

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for making an assessment of the Company's ability to continue as a going concern, taking into account all available information about the future and for disclosing any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Those charged with governance are responsible for implementation of internal control necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and in particular for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

The Audit Committee is responsible for monitoring the financial reporting process and the integrity of the Company's financial statements. It is also responsible for reviewing internal controls, overseeing how management monitors compliance with the Company's risk management policies and procedures, the effectiveness of the Company's Internal Audit function and the independence, objectivity and the effectiveness of the external audit process. The Audit Committee is also responsible for considering the terms of appointment and remuneration of the external auditor.

The Company believes that its financial reporting functions and internal control systems are sufficient to ensure compliance with the requirements of the FSA's Disclosure and Transparency Rules as a listed company and with the requirements of Cyprus Companies Law, Cap. 113.

SIGNIFICANT DIRECT OR INDIRECT SHAREHOLDINGS

As at 31 December 2020, the Company is aware of the following interests in its share capital:

SHAREHOLDERS	%
Free float	73,6%
Sistema PJSFC	25,6%
Management of the Company	0,8%
TOTAL	**100%**

THE HOLDERS OF ANY SHARES WITH SPECIAL CONTROL RIGHTS AND A DESCRIPTION OF THESE RIGHTS

The Company does not have any shares with special control rights.

RESTRICTIONS IN EXERCISING OF VOTING RIGHTS OF SHARES

The 20.000 preference shares having the par value of GBP 1 each issued by the Company, bear no voting rights. The Company does not have any other restrictions in exercising of the voting rights of its shares.

THE RULES REGARDING THE APPOINTMENT AND REPLACEMENT OF BOARD MEMBERS

The Company may by ordinary resolution appoint any person as a director and may by ordinary resolution of which special notice has been given, in accordance with sections 178 and 136 of the Cyprus Companies Law, cap. 113 (the Law), remove a director. Any such director will receive special notice of the meeting and is entitled to be heard at the meeting. Any director has to confirm in writing that he is eligible under the Law.

A director may resign from office as a director by giving notice in writing to that effect to the Company, which notice shall be effective upon such date as may be specified in the notice. The directors have the power from time to time, without sanction of the Company in general meeting, to appoint any person to be a director, either to fill a casual vacancy or as an additional director.

The office of a director shall be vacated if:

(a) he becomes of unsound mind or an order is made by a court having jurisdiction (whether in Cyprus or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator or other person to exercise powers with respect to his property or affairs; or
(b) he is prohibited from acting as director in accordance with section 180 of the Law; or
(c) becomes bankrupt or makes any arrangement or composition with his creditors generally or otherwise has any judgment executed on any of his assets; or
(d) he dies; or
(e) he resigns his office by written notice to the Company; or
(f) the Company removes them from their position in accordance with section 178 of the Law.

THE RULES REGARDING THE AMENDMENT OF THE ARTICLES OF ASSOCIATION

Subject to the provisions of the Law, the Company may, by special resolution, alter or add to its articles of association. Any alteration or addition shall be as valid as if originally contained therein, and be subject in like manner to alteration by special resolution.

BY ORDER OF THE BOARD OF DIRECTORS

CHARALAMPOS AVGOUSTI

Director

Nicosia,
26 April 2021

RESPONSIBILITY STATEMENT

OF THE DIRECTORS AND MANAGEMENT OF THE COMPANY IN ACCORDANCE WITH THE TRANSPARENCY REQUIREMENTS

(SECURITIES ADMITTED TO TRADING) LAW OF 2007

We, the members of the Board of Directors and the Company officials responsible for the drafting of the financial statements of ETALON GROUP PLC (the ‘Company’), the names of which are listed below, in accordance with the requirements of the Section 9 of the Transparency Requirements (Security Admitted to Trading) Law 190(I)/2007 (hereinafter the “Transparency Law”), as amended, confirm that we have complied with the requirements in preparing the financial statement and that to the best of our knowledge:

(a) The annual financial statements for year ended 31 December 2020:

(i) Have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), in accordance with the provisions of section 9(4) of the Transparency Law and in accordance with Cyprus Companies Law, Cap.113;

(ii) Give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent Company included in the financial account, and

(b) The Management Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company face. The management report provides a fair overview on information required as per Section 9(6)(a) of the Transparency Law.

SERGEY EGOROV, Chairman of the Board of Directors

MAKSIM BERLOVICH, Member of the Board of Directors

OLEG MUBARAKSHIN, Member of the Board of Directors

MARINA OGLOBLINA, Member of the Board of Directors

GANNA KHOMENKO, Member of the Board of Directors

MARTIN ROBERT COCKER, Member of the Board of Directors

BORIS SVETLICHNY, Member of the Board of Directors

CHARALAMPOS AVGOUSTI, Member of the Board of Directors

DENIS VINOKUROV, Member of the Board of Directors

GENNADII SHCHERBINA, Chief Executive Officer

ILYA KOSOLAPOV, Chief Financial Officer

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Independent Auditor's Report

To the Members of Etalon Group PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of parent company Etalon Group PLC (the "Company"), which are presented in pages 14 to 38 and comprise the statement of financial position as at 31 December 2020 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the parent company Etalon Group PLC as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We remained independent of the Company throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Fair value of investments in subsidiaries	

As at 31 December 2020, the carrying value of the Company's investments in subsidiaries is RUB'000 64,769,755 which represented 88% of the total assets of the Company. The fair value hierarchy of investments in subsidiaries belongs to Level 3 as a fair value measurement uses unobservable inputs that require significant adjustment.
 	
The Company's accounting policy for investments in subsidiaries, disclosed in Note 2, is to measure them at fair value through profit or loss and significant estimates and judgments are disclosed in Note 4.
 	
Determination of fair value of investments in subsidiaries is a key audit matter given the significance of the balance and the significant degree of judgement involving estimations associated with the fair value assessment.
	Our audit procedures included amongst others:
	
	-we obtained understanding of key controls over processes and procedures for developing assumptions used.
	-we have reviewed the report by independent valuer on which the valuation was based
	- evaluating, with the assistance of internal experts, the appropriateness of the methodology and the reasonableness of the assumptions underlying the estimation of fair value of investments in subsidiaries as at 31 December 2020;
	-we assessed the competence, capabilities and objectivity of management's third party valuer, as well as independence;
	- evaluating the appropriateness of management's assumptions used in calculating the fair value of investments in subsidiaries including:
	• assessing the appropriateness of the discount rate used;
	• reviewing, recalculating and critically assessing the reasonableness of the assumptions including:
	  • historical turnover and prices of sales in these and/or similar projects;
	  • budgeted costs to complete construction;
	  • budgeted general, administrative and selling expenses;
	- total area available for sale and actual sales occurring before 31 December 2020
	- assessing completeness and accuracy of cash flows from financing activities through review of existing portfolio of loans and borrowings
	- assessing whether the disclosure in the financial statements in respect of the fair value accounting of investments in subsidiaries and disclosures for significant accounting judgments and estimates are in compliance with IFRS requirements.
	
	All the above procedures were completed in a satisfactory manner.

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Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud (continued)

Recoverability of loans receivable	
At 31 December 2020, the Company had loans receivable from related parties amounting to RUB'000 8,134,746, which represented 11% of the total assets of the Company. The Company's accounting policy for loans receivable is disclosed in Note 2 and significant estimates and judgments are disclosed in Note 4. The recoverability of the loans receivable and the estimation of expected credit losses ("ECL") is a key audit matter due to the significance of the balances and the significant degree of judgement involving estimations associated with the ECLs assessment.	Our audit procedures included amongst others: - we obtained understanding of key controls over processes and procedures for developing assumptions used. - assessing the appropriateness of the methodology applied for estimation of expected credit losses for loans receivables disclosed in Note 10; - testing the completeness and accuracy of the data used in the calculation of ECLs, through reconciliation to the source systems and testing inputs; - assessing mathematical accuracy of the model used for calculation of ECLs; - identification and measurement the individually assessed provisions, - assessing whether the disclosure in the financial statements in respect of the ECL disclosures and significant accounting judgments and estimates are in compliance with IFRS requirements. All the above procedures were completed in a satisfactory manner.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report and the Responsibility Statement of the Directors and Management of the Company in accordance with the Transparency Law, which are presented in pages 2 to 7, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Responsibilities of the Board of Directors and those charged with governance for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

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- **Independent Auditor's Report (continued)**

To the Members of Etalon Group PLC

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Group on 19 December 2019 by an Extraordinary Meeting of shareholders. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of two years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 23 April 2021 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Company and which have not been disclosed in the financial statements or the management report.

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Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Other Legal Requirements
Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other Matters

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We also have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2020.

The engagement partner on the audit resulting in this independent auditor's report is Kerry Whyte.

Kerry Whyte
Kerry Whyte

Certified Public Accountant and Registered Auditor
for and on behalf of

Deloitte Limited
Certified Public Accountants and Registered Auditors

Nicosia, 26 April 2021

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	NOTE	2020	2019
ASSETS			
NON-CURRENT ASSETS			
Investments in subsidiaries	9	64,769,755	60,311,656
Loans receivable	10	6,008,715	8,451,946
TOTAL NON-CURRENT ASSETS		**70,778,470**	**68,763,602**
CURRENT ASSETS			
Loans receivable	10	2,126,031	—
Other receivables and prepayments	11	349,435	300,922
Cash and cash equivalents	12	492,616	81,343
TOTAL CURRENT ASSETS		**2,968,082**	**382,265**
TOTAL ASSETS		**73,746,552**	**69,145,867**
EQUITY			
Share capital	13	2,266	2,266
Share premium	13	15,486,109	15,486,109
Reserve for own shares	13	(694)	(694)
Capital contribution	13	16,584,198	16,584,198
Retained earnings		40,985,334	36,506,258
TOTAL EQUITY		**73,057,213**	**68,578,137**
CURRENT LIABILITIES			
Other payables and accruals	14	17,424	25,251
Borrowings	15	671,915	542,479
TOTAL CURRENT LIABILITIES		**689,339**	**567,730**
TOTAL EQUITY AND LIABILITIES		**73,746,552**	**69,145,867**

On 26 April 2021, the Board of Directors of Etalon Group PLC authorized these financial statements for issue.

CHARALAMPOS AVGOUSTI
Director

SERGEY EGOROV
Director

The notes on pages 321 to 339 are an integral part of these financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTE	2020 RUB'000	2019 RUB'000
Change in fair value of investments in subsidiaries	9	4,458,099	1,189,623
Interest income		435,797	424,174
Interest expenses	16(v)	(24,340)	(21,416)
Dividend income from subsidiaries	16(vi)	3,870,116	1,647,653
(Impairment)/reversal of impairment on trade, other receivables and loans	16(iii), (iv), 9	(1,551,724)	77,438
Administrative expenses	5	(148,468)	(189,619)
Other expenses		(28,249)	(8,204)
Other income		–	241
OPERATING PROFIT BEFORE NET FINANCE INCOME		**7,011,231**	**3,119,890**
Finance income		1,115,244	67,388
Finance expenses		(105,533)	(919,032)
NET FINANCE INCOME/(EXPENSES)	6	**1,009,711**	**(851,644)**
PROFIT BEFORE TAX		**8,020,942**	**2,268,246**
Income tax expense	8	(2,370)	(1,338)
PROFIT FOR THE YEAR		**8,018,572**	**2,266,908**
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**–**	**–**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**8,018,572**	**2,266,908**

The notes on pages 321 to 339 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	SHARE CAPITAL RUB'000	SHARE PREMIUM RUB'000	CAPITAL CONTRIBUTION RUB'000	RESERVE FOR OWN SHARES RUB'000	RETAINED EARNINGS RUB'000	TOTAL RUB'000
Balance at 1 January 2019	2,266	15,486,109	16,584,198	(694)	37,816,736	**69,888,615**
PROFIT FOR THE YEAR						
Profit for the year	–	–	–	–	2,266,908	**2,266,908**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–	–	–	2,266,908	**2,266,908**
TRANSACTIONS WITH OWNERS						
Dividends paid	–	–	–	–	(3,577,386)	**(3,577,386)**
TOTAL TRANSACTIONS WITH OWNERS	**–**	**–**	**–**	**–**	**(3,577,386)**	**(3,577,386)**
Balance at 31 December 2019	2,266	15,486,109	16,584,198	(694)	36,506,258	**68,578,137**
Balance at 1 January 2020	2,266	15,486,109	16,584,198	(694)	36,506,258	**68,578,137**
PROFIT FOR THE YEAR						
Profit for the year	–	–	–	–	8,018,572	**8,018,572**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**–**	**–**	**–**	**–**	**8,018,572**	**8,018,572**
TRANSACTIONS WITH OWNERS						
Dividends paid	–	–	–	–	(3,539,496)	**(3,539,496)**
TOTAL TRANSACTIONS WITH OWNERS	**–**	**–**	**–**	**–**	**(3,539,496)**	**(3,539,496)**
BALANCE AT 31 DECEMBER 2020	**2,266**	**15,486,109**	**16,584,198**	**(694)**	**40,985,334**	**73,057,213**

The notes on pages 321 to 339 are an integral part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	2020 RUB'000	2019 RUB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		8,018,572	2,266,908
ADJUSTMENTS FOR:			
Change in fair value of investments in subsidiaries	9	(4,458,099)	(1,189,623)
(Impairment)/reversal of impairment on trade, other receivables and loans	16(iii), (iv), 9	1,551,724	(77,438)
Loss from write-off of loans and receivables	5	–	1,785
Reversal of prior year over accrual	5	(12,133)	(114,823)
Dividend income from subsidiaries	16(vi)	(3,870,116)	(1,647,653)
Interest income on bank deposits		(26)	(95)
Interest income on loans issued	16(iii)	(435,771)	(424,079)
Interest expenses	16(v)	24,340	21,416
Foreign exchange (gains)/losses, net		(1,010,146)	851,338
CASH FLOWS USED IN OPERATIONS BEFORE CHANGES IN WORKING CAPITAL		**(191,655)**	**(312,264)**
Change in other receivables and prepayments		(39,431)	359,462
Change in other payables and accruals		11,040	(16,941)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		**(220,046)**	**30,257**
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment of loans by subsidiaries	16(iii)	282,066	1,287,255
Repayment of interest on loans by subsidiaries	16(iii)	–	853,327
Dividends received from subsidiaries	16(vi)	3,867,746	1,511,762
NET CASH FROM INVESTING ACTIVITIES		**4,149,812**	**3,652,344**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(3,539,496)	(3,577,386)
NET CASH USED IN FINANCING ACTIVITIES		**(3,539,496)**	**(3,577,386)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**390,270**	**105,215**
Cash and cash equivalents at beginning of year		81,343	101,196
Effects of exchange rate changes on cash and cash equivalents		21,005	(125,068)
Cash and cash equivalents at end of year	12	492,618	81,343

Non-cash transactions are disclosed in notes to these financial statements

The notes on pages 321 to 339 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

COUNTRY OF INCORPORATION

Etalon Group PLC (the "Company") was incorporated on 8 November 2007 in Bailiwick of Guernsey as a limited liability company under the Companies (Guernsey) Law. Its registered office was St. Julian's Avenue, Redwood House, St. Peter Port, Guernsey, GY1 1WA, the Channel Islands.

In April 2011, the Company completed an initial public offering and placed its ordinary shares in the form of global depository receipts ("GDR") on the London Stock Exchange's Main Market.

On 5 April 2017, the Company migrated from Guernsey, Channel Islands, and was registered in the Republic of Cyprus under the name of Etalon Group Public Company Limited. Its registered office became 2-4 Arch. Makariou III Avenue, Capital Center, 9th floor, 1065 Nicosia, Cyprus.

On 27 July 2017, the shareholders at the Annual General Meeting resolved to change the name of the Company from Etalon Group Public Company Limited to Etalon Group PLC. On 8 August 2017, the change of the Company's name was approved by the Registrar of Companies and Official Receiver of the Republic of Cyprus.

PRINCIPAL ACTIVITY

The principal activity of the Company, which remained unchanged from the prior year, is the holding of investments and provision of financing services to related companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

BASIS OF PREPARATION

a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with IFRS as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113.

The Company has also prepared consolidated financial statements in accordance with IFRS as adopted by EU and Cyprus Companies Law, Cap. 113 for the Company and its subsidiaries (the "Group"). The consolidated financial statements can be obtained from the registered office of the Company at 2-4 Arch. Makariou III Avenue, Capital Center, 9th floor, 1065 Nicosia, Cyprus and the Company's website.

Users of these separate financial statements should be read together with the Group's consolidated financial statements as at and for the year ended 31 December 2020 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) BASIS OF MEASUREMENT

The financial statements have been prepared under the historic cost conversion except for investments in subsidiaries that are measured at fair value. The preparation of financial statements in conformity with IFRS-EUs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

c) GOING CONCERN

Management prepared these financial statements on a going concern basis. In making this judgement management considered the impact of Covid-19 as discussed in the Management Report and the Group financial statements.

FOREIGN CURRENCY TRANSLATION

(I) FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Russian Rubles (RUB), which is the Company's functional and presentation currency.

All financial information has been rounded to the nearest thousand, except when otherwise indicated.

(II) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

ADOPTION OF NEW AND REVISED IFRS-EUS

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2020. This adoption did not have a material effect on the accounting policies of the Company.

NEW STANDARDS AND INTERPRETATIONS

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted.

The Company has not early adopted these new or amended standards in preparing these financial statements and has not yet analysed the likely impact of the new standards and interpretations on its financial position or performance.

- Amendments to IFRS 3 – Reference to the Conceptual Framework;
- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 – classification of liabilities as current or non-current – (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 9 as a result of the 2018-2020 Annual Improvements to IFRSs. – fees in the "10 percent" test for derecognition of financial liabilities (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 10 and IAS 28 – sale or contribution of assets between an investor and its associate or joint venture (effective date to be determined by the IASB);
- Amendments to IAS 16, prohibiting companies from deducting from the value of property, plant and equipment the amounts received from sale of manufactured items while the company is preparing the asset for its intended use (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 37 – costs to be included in assessing onerous contracts (effective for annual periods beginning on or after 1 January 2022);
- Other annual improvements to IFRSs.

FINANCIAL INSTRUMENTS

(I) FINANCIAL ASSETS

The Company's financial assets, classified at amortised cost category as defined by IFRS 9, comprise of loans receivable, other receivables and cash and cash equivalents.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL: it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see "Impairment of financial assets" below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

IMPAIRMENT OF FINANCIAL ASSETS

The impairment model under IFRS 9 – an "expected credit loss" (ECL) model – applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments.

The Company assesses on a forward-looking basis the ECL for debt instruments measured at amortised cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The financial assets at amortised cost consist of loans receivable, other receivables and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month expected credit losses: these are expected credit losses that result from possible default events within the 12 months after the reporting date, and
- lifetime expected credit losses: these are expected credit losses that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in default when:

- there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of Expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the contractual cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables are presented separately in the statement of profit or loss.

Investments in subsidiaries

Subsidiaries are all the entities which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

As at 31 December 2018 considering the fact that the Company financial statements are publically available and can be used by investors for their economic decisions, the management has decided that measurement of investments in subsidiaries at fair value would provide more reliable and more relevant information about the Company's financial position than the measurement of investments at cost. Therefore the Company management decided to change the accounting policy and from 2018 financial statements started to measure investments in its subsidiaries at fair value in accordance with IFRS 9.

Investments in subsidiary companies are classified as investments at fair value through profit or loss and are measured at fair value. Gains or losses on investments in subsidiary companies are recognised in profit or loss.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- **Level 1 inputs** are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- **Level 2 inputs** are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3 inputs** are unobservable inputs for the asset or liability.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables are held to collect the contractual cash flows, and their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. Such financial assets are classified at amortised cost in accordance with IFRS 9.

The company assessed individual impairment based on discounted cash flows attributed to certain loans amount.

For others loans and receivables the Company calculates ECL based on of the credit risk rating assigned to respective debtors and the remaining maturity of financial instruments. The Company determines the inputs for calculation of ECL such as probability of default and loss given default using both internal and external statistical data.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. In accordance with IFRS 9, cash and cash equivalents are classified at amortised cost.

(II) FINANCIAL LIABILITIES

The Company has the following non-derivative financial liabilities: loans and borrowings, trade and other payables.

At initial recognition, the Company measures a financial liability at its fair value plus transaction costs that are directly attributable to the issuance of the financial liability. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Company derecognises a financial liability when its obligations specified in the contracts are discharged or cancelled or expire.

The Company recognises financial assets or financial liabilities in its statement of financial position when it becomes party to the contractual provisions of the instrument and, as a consequence, has a legal right to receive or a legal obligation to pay cash.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Other payables and accruals

Other payables and accruals represent amounts outstanding at the reporting date and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Tax

Tax is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country in which the Company operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes a provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account. The capital contribution reserve relates to the fair value of the shares issued to the shareholders in exchange for investment in subsidiary (Note 13).

The preference shares bear no voting rights and no rights to dividend, and shall be redeemed within thirty days of giving notice by the Company to a holder of shares at a price per share at which each share was issued. Since the option to redeem the Company's shares are at the discretion of the Company and not the holders of the shares, the preference shares are classified as equity.

Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase of share options reserve in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. For share based-payment awards with vesting market conditions, which creates variability in the number of equity instruments that will be received by employees, the Company determines the grant-date fair value of the right to receive a variable number of equity instruments reflecting the probability of different outcomes.

Interest income

Interest income includes loan interest income which is recognised in the statement of profit or loss on an accrual basis using the effective interest rate method.

Interest expenses

Interest expenses include interest expense on amounts payable to related parties which is recognised in the statement of profit or loss on an accrual basis using the effective interest rate method.

Dividend income

Dividend income is recognised in the statement of profit or loss and other comprehensive income when the right to receive payment is established.

Finance income

Finance income includes foreign exchange gains, which are recognised in the statement of profit or loss and other comprehensive income as incurred.

Finance expenses

Finance expenses include foreign exchange losses and bank charges, which are recognised in the statement of profit or loss and other comprehensive income as incurred and on an accrual basis, respectively.

3. FINANCIAL RISK MANAGEMENT AND TAX RISK

FINANCIAL RISK FACTORS

The Company's activities expose it to credit risk, liquidity risk, market price risk and currency risk, arising from the financial instruments it holds. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect market conditions and the Company's activities.

CREDIT RISK

Credit risk arises when a failure by counter parties to discharge their obligation could reduce the amount of future cash inflows from financial assets on hand at the reporting date.

Credit risk arises from cash and cash equivalents as well as credit exposures to outstanding receivables and committed transactions.

Credit risk with regards to cash and cash equivalents is managed by placing funds primarily in the banks with high credit-ratings assigned by international credit-rating agencies.

In order to minimise credit risk of other receivables, the Company has a policy of dealing with creditworthy counterparties, obtaining sufficient collateral, where appropriate, and monitoring on a continuous basis the ageing profile of its receivables as a means of mitigating the risk of financial loss from defaults.

The Company considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout

3. FINANCIAL RISK MANAGEMENT AND TAX RISK (CONTINUED)

each reporting period. To assess whether there is a significant increase in credit risk the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

In particular, the following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- future cash flows from construction projects are compared to the current value of the financial asset;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower/ counterparty;
- significant increases in credit risk on other financial instruments of the same borrower/ counterparty;
- significant changes in the value of the collateral supporting the obligation;
- significant changes in the expected performance and behaviour of the borrower/ counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the borrower.

The Company's current credit risk grading framework comprises the following categories and the assumptions underpinning the Company's expected credit loss model:

CATEGORY	DESCRIPTION	BASIS FOR RECOGNISING EXPECTED CREDIT LOSSES
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL—not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL— credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The carrying amount of financial assets represents the maximum credit exposure.

The tables below detail the credit quality of the Company's financial assets, as well as the Company's maximum exposure to credit risk by category of financial assets:

31.12.2020	NOTE	"12-MONTH/ LIFETIME ECL"	GROSS CARRYING AMOUNT	LOSS ALLOWANCE	NET CARRYING AMOUNT
Loans receivable	11	Lifetime ECL	14,140,993	(6,006,247)	8,134,746
Other receivables	12	Lifetime ECL	350,822	(1,387)	349,435
Cash and cash equivalents	13	12-month	492,616	–	492,616

31.12.2019	NOTE	"12-MONTH/ LIFETIME ECL"	GROSS CARRYING AMOUNT	LOSS ALLOWANCE	NET CARRYING AMOUNT
Loans receivable	11	Lifetime ECL	12,198,255	(3,746,309)	8,451,946
Other receivables	12	Lifetime ECL	301,614	(692)	300,922
Cash and cash equivalents	13	12-month	81,343	–	81,343

Allowance for impairment in respect of loans given

The movement in the allowance for impairment in respect of loans given during the reporting period was as follows:

	2020 RUB'000	2019 RUB'000
BALANCE AT 1 JANUARY	**(3,746,309)**	**(4,257,627)**
Change of impairment for the period	(1,547,668)	75,792
FOREX	(712,270)	435,526
BALANCE AT 31 DECEMBER	**(6,006,247)**	**(3,746,309)**

LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's management monitors its liquidity on a continuous basis and acts accordingly. Each year the Company prepares a cash flow budget to forecast possible liquidity deficits and to define the sources of financing of those deficits.

	CARRYING AMOUNTS RUB'000	CONTRACTUAL CASH FLOWS RUB'000	BETWEEN 0-12 MONTHS RUB'000
31 DECEMBER 2020			
Borrowings	671,915	684,187	684,187
Other payables and accruals	17,424	17,424	17,424
TOTAL	**689,339**	**701,611**	**701,611**
31 DECEMBER 2019			
Borrowings	542,479	563,047	563,047
Other payables and accruals	25,251	25,251	25,251
TOTAL	**567,730**	**588,298**	**588,298**

The following are the contractual maturities of financial liabilities, including estimated interest payments:

MARKET PRICE RISK

Market risk is the risk that changes in market prices, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Loans receivable and borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

3. FINANCIAL RISK MANAGEMENT AND TAX RISK (CONTINUED)

CURRENCY RISK

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency.

The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollars (US$) and Euro (EUR). The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

	31 DECEMBER 2020 RUB'000	31 DECEMBER 2019 RUB'000
ASSETS		
US DOLLAR		
Cash and cash equivalents	158,885	76,586
Loans receivable	6,608,667	5,572,412
Other receivables	74	132,441
TOTAL	**6,767,626**	**5,781,439**
EURO		
Cash and cash equivalents	6,522	1,030
Other receivables	268,464	188,132
TOTAL	**274,986**	**189,162**
LIABILITIES		
US DOLLAR		
Other payables and accruals	(207,967)	(236,732)
Borrowings	(671,915)	(542,479)
TOTAL	**(879,882)**	**(779,211)**
EURO		
Other payables and accruals	(16,480)	(8,747)
TOTAL	**(16,480)**	**(8,747)**
NET POSITION		
US Dollar	5,887,744	5,002,228
EURO	**258,506**	**180,415**

The following significant exchange rates applied during the year:

IN RUB	AVERAGE RATE		REPORTING DATE SPOT RATE	
	2020	2019	31 DECEMBER 2020	31 DECEMBER 2019
USD 1	72.15	64.73	73.88	61.90
EUR 1	82.45	72.50	90.68	69.34

Sensitivity analysis

A 10 % strengthening of the US$ against the RUB at 31 December 2020 and 31 December 2019 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10 % weakening of the US$ against the RUB, there would be an equal and opposite impact on profit and equity.

	EQUITY 2020 RUB'000	PROFIT OR LOSS 2020 RUB'000
US DOLLAR	**588,774**	**588,774**

	EQUITY 2019 RUB'000	PROFIT OR LOSS 2019 RUB'000
US DOLLAR	**500,223**	**500,223**

A 10% strengthening of the Euro against the RUB at 31 December 2020 and 31 December 2019 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the RUB, there would be an equal and opposite impact on profit and equity.

	EQUITY 2020 RUB'000	PROFIT OR LOSS 2020 RUB'000
EURO	**25,851**	**25,851**

	EQUITY 2019 RUB'000	PROFIT OR LOSS 2019 RUB'000
EURO	**18,042**	**18,042**

A 10% strengthening of the GB Pound against the RUB at 31 December 2020 and 31 December 2019 would not have any material effect on equity and profit or loss.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of expected credit losses

Expected credit losses are an estimate weighted by the probability of credit losses. Credit losses are measured as the present value of all expected cash losses. The amount of expected credit losses is discounted using the effective interest rate on the relevant financial asset.

The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

In assessing ECL, the Company used information published by Moody's Investors Service about the probabilities of default (PD) and losses given default (LGD) for counterparties with different credit ratings and financial instruments with different durations.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The other assumptions and methods used for estimating of expected credit losses are disclosed in note 2 ("Impairment of financial assets", "Loans and receivables") and note 3 ("Credit risk").

- **Fair value of investments in subsidiaries**

The fair value of investments in subsidiaries are assessed by an independent appraiser.

The fair value of investments in subsidiaries recorded in the statement of financial position cannot be derived from active markets, and they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates and assumptions were made, and a degree of judgment has been applied in establishing fair values. Changes in assumptions about these factors could affect the reported fair value of investments in subsidiaries. The assumptions and methods used for estimating the fair value of investments in subsidiaries are disclosed in Note 9.

- **Functional currency**

The Management of the Company has considered which currency is the currency of the primary economic environment in which the Company operates. In making this assessment, Management has used judgment to determine the functional currency that most faithfully represents the underlying transactions, events and conditions of the Company. Management has concluded that the functional currency of the Company is the RUB because the Company is seen as an extension of its subsidiaries operating in the Russian Federation.

5. ADMINISTRATIVE EXPENSES

	2020 RUB'000	2019 RUB'000
Insurance expenses	59,366	13,426
Legal, consulting and other professional services	44,122	180,893
Staff costs (Note 16(i))	31,791	51,138
Payroll tax	8,712	19,738
Auditors' remuneration	7,708	27,486
Accounting and administration expenses	5,114	8,371
Social insurance contribution	2,740	827
Secretarial fees	1,048	778
Reversal of prior year over accrual of staff costs	(12,133)	(114,823)
Other expenses	–	1,785
TOTAL	**148,468**	**189,619**

Reversal of prior year accrual include the amounts of staff costs, that were over-accrued in the previous year. In 2019, the excessive accruals were written off, since the obligations to certain directors no longer existed.

Remuneration of the statutory audit firm for the year ended 31 December 2020 amounted to RUB 7.7 million for audit services (2019: RUB 5.9 million).

6. NET FINANCE INCOME/(EXPENSES)

	2020 RUB'000	2019 RUB'000
Foreign exchange gains	1,115,244	67,388
FINANCE INCOME	**1,115,244**	**67,388**
Foreign exchange losses	(105,098)	(918,726)
Bank charges	(435)	(306)
FINANCE EXPENSES	**(105,533)**	**(919,032)**
NET FINANCE INCOME/(EXPENSES)	**1,009,711**	**(851,644)**

7. SHARE-BASED PAYMENT ARRANGEMENTS

GDR BUYBACK PROGRAMME

On 24 January 2020, the Board of Directors of the Company authorised a buyback programme to purchase up to 10% of the Company's issued capital in the form of GDR until 14 April 2021. On 22 March 2020, the program was approved by the extraordinary general meeting of shareholders. As at 31 December 2020, no shares have been purchased.

8. INCOME TAX EXPENSE

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2020 RUB'000	2019 RUB'000
Profit before tax	8,020,942	2,268,246
Tax calculated at the applicable tax rate of 12,5% (2019: tax rate of 12,5%)	1,002,618	283,531
Tax effect of expenses not deductible and income not taxable for income tax purposes, net	(951,042)	(236,777)
Tax withheld on dividends from Russian Federation	2,370	1,338
Notional Interest Deduction (NID)	(41,896)	(40,592)
Application of group relief	(9,680)	(6,162)
Tax for the period	2,370	1,338

9. INVESTMENTS IN SUBSIDIARIES

	2020 RUB'000	2019 RUB'000
At beginning of year 01 January	60,311,656	59,122,033
Change in fair value of investments in subsidiaries	4,458,099	1,189,623
AT END OF YEAR 31 DECEMBER	**64,769,755**	**60,311,656**

The Company's main subsidiaries, which are unlisted, are as follows:

NAME	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	31 DECEMBER 2020	31 DECEMBER 2019
Etalon Group Limited	Holding of investments	Cyprus	99,99 %	99,99 %
Elzinga Holdings Limited	Holding of investments	Cyprus	100 %	100 %
Fagestrom Limited	Provision of financing services	Cyprus	100 %	100 %
JSC GK Etalon	Holding of investments	Russia	26,16 %	1 %

The investments are measured at fair value.

In 2020, there was a transfer of shares of JSC GK Etalon from a Company's subsidiary, Etalon Group Limited, to the Company. As a result of the transaction, the valuation of the fair value of the investment in JSC GK Etalon increased and the valuation of the fair value of the investment in Etalon Group Ltd decreased.

The effect of these changes in fair value have been accounted for as part of the valuation.

As at 31 December 2020 and 31 December 2019 the Company holds 26,16% and 1% in JSC GK Etalon respectively, but the Company is exposed to variable returns from its involvement with the entity and has the ability to affect those returns through its power over other subsidiaries owning the remaining 73,84% and 99% in the subsidiary at each reporting date.

The fair value of investments in subsidiaries at 31 December 2020 and 31 December 2019 was assessed by an independent appraiser. The fair value hierarchy of investments in subsidiaries belongs to Level 3 as a fair value measurement uses unobservable inputs that require significant adjustment.

To determine the fair value of investments in subsidiaries, the independent appraiser projected cash flows from development projects and objects completely constructed and owned by the respective subsidiaries. These cash flows were adjusted by the fair value of other assets and liabilities controlled by those subsidiaries, and minority interest, where applicable and discounted at an-applicable, risk-adjusted rate. The fair value has been reduced by the payables of the subsidiaries towards the Company. The provision made against loans from subsidiaries as described in Note 10 has therefore resulted in a corresponding increase in the fair value of investments in subsidiaries at 31 December 2020.

The key assumptions used in the estimation of the fair value of subsidiaries are set out below.

	31 DECEMBER 2020	31 DECEMBER 2019
CAPM (discount rate)	18.47 %	19.00 %

The values assigned to the key assumptions represented management's assessment of future trends in residential development and were based on historical data from both external and internal sources.

The cash flows projections included specific estimates for 8 years.

As a result of this assessment, the Company has recognized an increase in the fair value of investments in subsidiaries in the amount of RUB'000 4.458.099 for the year ended 31 December 2020 (31 December 2019: increase of RUB'000 1.189.623).

Sensitivity analysis

The following tables demonstrate changes in key inputs and sensitivity of fair value measurement:

	CHANGE OF PARAMETER	IMPACT ON FAIR VALUE	IN MONETARY TERMS, RUB'000
31 DECEMBER 2020			
Growth of discount rate	1 %	(2,56 %)	(1,659,089)
Growth of cost of construction projects	5 %	(11,61 %)	(7,517,902)
Reducing of revenue from construction projects	(5 %)	(16,60 %)	(10,754,329)
Growth of expenses on non-developer types of activities	5 %	(3,82 %)	(2,471,086)
31 DECEMBER 2019			
Growth of discount rate	1 %	(1,77 %)	(1,069,408)
Growth of cost of construction projects	5 %	(10,92 %)	(6,584,595)
Reducing of revenue from construction projects	(5 %)	(14,93 %)	(9,004,814)
Growth of expenses on non-developer types of activities	5 %	(5,72 %)	(3,451,783)

10. LOANS RECEIVABLE

	31 DECEMBER 2020 RUB'000	31 DECEMBER 2019 RUB'000
NON-CURRENT		
Loans to related parties (Note 16(iii))	6,008,715	8,451,946
TOTAL NON-CURRENT LOANS RECEIVABLE	**6,008,715**	**8,451,946**
CURRENT		
Loans to related parties (Note 16(iii))	2,126,031	–
TOTAL CURRENT LOANS RECEIVABLE	**2,126,031**	**–**
TOTAL LOANS RECEIVABLE	**8,134,746**	**8,451,946**

Due to the significant devaluation of the RUB against the US$ subsequent to the issuance of US$-denominated loans, the Company concluded that there is an objective evidence that an impairment loss on loans has been incurred.

The Company assessed individual impairment based on discounted cash flows attributed for part of its loans through their recoverable amount.

The recoverable amount of loans was determined based on the present value of the expected cash flows to be received from the loans, discounted at the original effective interest rate of 3,5%, and a provision in the amount of RUB'000 5.968.063 was recognised as at 31 December 2020 (31 December 2019: RUB'000 3.683.671).

For others loans, the Company calculates ECL based on of the credit risk rating assigned to respective debtors and the remaining terms to maturity. The Company determines the inputs for calculation of ECL such as probability of default (PD) and loss given default (LGD) using both internal and external statistical data.

If the LGD rates on loans and receivables had been 10 per cent higher (lower) and PD rates on loans and receivables had been 0,5 per cent higher (lower) as of 31 December 2020, the loss allowance on loans and receivables would have been RUB'000 3.787 higher (lower).

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets. The Board of Directors believes carrying values of loans approximate its fair value. The fair value hierarchy of loans receivable belongs to Level 3.

11. OTHER RECEIVABLES AND PREPAYMENTS

	31 DECEMBER 2020 RUB'000	31 DECEMBER 2019 RUB'000
Receivable from related parties (Note 16(iv))	349,435	300,922
	349,435	**300,922**

The fair values of other receivables and prepayments approximate their carrying amounts.

For receivables, the Company calculates ECL based on of the credit risk rating assigned to respective debtors and the remaining maturity of the financial instruments. The Company determines the inputs for calculation of ECL such as probability of default and loss given default using both internal and external statistical data.

12. CASH AND CASH EQUIVALENTS

	31 DECEMBER 2020 RUB'000	31 DECEMBER 2019 RUB'000
Cash at bank	492,616	81,343

13. SHARE CAPITAL AND SHARE PREMIUM

At 31 December 2019 and at 31 December 2020, the authorized share capital of the Company was GBP 14.748 divided into 294.957.971 ordinary shares having a par value of GBP £0,00005 each. All issued ordinary shares are fully paid. The holders of ordinary shares are entitled to receive dividends and to one vote per share at meetings of the Company.

During the year ended 31 December 2017, the Company issued 20.000 preference shares of GBP 1 each. The shares bear no voting rights and no rights to dividend and shall be redeemed within thirty days of giving notice by the Company to a holder of shares at a price per share at which each share was issued. Preference shares were fully paid in February 2017. Since the option to redeem the Company's shares is at the discretion of the Company and not the holders of the shares, the preference shares are classified as equity.

NAME	NUMBER OF ORDINARY SHARES	NUMBER OF REDEEMABLE PREFERENCE SHARES	SHARE CAPITAL RUB'000	RESERVE FOR OWN SHARES RUB'000	SHARE PREMIUM RUB'000	TOTAL RUB'000
"At 31 December 2019 and 31 December 2020"	294,954,025	20,000	2,266	(694)	15,486,109	15,487,681

(i) Own shares

As of 31 December 2020 and 31 December 2019, the total number of own shares acquired by the Company amounted to 3.946 shares or 0,001% of issued share capital.

(ii) Share premium

The Company's share premium account originated from initial public offering of 71 428 571 ordinary shares at a value USD 7 each in form of global depository receipts (GDR`s) on the London Stock Exchange on 4 April 2011, and from issuance of 117 647 ordinary £0.01 shares for a consideration of USD 82.352.900 in March 2008.

(iii) Share options reserve

The share options reserve is used to recognise the value of equity-settled share-based payments provided to certain members of the Company's subsidiaries' key management personnel up to 2018, as part of their remuneration.

(iv) Dividends

As at 31 December 2020, the retained earnings were RUB'000 40.985.334 (31 December 2019: RUB'000 36.506.258). During the year ended 31 December 2020, the AGM of shareholders approved Board of Directors recommendation for dividends in the amount of RUB' 000 3.539.496 (31 December 2019: RUB'000 3.577.386).

(v) Capital contribution

Capital contribution represents the excess of the deemed cost of shares in its subsidiary, Etalon Group Limited, transferred to the Company by its shareholder in 2008, over the book value of these shares as at the date of transaction. Deemed cost was determined at the date of transfer by reference to the terms of a transaction with an unrelated party for the acquisition of a minority stake in the Company which took place close to the date of issuance of shares by the Company.

14. OTHER PAYABLES AND ACCRUALS

	31 DECEMBER 2020 RUB'000	31 DECEMBER 2019 RUB'000
Accrued audit fees	13,832	11,714
Other payables and accruals	1,419	1,105
Accrued accounting and administration expenses	2,173	853
Remuneration payable to Board of Directors	–	11,579
TOTAL	**17,424**	**25,251**

The fair value of other payables and accruals which are due within one year approximates their carrying amount at the reporting date.

15. BORROWINGS

	31 DECEMBER 2020 RUB'000	31 DECEMBER 2019 RUB'000
CURRENT		
Borrowings from subsidiary (Note 16(v))	671,915	542,479
TOTAL CURRENT BORROWINGS	**671,915**	**542,479**

On 14 August 2018, the Company signed a loan agreement with a related party for a total amount of US$10.000.000. The loan bears interest of 4% per annum.

In December 2020, the Company signed an amendment agreement for the loan contract, extending the repayment date from 31 December 2020 to 30 June 2021.

The Board of Directors believes carrying values of loans approximate its fair value. The fair value hierarchy of loans belongs to Level 3.

16. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

	2020 RUB'000	2019 RUB'000
Directors' remuneration (Note 5)	31,791	51,138
Payroll and social tax (Note 5)	11,452	20,565
TOTAL	**43,243**	**71,703**

As at 31 December 2020, outstanding balances of remuneration payable to the Board of Directors was nil (Note 15) (31 December 2019: RUB'000 11.579).

(ii) Year-end balances

	31 DECEMBER 2020 RUB'000	31 DECEMBER 2019 RUB'000
Receivables from subsidiary companies (Note 11)	349,435	300,922
Borrowings from subsidiary company (Note 15)	(671,915)	(542,479)
Loans due from subsidiary companies (Note 10)	8,134,746	8,451,946

(iii) Loans due from subsidiary companies

	2020 RUB'000	2019 RUB'000
On 1 January	8,451,946	10,863,179
Loans repaid during the year	(282,066)	(1,287,255)
Interest charged	435,771	424,079
Interest repaid during the year	–	(853,327)
(Impairment)/reversal of impairment for loans receivable	(1,547,668)	75,792
Foreign exchange gains/(losses)	1,076,763	(770,522)
ON 31 DECEMBER (NOTE 10)	**8,134,746**	**8,451,946**

As at 31 December 2020, the loans amounted to RUB'000 8.134.746 (31 December 2019: RUB'000 8.451.946), were denominated in US Dollars and Russian rubles and bear interest 3,5-6 % per annum. During 2019, the loans were prolonged from 31 December 2019 to 31 December 2021 and 31 December 2025. Modification of loans maturity dates had no material impact on the fair value of the loans.

(iv) Receivables from subsidiary companies

	2020 RUB'000	2019 RUB'000
On 1 January	300,922	547,614
Transfers of funds under reimbursement agreements	174,180	(356,785)
Write-off of receivables	(3,360)	(2,987)
(Impairment)/reversal of impairment for receivables	(696)	1,646
Dividends receivables (Note 16(vi))	–	132,379
Dividends paid for prior period (Note 16(vi))	(130,330)	–
Foreign exchange gains/(losses)	8,719	(20,945)
ON 31 DECEMBER (NOTE 11)	**349,435**	**300,922**

(v) Borrowings from subsidiary company

	2020 RUB'000	2019 RUB'000
On 1 January	542,479	585,688
Interest accrued	24,340	21,416
Foreign exchange losses/(gains)	105,096	(64,625)
ON 31 DECEMBER (NOTE 15)	**671,915**	**542,479**

(vi) Dividend income/dividend receivable from subsidiary companies

	2020 RUB'000	2019 RUB'000
On 1 January	132,379	–
Dividends declared by subsidiaries	16,976,026	1,647,653
Income tax withheld on dividends (Note 8)	(2,370)	(1,338)
Dividends settled by subsidiaries in shares	(13,105,910)	–
Dividends received from subsidiaries in cash prior year	(130,330)	–
Dividends received from subsidiaries in cash current year	(3,867,746)	(1,511,762)
Foreign exchange losses	(2,049)	(2,174)
On 31 December (Note 16(iv))	–	132,379

17. EVENTS AFTER THE REPORTING PERIOD

SHARE CAPITAL INCREASE AND OFFERING OF NEWLY ISSUED ORDINARY SHARES

On 26 February 2021, the Board of Directors of the Company held a meeting where it was proposed that an extraordinary general meeting of shareholders ("EGM") of the Company authorises the Board of Directors to consider a potential share capital increase for a potential public or private placement. If approved, proceeds from such placement will enable the Company to replenish and develop its land bank, as well as finance the early development of new projects.

Subject to approval of EGM, the authorised share capital of the Company will be increased from £34,747.899 to £39,172.2686 by the creation of 88,487,391 ordinary shares of nominal value of £0.00005 each, and the authority will be given to the Board of Directors to allot and issue, out of the authorised but unissued share capital of the Company, up to 88,487,391 ordinary shares at par or at a premium as they deem appropriate, and such authority to expire on 22 March 2023. The share capital increase is expected to be structured in the form of one or several public and / or institutional offerings of newly issued ordinary shares represented by GDRs.

On 22 March 2021, the EGM voted in favor of the proposed share capital increase and subsequent offering of newly issued ordinary shares in the form of GDRs.

On 19 April 2021, the Company announced the results of a Board of Directors meeting held on 16 April 2021, at which the Board of Directors reviewed and approved an offering of up to 88,487,391 ordinary shares of the Company representing 30% of the Company's total issued ordinary shares.

The Offering will consist of an offering of rights to subscribe for New Shares to eligible existing holders of the Company's equity securities followed by a marketed offering to institutional investors of any New Shares not taken up during the Rights Offering in the form of global depositary receipts ("GDRs"). The subscription price for each of the Rights Offering and the Rump Offering will be USD 1.7 per New Share (or GDR).

There were no other material events after the reporting period, which have a bearing on the understanding of the financial statements of the Company for the year ended 31 December 2020.

ALTERNATIVE PERFORMANCE MEASURES USED IN THE 2020 ANNUAL REPORT

We have included certain measures of financial and operating performance in Annual Report, defined below, that are not recognised by international financial reporting standards (IFRS). We have included these APMs for the reasons described below; however, these measures should not be used instead of, or considered as alternatives to, our historical financial results based on IFRS.

THE COMPANY HAS DEFINED THE FOLLOWING:

FINANCIAL METRICS:

- **Pre-PPA gross profit:** gross profit less purchase price allocation (PPA) from the acquisition of Leader-Invest included in the costs of sales.
- **EBITDA:** gross profit minus general and administrative expenses, minus selling expenses, plus depreciation and amortisation.
- **pre-PPA EBITDA[1]:** gross profit minus general and administrative expenses, minus selling expenses, plus depreciation and amortisation, plus purchase price allocation from the acquisition of Leader-Invest included in the cost of sales.
- **Pre-PPA gross profit margin:** Pre-PPA gross profit as defined above divided by revenue.
- **Pre-PPA EBITDA margin:** Pre-PPA EBITDA as defined above divided by revenue.

We believe that the inclusion of pre-PPA gross profit, EBITDA, pre-PPA EBITDA, as well as pre-PPA gross profit margin, EBITDA and pre-PPA EBITDA margins is necessary because they (i) enhance investors' understanding of our financial performance, (ii) are used by us as important supplemental measures to assess the Company's financial performance, including our ability to fund discretionary spending such as capital expenditures and other investments and our ability to incur and service debt, and (iii) pre-PPA EBITDA is a measure incorporated into certain financial ratios in our loan instruments.

- **Net corporate debt:** loans and borrowings minus cash and cash equivalents, minus bank deposits with terms over 3 months, minus secured project financing.
- **Net corporate debt to pre-PPA EBITDA:** ratio calculated by dividing net corporate debt by pre-PPA EBITDA (each as defined above).

We use these measures as the principal metrics for evaluating the impact of the total size of our net borrowings on our operations, and our ability to service our debt and to maintain the liquidity and solvency of our business.

- **Operating cash flow adjusted for cash collections held in escrow accounts:** net cash (used in)/from operating activities plus interest paid, plus receipt of funds on escrow accounts.
- **Free cash flow:** profit for the year adjusted for depreciation, impairments, interest, taxation, change in working capital, and change in invested capital.
- **Free cash flow adjusted for cash collections held in escrow accounts:** profit for the year adjusted for depreciation, impairments, interest, taxation, change in working capital, and change in invested capital, plus receipt of funds on escrow accounts.

We use these measures as we believe these indicators are important for better understanding of the Company's cash flow generating performance during the transition period to operating under the escrow account scheme.

OPERATING METRICS:

- **New contract sales (pcs):** number of sales contracts that have been entered into with customers (regardless of whether contracts were subsequently terminated).
- **New contract sales (sqm):** net sellable area of flats, commercial premises and parking places for which sales contracts have been entered into with customers (regardless of whether contracts were subsequently terminated).
- **New contract sales (RUB):** monetary value of sales contracts for flats, commercial premises and parking places for which contracts have been concluded with customers (regardless of whether contracts were subsequently terminated).
- **Cash collections (RUB):** actual amount of money received by the Company for concluded contracts during the reported period, including cash collection to escrow accounts.
- **Deliveries (sqm):** total net sellable area of the project that was commissioned. Includes apartments built-in commercial premises, as well as parking places and social infrastructure that are part of the project.

We use these operating measures as the principal metrics for evaluating the Company's operating performance. These are the most commonly used metrics in our industry, and they are frequently used by securities analysts, investors and other interested parties.

[1] Pre-PPA EBITDA is the Company's disclosure is defined as adjusted EBITDA in the supplementary information to the IFRS statements

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