ETALON

ANNUAL REPORT 2021

EXPERIENCE
EFFICIENCY
EXPANSION

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About this report

Reporting period

The Annual Report contains information on Etalon Group's activities for the 12 months of 2021 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 the areas of sustainability, corporate governance practices and investor relations, also cover the beginning of 2022.

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. 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 the relevant management reporting data.

This year we are continuing our efforts to improve the quality of, and level of detail in, our disclosure of sustainability information. 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 the GRI Standards, this report includes a GRI content index as the primary navigation tool for users of the report. We also aim 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 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 final 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.

External assurance

This report did not undergo external assurance.

About
Etalon Group

Founded in 1987, Etalon Group is one of Russia's leading nationwide players in the development and housing construction sector.

Despite the fact that St Petersburg and the Moscow Metropolitan Area have been the Company's key markets for many years, Etalon Group has been working hard to implement an ambitious new development strategy since 2021 aimed at further expanding its business and becoming a leader in terms of business efficiency. As part of this strategy, the Company is determined to achieve sustainable double-digit annual sales growth and leading profit margins driven by regional expansion, new construction technologies and digitalisation.

At this new stage of its development, in just 2021 and the first two months of 2022, Etalon Group launched projects in four new regions, achieved some of the best results in the industry in terms of gross profit margin (36%) and EBITDA margin, and also became a leader in the creation and assimilation of advanced technologies for design, construction and value chain management in the development sector.

Pre-PPA gross profit margin

PPA – Purchase price allocation

36%

About Etalon Group

35 YEARS

in the market [1]

7.9 MLN SQM

delivered throughout the Company's history

6 REGIONS

In addition to its traditional markets of St Petersburg and the Moscow region, Etalon Group has launched new projects in Omsk, the Novosibirsk region, Ekaterinburg and Tyumen, thus becoming one of the largest players at the national level.

6 MLN SQM

project portfolio

2.1X

The Company's land bank has increased since the end of 2020 [2]

270 BLN RUB

in assets

27

projects

Etalon Group's assets comprise 27 projects at the design and construction stages, unsold real estate in completed residential properties and commercial real estate with an NSA of 6.0 mln sqm, as well as a construction and maintenance division.

#6

in the Forbes ranking of the largest developers [3]

HIGHEST RELIABILITY RATING

According to ERZ [4] (Unified Register of Developers)

TOP 3

Among the top three Russian developers with operations in at least six regions [5]

[1] As of the date of publication of the Annual Report.

[2] As of 31 December 2020, Etalon Group's portfolio amounted to 2.8 mln sqm, according to Colliers International.

[3] Position in the Forbes ranking of the country's largest developers in the mass-market segment in 2021.

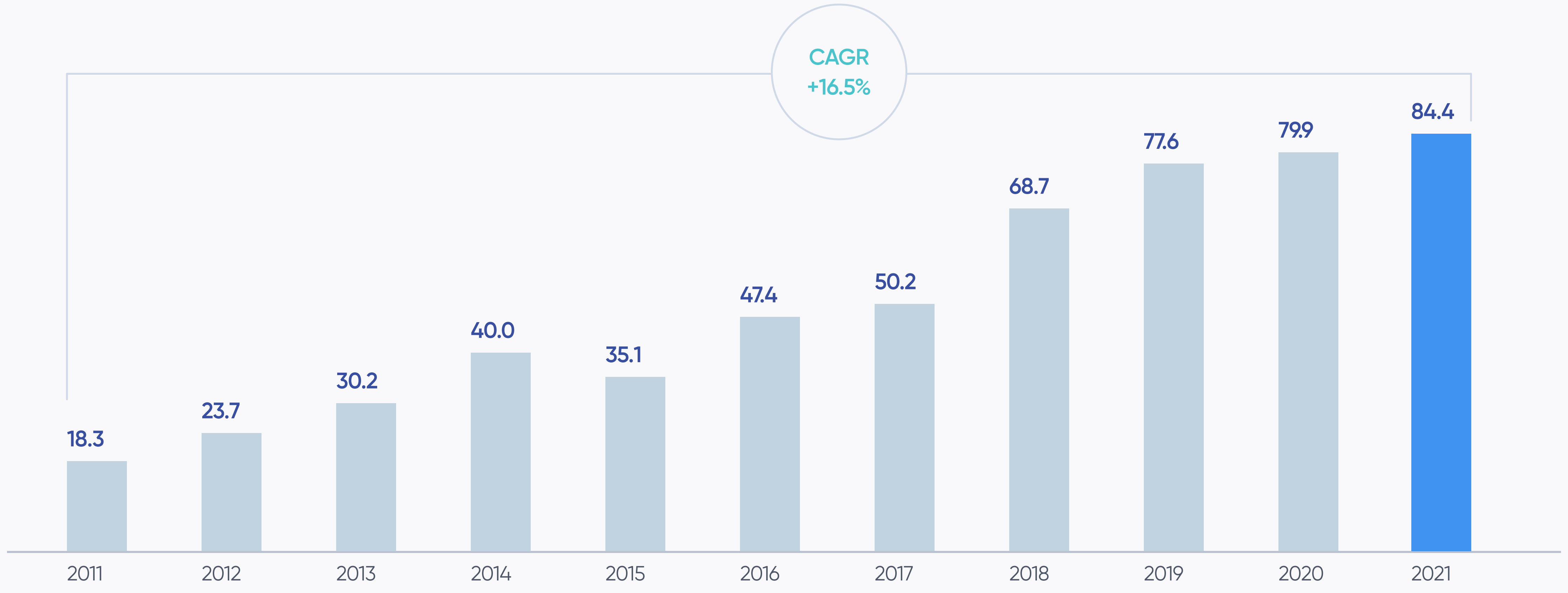
[4] A score of 5 (out of 5) on the ERZ rating indicates the developer's compliance with its declared timelines for delivery.

[5] A rating of developers with operations in six or more regions in terms of volume of ongoing construction as of 1 January 2022, according to data available from nash.dom.rf and information on developers' websites.

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. The Company has quadrupled the size of its business since its IPO and plans considerable further expansion of its presence in the Russian market.

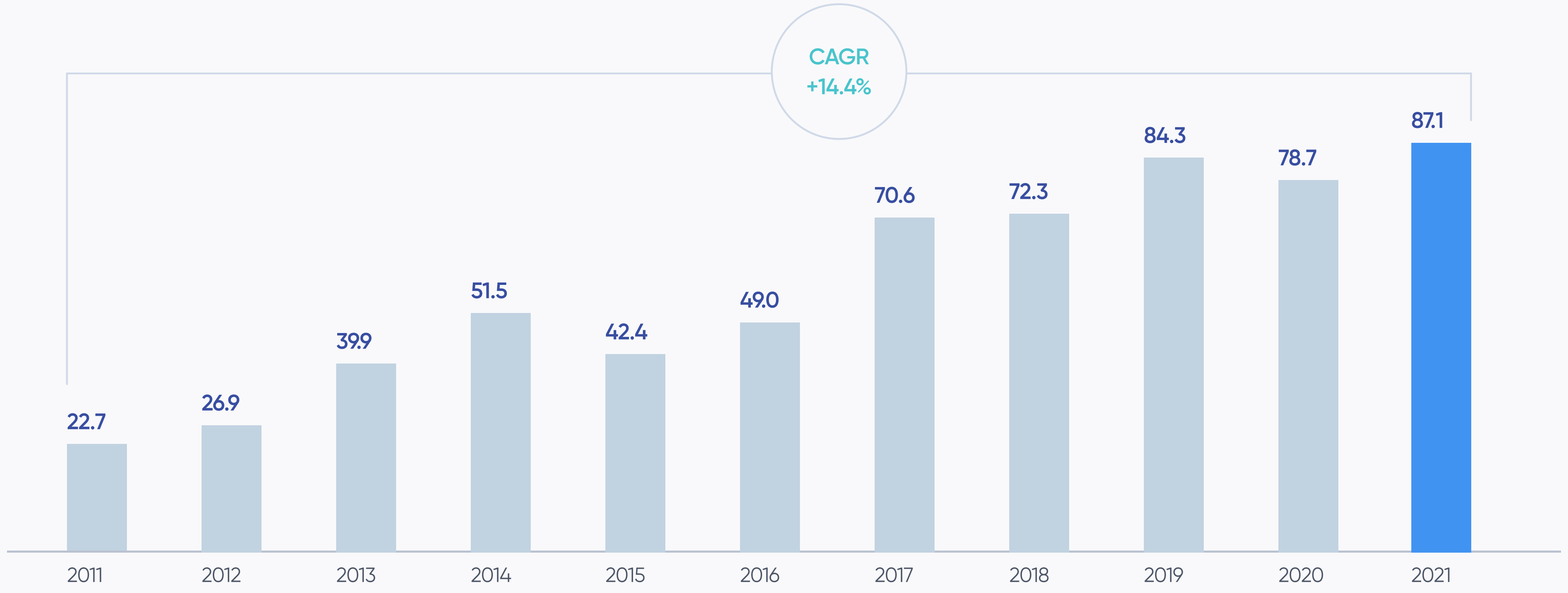
Sales growth, RUB bln

4.6x growth since the IPO



Revenue growth, RUB bln

3.8x growth since the IPO



Our strengths

01

Nationwide developer with a diversified project portfolio

The Company's current portfolio includes more than 60 projects – from large-scale integrated development projects to small residential complexes in the premium segment – in large Russian cities with a population of over 1 million people (Moscow, St Petersburg, Omsk, Novosibirsk, Ekaterinburg). The portfolio is well balanced in terms of geography and property classes. Also, the ongoing addition of promising new sites to Etalon Group's land bank helps ensure a diverse and attractive offer for customers with varying preferences and needs.

For more information on the portfolio structure and valuation, see "Project portfolio" on page 35

02

A company with a broad range of competencies and an integrated business model

Etalon Group carries out comprehensive projects that include the preparation of all necessary documentation right up to the sale, delivery and servicing of new homes. Our digital platform and the integration of new technologies underpin our flexible, efficient and easily scalable business model, which provides ample scope for strict cost and quality control at all project stages, including by achieving economies of scale through centralised procurement, improving our product in response to customer feedback and automating support functions.

For more on the business model and creating additional value, see page 10

03

New technologies and digital solutions for business growth

Etalon Group is one of the leaders in the Russian real estate market when it comes to using digital solutions and innovations.[1] Having pioneered the introduction of information modelling technology and as one of the first companies in Russia and the CIS to develop and approve its own BIM design standard, Etalon Group continues the systematic development of its in-house design and construction know-how. Since its current strategy was approved in late 2020, the Company has been working hard to develop projects aimed at design automation, product standardisation, the introduction of systems for big data analytics, as well as new housing construction technologies that enable the Company to be a construction cost leader in comparison with its peers, while producing a high-quality product that offers excellent consumer appeal.

For more information on the portfolio structure and valuation, see "Innovation" on page 102

[1] According to Autodesk, Etalon Group has been the BIM leader in Russia's development industry since 2014.

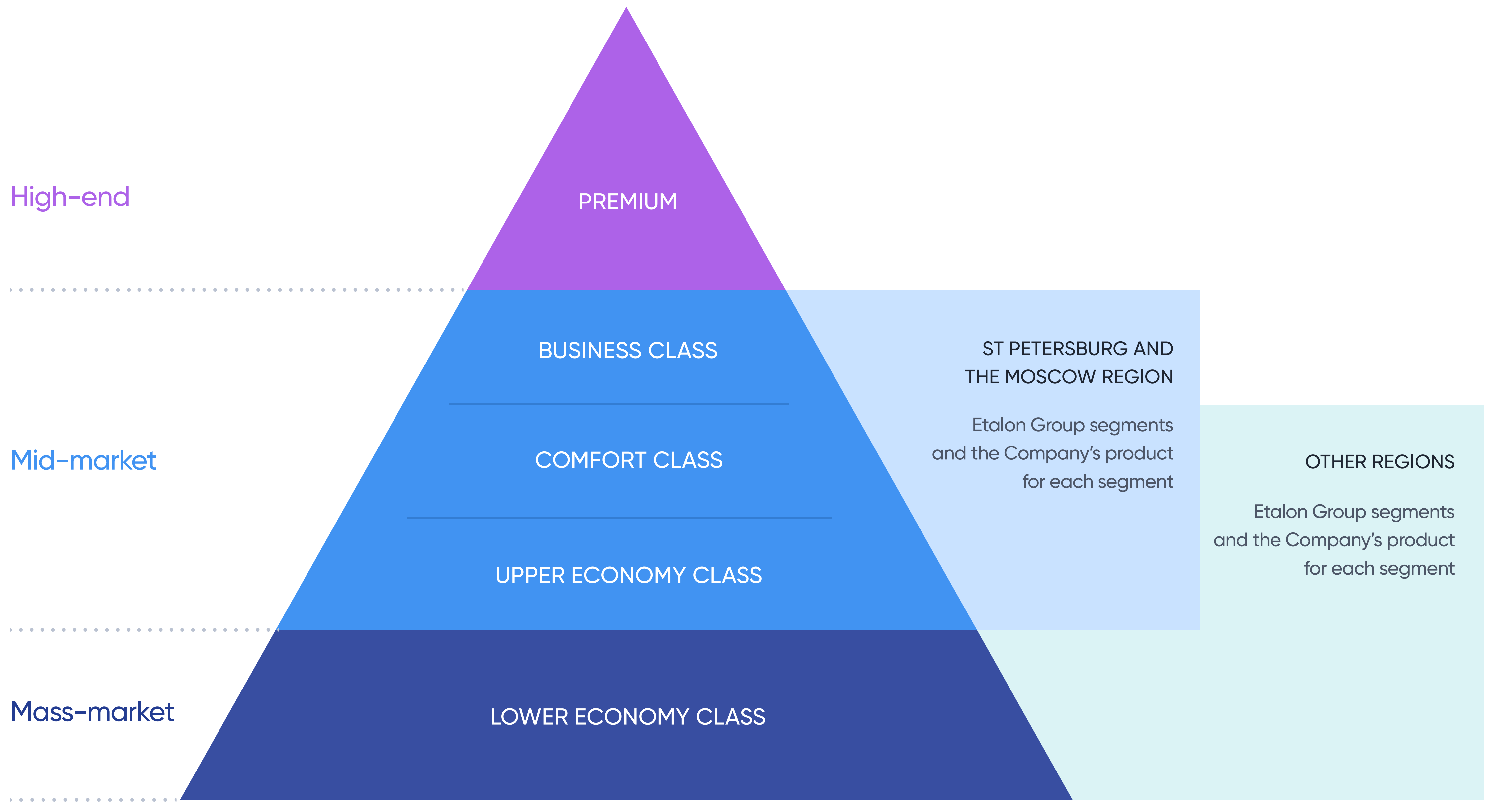
Our focus

Etalon Group develops projects in various price segments in St Petersburg, the Moscow region and new regional markets.

Approach to portfolio development

The Company continues to replenish its portfolio of projects in its key regions of St Petersburg and the Moscow region. These regions offer several important advantages, including resistance to macroeconomic changes, high growth potential and attractive profit margins.

In addition to developing its business in its traditional markets, the Company has launched a business expansion programme in other Russian regions. Since the announcement of the programme, the Company has expanded into four new regions, increasing its regional portfolio by more than 3.3 mln sqm and bringing its total land bank to 6 mln sqm. Despite the lower starting price for real estate sales outside Moscow and St Petersburg compared with our traditional regions of operations, our success in standardising our product, attractive terms for land acquisition, excellent price dynamics and the fairly high level of household income in our new regions enable us to expect comparable margins on projects and further improvements in operating performance.

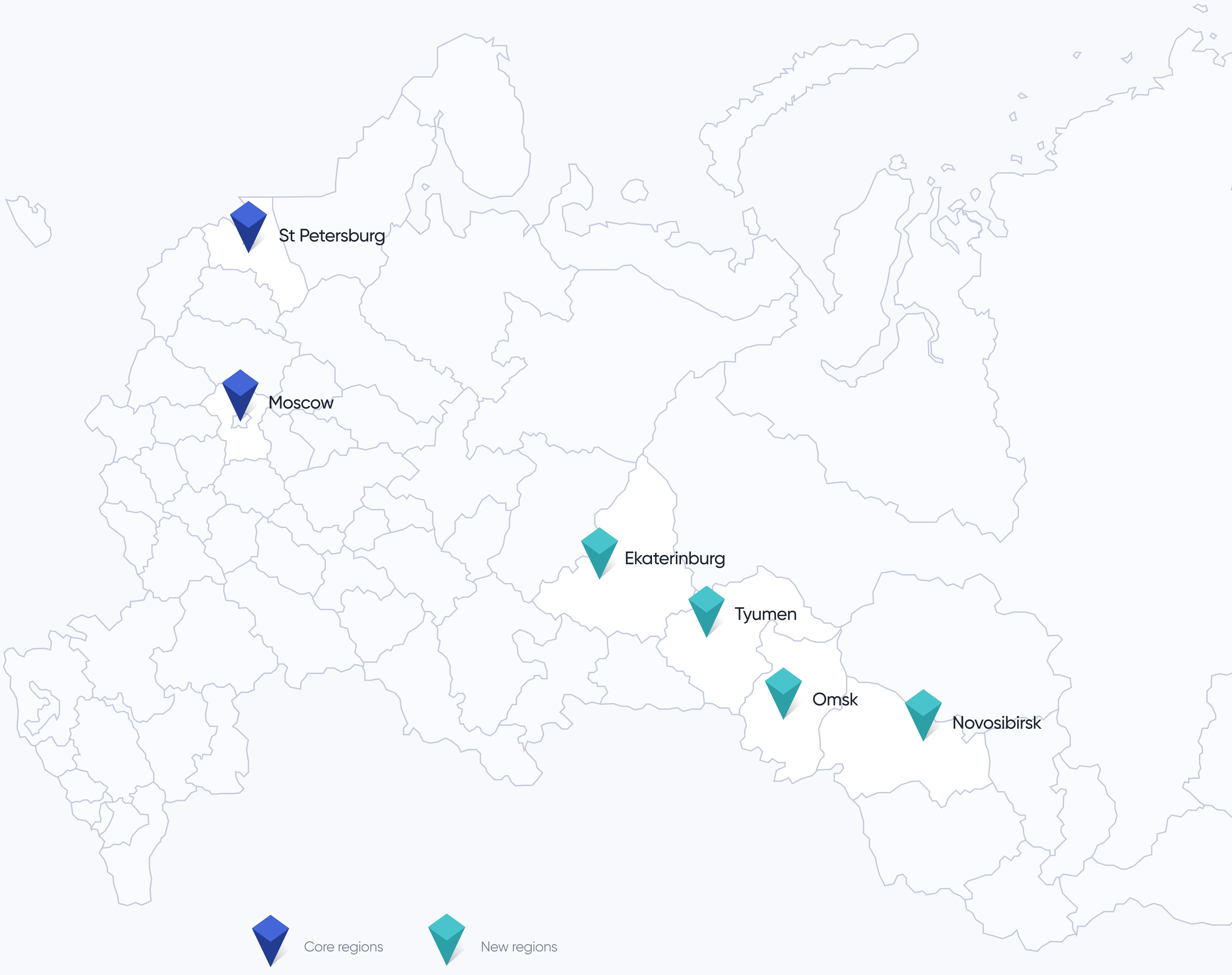


Our geography

With its expansion into regional markets, Etalon Group became one of the largest nationwide developers in Russia. The Company develops projects in Russia's highest-volume and most profitable markets:

6	15	14	59
Regions of operations	Offices in Moscow and St Petersburg	Representative offices	Russian cities in partner network[1]

	Moscow	Moscow region	St Petersburg	Tyumen region	Sverdlovsk region	Novosibirsk region	Omsk region
Population, mln[2]	12.6	7.8	5.4	3.8	4.3	2.8	1.9
Average per capita income, RUB ths per month[3]	80.3	49.9	51.2	51.2	37.8	32.7	27.2
Volume of ongoing construction, mln sqm[4]	15.6	9.7	9.4	2.6	3.4	2.6	0.3
Average price per sqm in the primary market, RUB ths[5]	289.1	124.2	170.7	77.2	90.2	72.2	62.2



[1] As of 31 December 2020.
[2] Source: Rosstat, size of the resident population of the respective region as of 1 January 2022.
[3] Estimate for the period from January to September 2021 based on preliminary data from Rosstat.
[4] Volume of ongoing shared-equity housing construction, including on the basis of project financing through escrow accounts, as of 1 January 2022. Source: nash.dom.rf.
[5] Source: Rosstat, data for 3Q 2021 for all types of apartments sold in the primary market.

Business management structure

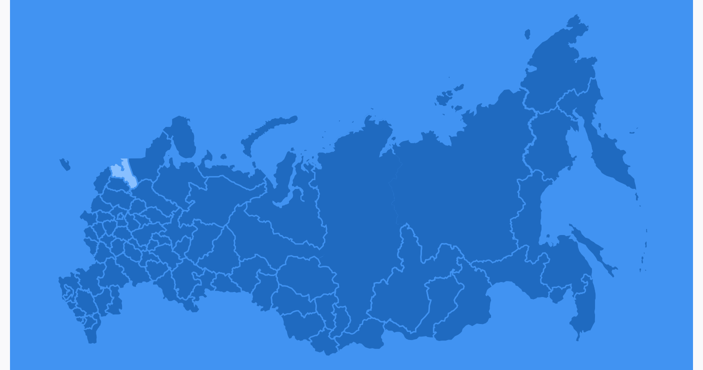
In order to increase the efficiency and speed of its decision-making, Etalon Group has revised its management structure and adapted it to suit the Company's new strategic goals.

The Company consists of three large divisions in the regions where the Group operates as well as a construction and maintenance division and service companies whose operations are controlled by Etalon Group.

Etalon Group

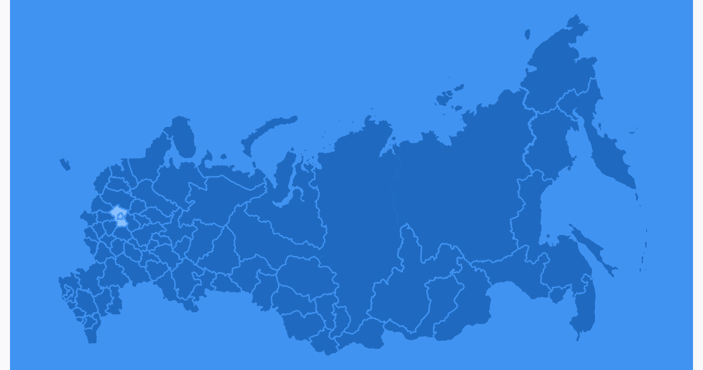
General management and strategic development, monitoring compliance and implementing policies throughout the Company

Operations in St Petersburg



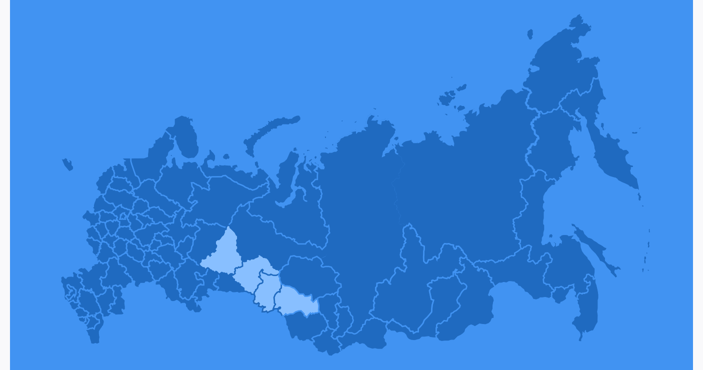
Development and sales

Operations in Moscow region



Development and sales

Operations in other Russian regions



Development and sales

Production and service companies

Construction works, industrial consruction under external contracts, operation of the Group's residental complexes

The current structure is aligned with the Company's geography and main business streams, is aimed at increasing the size of the Company and is fully prepared for the Company's expansion into new regions. It enables us to quickly adapt our business in order to increase volumes as well as to reduce overhead costs in the course of implementing our strategy.

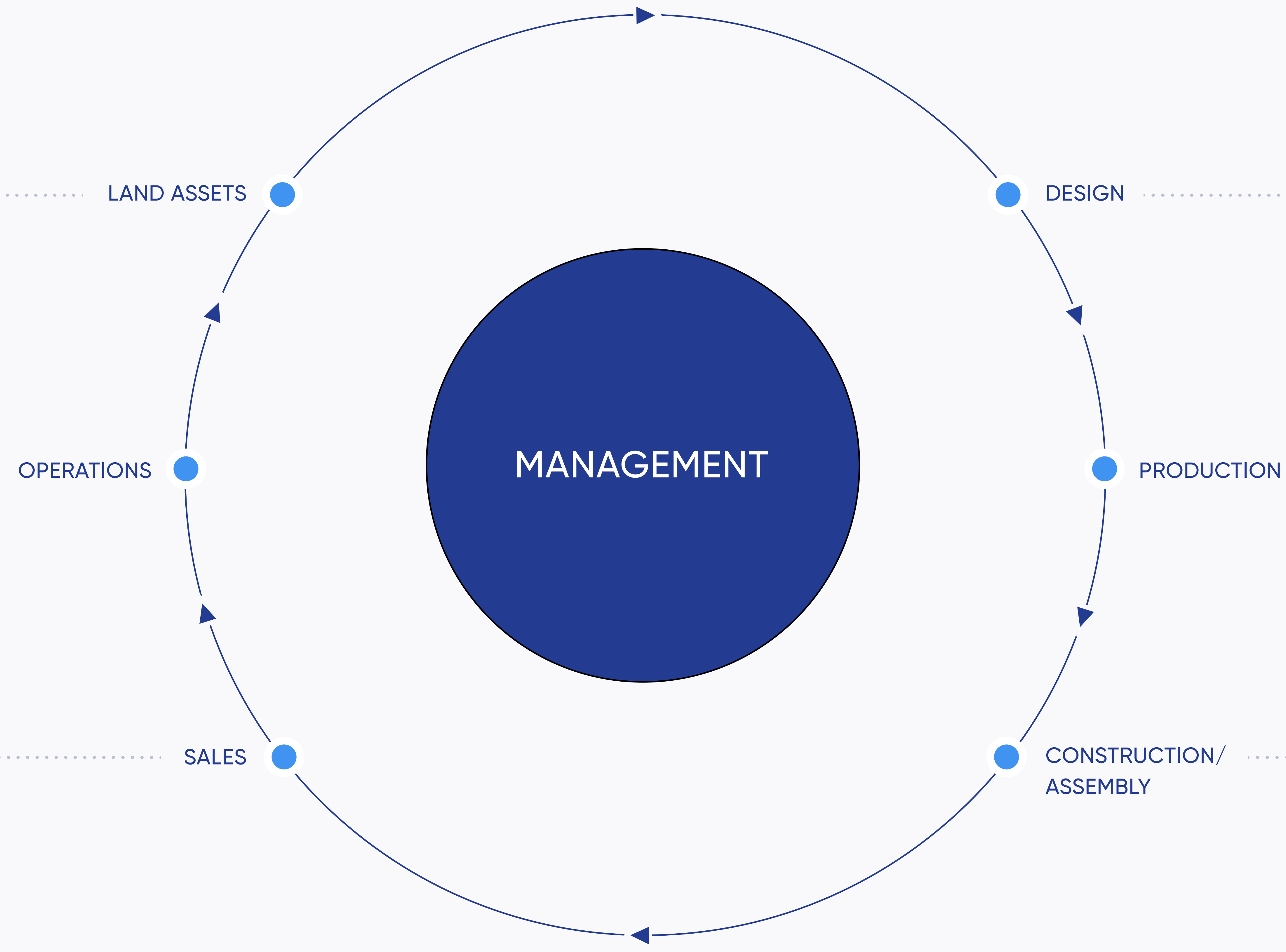
Features of the management structure:

- Rapid decision-making thanks to an understanding of the specifics of regional markets
- Full responsibility for the financial results of each region
- Centralisation of support functions: finance, accounting, HR, security and legal support
- Creation of new business units within the Strategic Marketing Department with a focus on the customer and the brand
- Strengthening the innovation and IT functions within the new R&D Department

Value creation

At every stage of its development, Etalon Group is committed to maximising investment returns and creating profit for stakeholders, thereby maintaining the Company's investment appeal and encouraging loyalty to the Etalon brand.

The stages of value creation and development of the business model in accordance with the Company's current strategic course are discussed in detail in the "Strategy" section of this report.



We select projects that have the potential to form the basis for creating a quality product and ensuring high investment returns. To this end, we use AI-powered big data systems for predictive analytics, which give us in-depth analysis of the best use of the land plot, as well as the best pricing model for the project.

We use advanced approaches to design, which include development of cutting-edge automated digital design systems based on product standardisation and a modular concept. We have our own design institute and collaborate with leading architects.

We are developing new industrial housing construction technologies for the Russian market and are preparing to launch our own production facility.

We are expanding our range of technologies, including hybrid technologies, to shorten the production cycle while maintaining the high quality of construction.

We are investing in the development of our sales ecosystem: we invest in IT products, monitor our proprietary systems and scrutinise best practices in order to create the best customer experience and improve sales performance.

We are committed to ensuring that our properties maintain their appeal to residents and potential buyers in the long term by incorporating digital products to improve service quality and expand the range of services available.

CONTENTS

Investment case

BUSINESS GROWTH, INDUSTRY-LEADING EFFICIENCY, HIGH DIVIDEND YIELDS

01

Scaling up the business

Since the beginning of 2021, Etalon Group's project portfolio has more than doubled, from 2.8 mln sqm to 6.0 mln sqm. The Company expects to increase its portfolio to at least 7.0 mln sqm by 2024.

Over the past six years, the Company has increased its new contract sales volumes in rouble terms every year. In 2021, new contract sales amounted to a record RUB 84.4 billion. Our strategic goal is to ensure stable double-digit annual sales growth by expanding our business and improving our product.

02

Industry-leading efficiency

Etalon Group has demonstrated excellent results in terms of pre-PPA gross profit margin, which already exceeds the target level of 35% stipulated in the Company's strategy to 2024. In terms of the rate of increase in gross profit margin, Etalon Group is among the industry leaders.

03

Dynamic integration of new technologies

Since the start of its technological transformation in 2020, Etalon Group has:

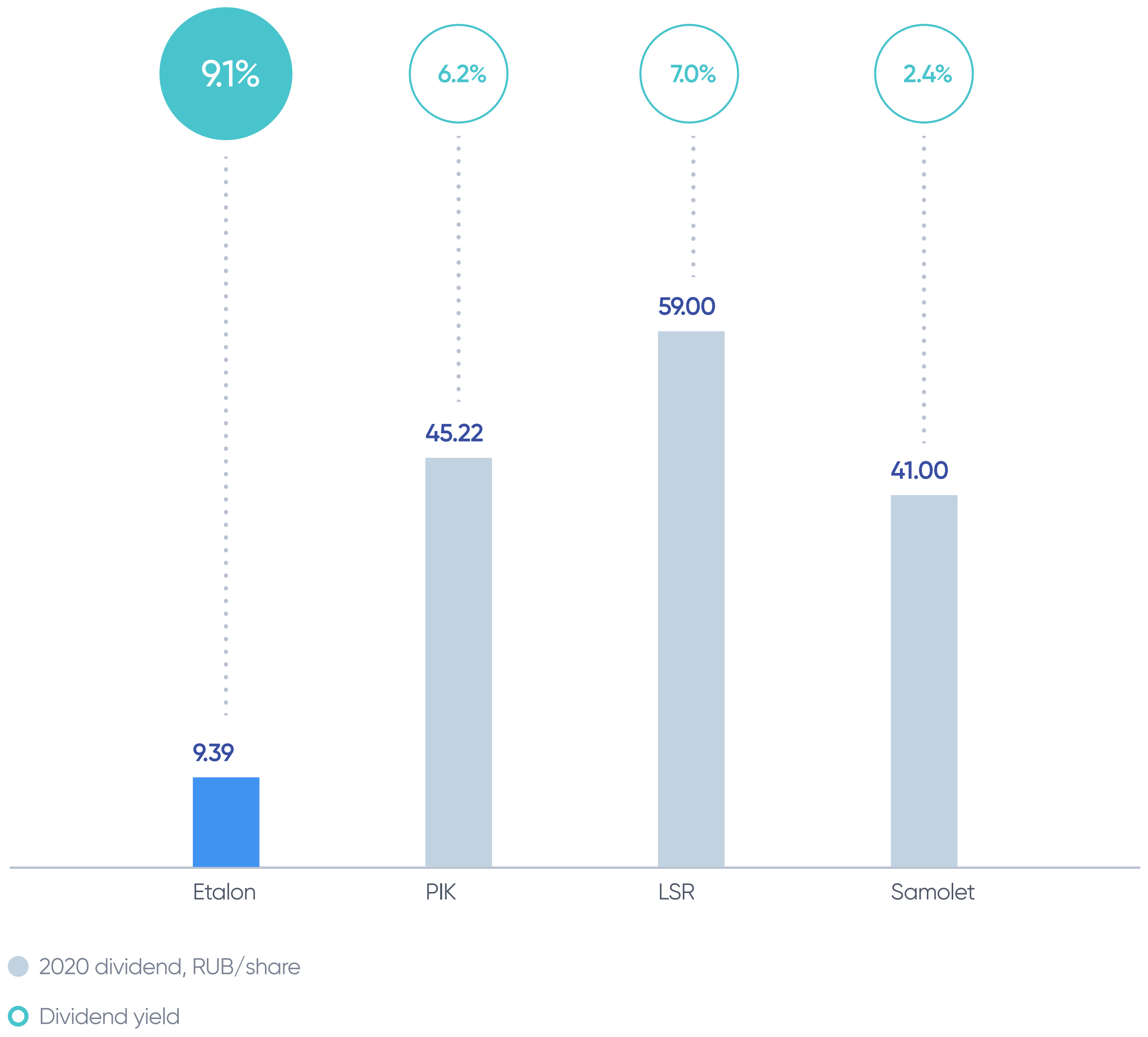
- obtained technology for modular housing construction and begun preparations to launch pilot production;
- begun incorporating prefabricated elements into its projects;
- introduced standard design and a standardised product: a number of standards and methodologies have already been used in the creation of the Company's first regional project in Omsk;
- rolled out a dynamic pricing system;
- begun piloting an automated system for selecting and analysing land plots.

Initiatives for the creation of a single cloud-based digital platform for end-to-end data transmission across the value chain as well as for the widespread use of industrial housing construction technologies will ensure further improvements in operational efficiency and increased profitability.

04

Attractive dividend policy and the highest dividend yield in the industry

Since 2013, the Company has gradually increased its dividend payout target from 15%–30% to the current level of 40%–70% of pre-PPA IFRS net profit. Etalon Group's shares offer the highest dividend yield in the industry.



05

Responsible business

We are paying increasing attention to ESG issues in day-to-day operations, developing and approving new corporate governance and sustainability policies, increasing transparency and disclosure of ESG information. One of the Company's goals on the strategic horizon is to establish and approve specific measurable ESG targets and an ESG strategy and to move in the direction of greater operationalisation of ESG processes.

> At the same time, the Company's GDRs remain undervalued in the market, which creates even stronger growth potential on the strategic horizon.

2021 in brief

IMPLEMENTATION OF THE NEW STRATEGY: A SOLID BASIS FOR FURTHER GROWTH

The Company is systematically and actively introducing new strategic initiatives aimed at the further qualitative expansion of its portfolio, sales growth and increased profitability. Successful implementation of its current strategic plans gives Etalon Group a reason to be confident about the future of its investment case.

2020

NOVEMBER

Etalon Group presented an updated business development strategy to 2024.

The strategy's main focal points are as follows:

- Ensuring double-digit sales growth driven by loyalty to Etalon Group's product, a broader offer in key regions and expansion of the business into new regions
- Industry-leading profitability backed by product standardisation and the use of new housing construction technologies
- Operational excellence driven by digitalisation of the value chain
- Generous dividends on account of optimised capital allocation and a transparent dividend policy

2021

1Q

The process of transforming the Company's organisational and functional structure got under way

Etalon Group, Sistema, Dom.rf and Dom.rf Bank signed an agreement on strategic cooperation that provides for the joint implementation of housing construction and integrated developed projects as well as the development of rental housing stock as part of joint projects for the construction of apartment buildings

RESULTS

16.2 BLN RUB
New contract sales from the beginning of the year

18 BLN RUB
Cash collections from the beginning of the year

15% y-o-y
Increase in average price in 1Q 2021

2Q

The transformation of the Company's organisational structure was completed

SPO

To finance its new acquisitions programme, the Company carried out an SPO in May and added 145 ths sqm to its St Petersburg portfolio in June

The Company launched its flagship Zil-Yug project in Moscow

MTS

The Company signed a strategic partnership agreement with MTS on digital technologies and began piloting the use of "digital neighbourhood" systems

RESULTS

41.1 BLN RUB
New contract sales from the beginning of the year

40.9 BLN RUB
Cash collections from the beginning of the year

67% y-o-y
Increase in average price in 2Q 2021

2021 in brief

IMPLEMENTATION OF THE NEW STRATEGY: A SOLID BASIS FOR FURTHER GROWTH

The smooth implementation of its new strategy enabled the Company to achieve its target gross profit margin in just two years and also to greatly reduce overhead costs, coming very close to reaching its strategic target. Further work scheduled for the period to 2024 will help the Company remain an efficiency leader and ensure double-digit annual sales growth. For more information, see the "Strategy" section.

2021

3Q

The Company acquired two new projects in St Petersburg and expanded into a new regional market with its Green River project in Omsk

Etalon Group acquired technology for modular housing construction and began developing a project aimed at adapting the technology for use at its own residential complexes

OZON

Long-term collaboration with Ozon began on the implementation of a number of joint projects that combine products and opportunities for e-commerce and real estate development

The Company's corporate governance principles and policies were revised and approved:

- Insider information regulation
- Stock Trading Code
- Securities Dealing Code

The listed documents are available on Etalon Group's website

Expansion of ESG practices: in response to a proposal from the Investor Relations and Disclosure Committee aimed at systematising and strengthening work on ESG issues, the Board of Directors decided to add ESG matters to the Committee's remit.

RESULTS

- 59.5 BLN RUB — New contract sales from the beginning of the year
- 60.2 BLN RUB — Cash collections from the beginning of the year
- 20% y-o-y — Increase in average price in 3Q 2021
- 1.4 MLN SQM — Volume of the regional portfolio. Expansion into new market

4Q

The Company acquired a project in the Novosibirsk region and began construction of a project in Omsk

The Voxhall project was launched on Letnikovskaya Street in Moscow

Etalon began piloting prefabricated elements within current projects; a site was selected for the production facility where the Company will pilot its modular production technology

ESG

Approval of Etalon Group PLC's ESG Policy as the basis for the further systematisation and expansion of the Company's ESG practices. The policy is available on Etalon Group's website

RESULTS

- 84.4 BLN RUB — Record new contract sales from the beginning of the year
- 84.1 BLN RUB — Record cash collections from the beginning of the year
- 22% y-o-y — Increase in average price in 4Q 2021
- 1.7 MLN SQM — Additions to the regional portfolio from the beginning of the year[1]
- Assimilation and first use of new housing construction technologies

[1] The total volume of new acquisitions in all of the Company's regions of operations reached 1.9 mln sqm (with a target of five new regions and at least 7 mln sqm in Etalon Group's portfolio by 2024).

Chairman's statement

Dear shareholders,
Etalon Group set a course for stable, profitable growth in 2021. Thanks to the consistent implementation of the strategy approved by the Board of Directors in 2020, the Company was able to lay a solid foundation to continue its ambitious business expansion, with land bank replenishment, regional expansion, integration of innovative technologies and digitalisation of key business processes all well underway.

In less than a year since the launch of its portfolio replenishment programme in May 2021, the Company doubled its land bank and expanded into four promising new regions: Omsk, Novosibirsk, Tyumen and Ekaterinburg. We plan to start sales in 2022 at Etalon Group projects located beyond Moscow and St Petersburg. This will be another big step towards our goal of becoming one of the largest nationwide housing developers in the Russian market.

In addition to increasing our portfolio, as we endeavour to achieve leadership in terms of assimilating new housebuilding technologies, we are consistently working on the areas outlined in our strategy: notably, product standardisation in an effort to achieve cost leadership, as well as design automation, the integration of state-of-the-art industrial housing construction technologies and the creation of a digital platform that connects our main business processes through end-to-end digital architecture. Automation of an entire range of key processes in the value chain will save us time and resources as we analyse, plan and implement our projects.

In addition to transforming the development process from a technological point of view, we have been monitoring the latest trends with respect to developing housing and the urban environment in order to create a modern, high-quality product that is notable for its large selection of layouts and housing types. Thus, even as a standardised product, our offer is designed for buyers with a wide variety of needs and lifestyles: people working from home or families with children, etc. For integrated development projects, we collaborate with leading urban planners to develop and incorporate advanced urban-planning solutions, such as the concept of a 15-minute city, which ensures that a full range of infrastructure and services are available within walking distance from any point in the neighbourhood.

This approach – combining our commitment to technological innovation, a product with excellent consumer appeal and the increased scale of our operations – has enabled us to accelerate the pace of business expansion, including into new regions, through synergies between parallel strategic tracks.

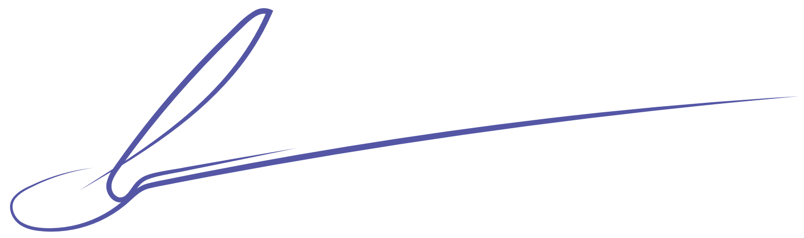
At the instruction of the Board of Directors, the Company's management also pays close attention to ESG issues. In December 2021, the Board approved the Company's sustainability policy, which identifies five UN Sustainable Development Goals as key benchmarks: good health and well-being; industry, innovation and infrastructure; sustainable cities and communities; responsible consumption and production; and climate action. These decisions reflect the Company's commitment to making a significant contribution to the well-being of society and the development of more sustainable business processes.

As part of our sustainability efforts, we continue to pay close attention to the health and safety of our employees and customers as well as environmental protection, and we play an active role in the development of local communities. In addition, we are also committed to integrating cutting-edge technologies and approaches into operational processes related to social and environmental issues. Our efforts have already had practical results: zero workplace fatalities, a low rate of occupational injuries and reduced atmospheric emissions. When designing new residential complexes, we study best practices; consult with leading experts in urban planning as well as local communities; develop environmentally friendly solutions, such as the use of recycled high-quality materials, extensive landscaping and beautification as well as the use of natural granular surfaces, resource-efficient equipment and smart technologies.

Despite the turbulent environment, I am confident that the professionalism and experience of our management team will ensure that we achieve the ambitious goals outlined in our new strategy to 2024. Our management team includes experts in development, information technology and digitalisation as well as leading real estate marketing and sales professionals.

I am confident that we will continue to successfully develop our business in line with our plans: with a professional team and a sustainable business model driving continued efficiency gains and higher profitability, we will succeed in further expanding our business even as market conditions remain challenging. The next stage in our long journey begins today.

Sergey Egorov
CHAIRMAN OF THE
BOARD OF DIRECTORS



CEO'S statement

Dear shareholders,
In 2021, Etalon Group delivered excellent operating and financial results, which created ample opportunities to fully implement our strategic plans, including our ambitious portfolio replenishment programme. We are making steady progress towards our goals for 2024, some of which have already been achieved, just one year after the start of our business transformation.

Achieving strategic goals

New contract sales amounted to 446 ths sqm, or a record RUB 84 billion in monetary terms. Our excellent sales dynamics in monetary terms were the result of higher average prices, driven by strong demand and an increase in the share of business-class properties in our portfolio. As a result, the average price per sqm for the projects we implemented in 2021 increased by 34% to RUB 239 ths.

Etalon Group's revenue in 2021 increased by 11% year-on-year, reaching a record RUB 87.1 billion. In addition, management paid considerable attention to improving business efficiency, which enabled us to increase profit margins at a higher rate than revenue growth. Pre-PPA gross profit increased by 20% to RUB 31 billion, and consolidated pre-PPA gross profit margin reached 36%, exceeding the target of 35%. EBITDA increased by 42% to RUB 17.9 billion, and EBITDA margin increased from 16% in 2020 to 21% in 2021. Our steadfast control of overhead costs was a major factor driving the increase in profit margins: the ratio of overhead costs to revenue for the year decreased by 0.5 p.p. to 12%. These results testify to the effectiveness of our business strategy and to the top-notch professionalism of the team that has been successfully implementing Etalon Group's development programme.

Thanks to record sales in rouble terms combined with efficiency measures and a sound approach to debt portfolio management, the Company's net corporate debt decreased to RUB 2.6 billion, and the ratio of net corporate debt to pre-PPA EBITDA was only 0.1x, which was much lower than the Company's target of 2x–3x. Etalon Group's net cash position at the project level reached RUB 23.5 billion. With such a low debt burden alongside an expected increase in cash flow as funds are released from escrow, the Company has ample opportunities to develop new projects and technologies, accelerate business growth and achieve a leading profitability position.

In terms of business expansion, Etalon Group has sufficient resources to further increase its project portfolio in the coming years through organic growth or M&A deals. Our land bank replenishment programme was launched in May 2021; by the beginning of January 2022, we had already acquired projects with a total area of 1.9 mln sqm, including in two new regions for the Company. Our portfolio expansion has continued since the end of the reporting period: as of the end of February, new acquisitions through the programme amounted to 3.7 mln sqm, and we entered two more regional markets, in Ekaterinburg and Tyumen.

Plans

We plan to launch sales for at least 800 ths sqm of new NSA at existing or recently acquired projects and, at the same time, to continue replenishing our portfolio with new project acquisitions in our core regions and new regional markets. In addition to organic growth, we are considering the possibility of expanding our land bank by acquiring existing companies with established project portfolios that could be a good complement to our existing offer. We expect to increase our portfolio to at least 7 mln sqm by 2024 through the acquisition of new sites and M&A deals, which, together with our technological development, will enable us to achieve our strategic goals in terms of business growth and improved operational efficiency.

Alongside the replenishment of our portfolio in 2022, we plan to pilot modular technology and introduce a standardised approach to our product. The expanded use of a standard product will enable us to further reduce costs and maintain a high level of profitability even in a challenging market environment.

In a turbulent market, the approach we have chosen is most effective, as it enables us to quickly adapt our business and product to ongoing changes and to further bolster our leading position in the residential real estate development market. In our 35-year history, we have made it through the many difficult periods that the industry and the Russian market as a whole have faced, and now, thanks to our sound strategy, strong financial position and close-knit team, we are stronger than ever. We are ready to respond to new challenges arising in the context of market uncertainty and to take advantage of opportunities for business growth and increased profitability.

Thank you for your interest in Etalon Group.

Gennadiy Shcherbina
CHIEF EXECUTIVE OFFICER

Market overview

17 .... DEMAND DRIVERS
21 .... COMPETITIVE LANDSCAPE

Market overview

The primary housing market was extremely active in 2021. Following the partial lifting of COVID-19-related restrictions, consumer demand, driven by the affordability of mortgages, surged in 2021. New records were set in terms of the volume of housing deliveries and the volume of mortgage loans issued; prices per square metre grew considerably, and the market continued to see strong interest in the acquisition of housing as an investment. Key players in the industry continued to increase their portfolios in their core regions of operations, while expansion into regional markets was constrained.

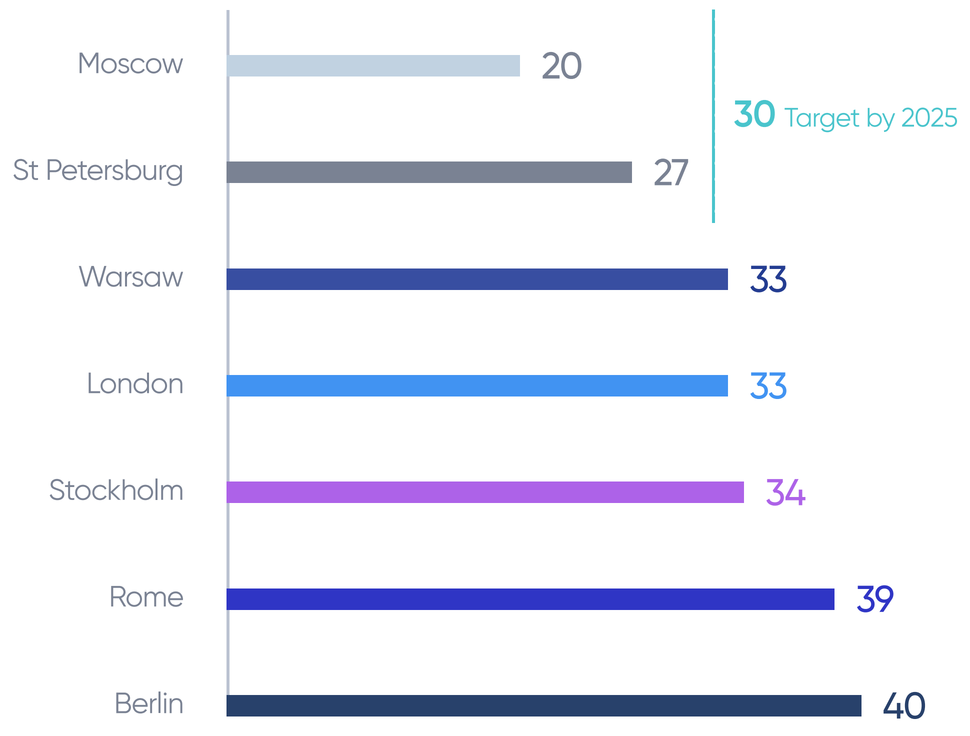
Demand drivers 1/4

01

The primary driver of housing demand remains the need for improved living conditions, alongside growing populations in megacities and ageing housing stock.

The average amount of available living space both in megacities and in the Russian Federation as a whole lags behind that of European cities. The strategy for developing the housing sector in the Russian Federation is aimed at achieving a major goal by 2025: increasing the average amount of available living space to 30 sqm per person.

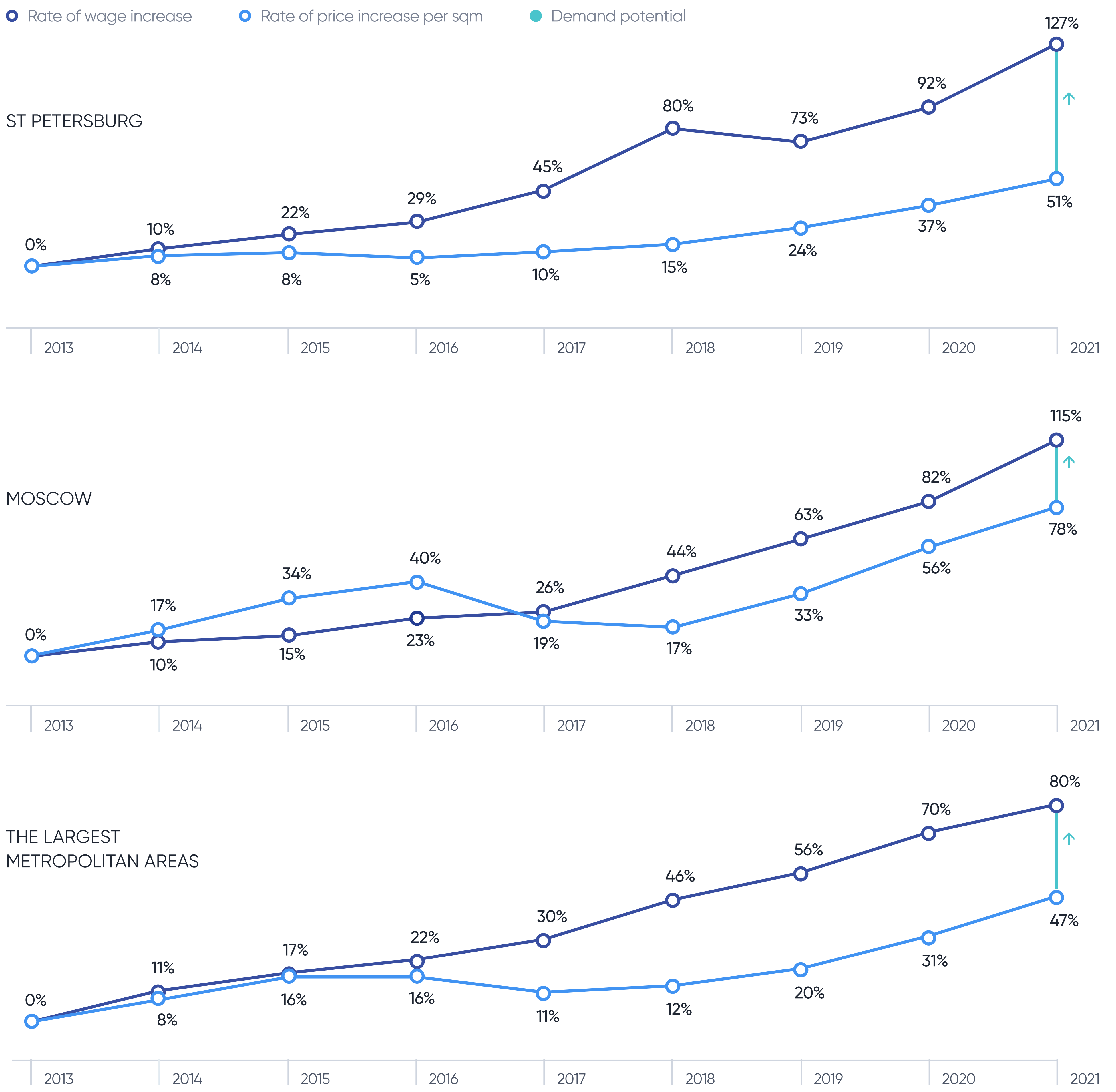
Amount of living space,[1] sqm/person



[1] Source: Rosstat, national statistical agencies (Statistik Berlin-Brandenburg, Centre for Cities, ISTAT, SOW).

Despite the pandemic and strong price increases, socio-economic development ensures that housing remains affordable in large cities, including in large regional centres: the increase in wages in the largest metropolitan areas in 2021 outpaced the rise in prices per sqm of housing.

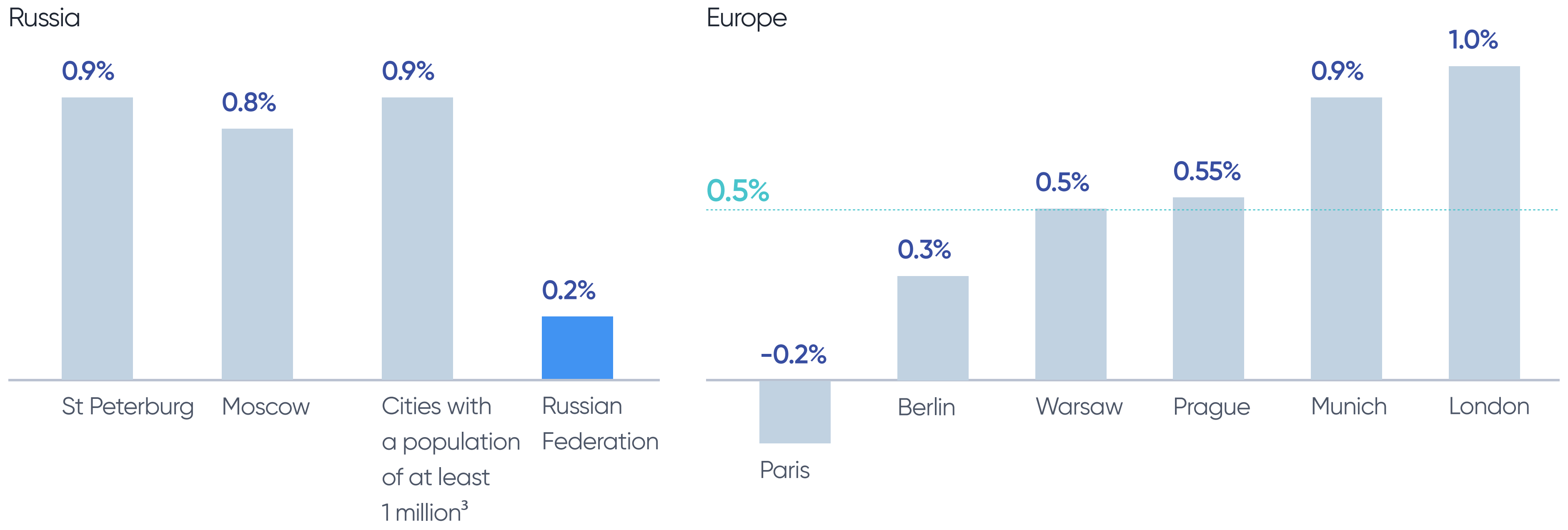
Wage growth rate,[2] %



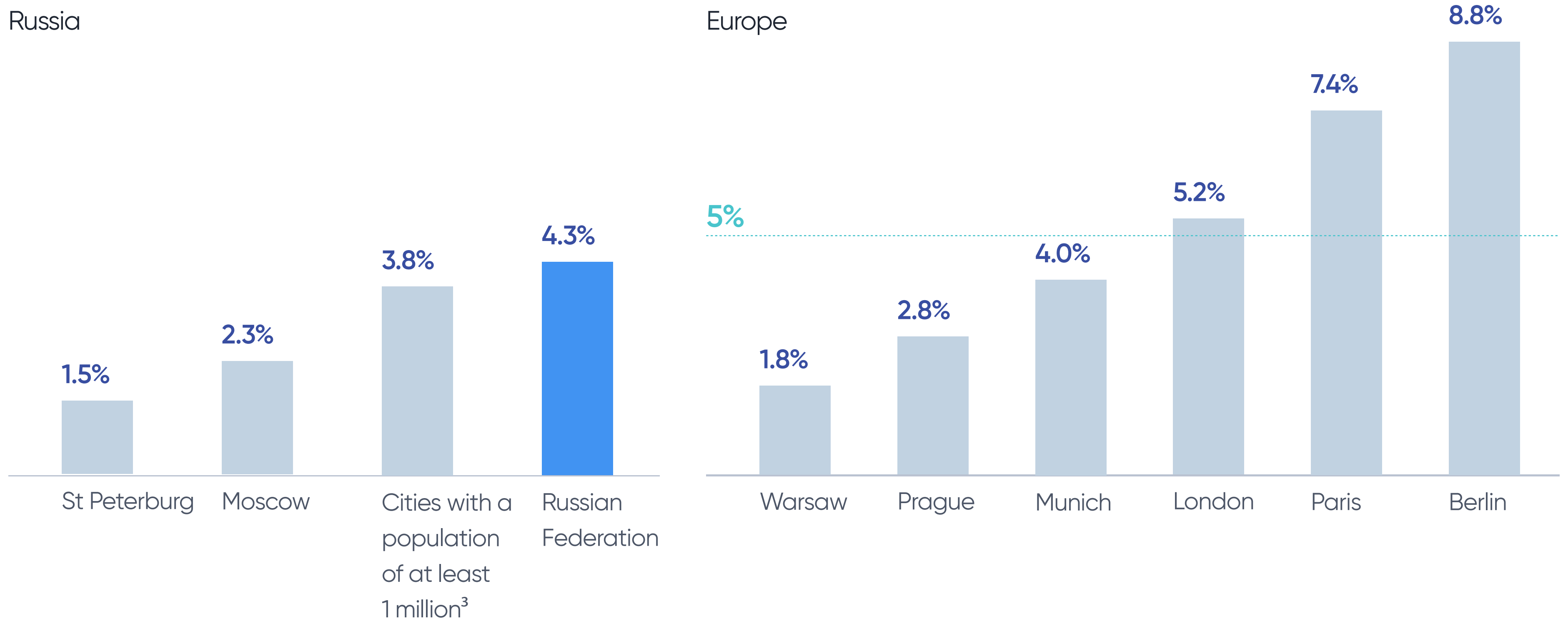
[2] Source: Rosstat, Bank of Russia, Etalon Group analysis.

Demand drivers 2/4

Population growth rate,[1] %



Unemployment rate,[2] %



According to VTsIOM surveys, 22.7 million families – 37% of Russian families – want to improve their living conditions. At the same time, more than 60% of the housing stock in cities with a population of more than 1 million people was built before 1990, and is not the sort of housing that today's consumers are looking to purchase. In addition, a considerable amount of uninhabitable and derelict housing has been accumulated: according to Russia's Ministry of Construction, Housing and Utilities, about 2 mln sqm of derelict housing is added every year.

One of the main priorities of Russian government policy in the construction sector remains increasing the availability of housing and improving the quality of life.

[1] Compound annual growth rate for 2010–2021.
[2] Unemployment rate as of the end of 2021.
[3] Average for Etalon Group's current and target cities of operation beyond Moscow and St Petersburg with a population of more than 1 million people (Kazan, Novosibirsk, Ekaterinburg).

02

State support measures aimed at improving housing conditions remain the most important factors in the development of the industry. Key non-market mechanisms include mortgage lending and support programmes for selected population groups.

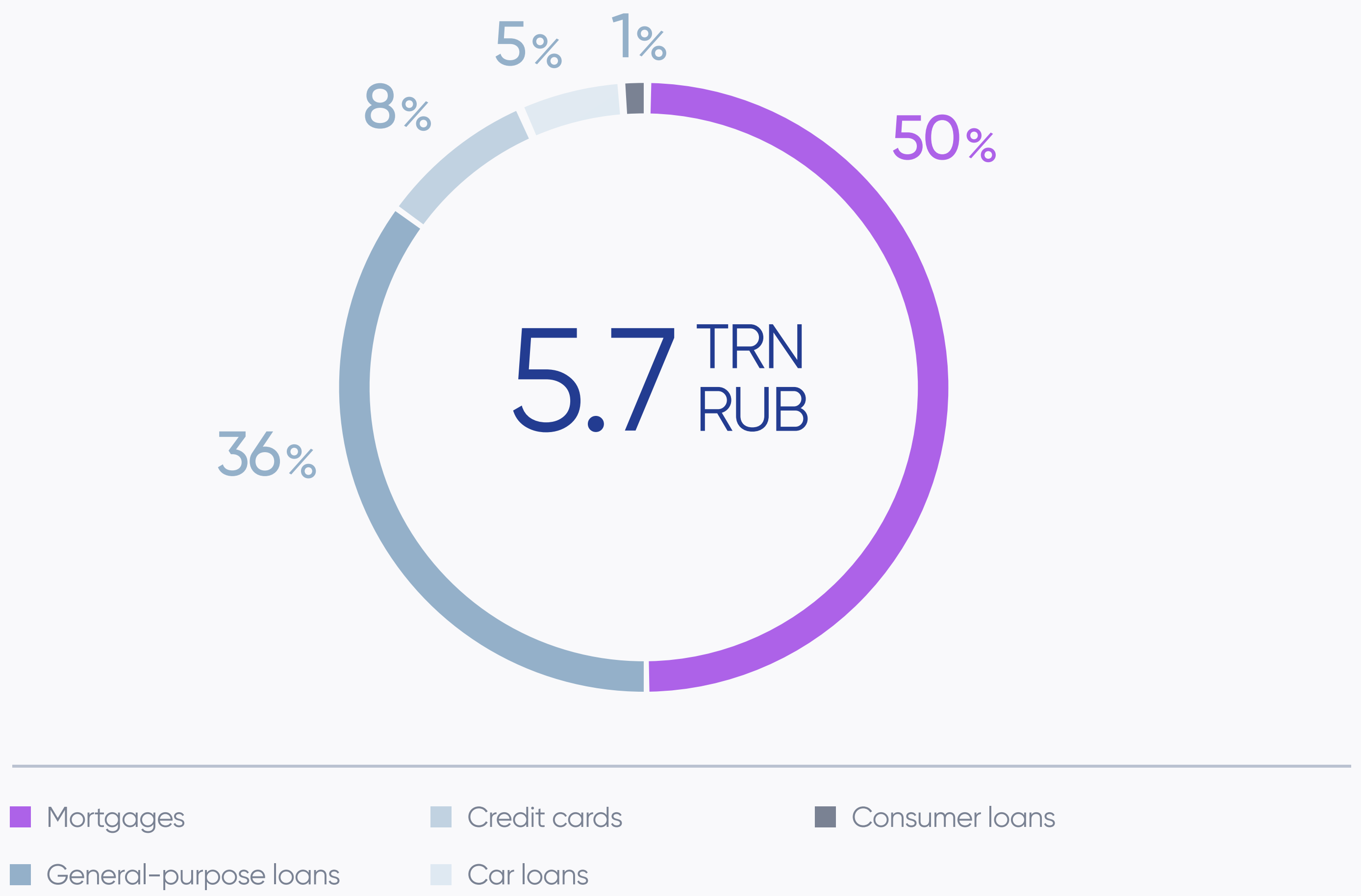
Since mortgage rates reached all-time lows in the first half of the year, there was a strong increase in demand for mortgage loans.

In early 2020, the Bank of Russia began reducing its key rate on a regular basis in order to increase liquidity in the Russian economy and support various sectors. In addition, in response to market challenges stemming from a new wave of COVID-19, the government introduced a mortgage subsidy programme that resulted in record-low mortgage rates. In June 2021, the weighted average mortgage rate in the primary market reached the very low rate of 5.48%, which resulted in high demand for mortgage loans in the first half of the year. Mortgage lending accounted for almost half of all retail loans issued by banks, increasing by 2 p.p. from 2020.[4]

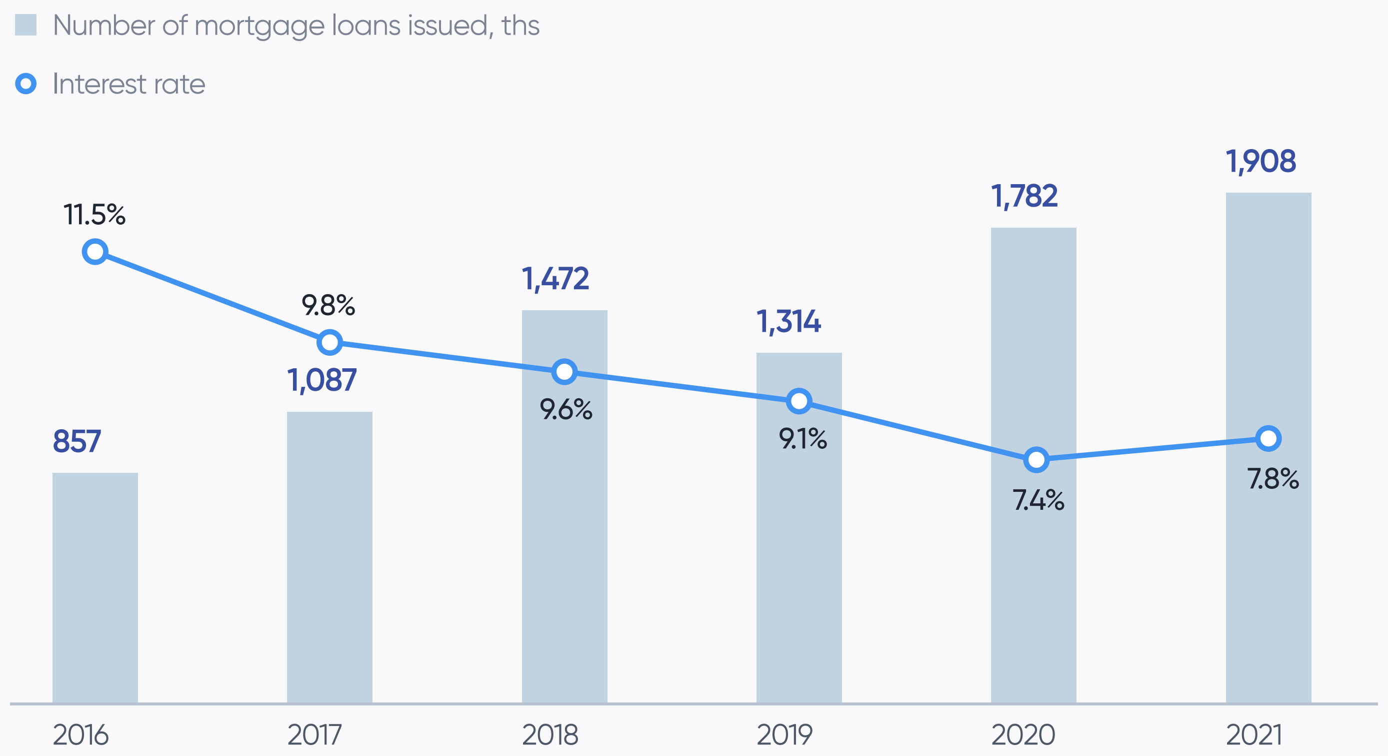
In 2021, Russian banks issued a record RUB 5.7 trillion in mortgage loans, an increase of 28% year-on-year. The total number of mortgage loans issued also reached a record high of 1.9 million, an increase of 7%.

[4] Source: Frank RG.
[5] Source: Bank of Russia, Etalon Group analysis.

Share of mortgages in retail loans,[5] %



Mortgage lending in 2021[5]



Demand drivers 3/4

The state is also currently supporting demand for housing among the country's active workforce; in addition, it is providing support to select groups through existing mortgage subsidy programmes.

Existing mortgage subsidy programmes

	Standard mortgage	Preferential mortgage	Family mortgage	Rural mortgage	Mortgage for IT professionals
Rate	17% and up	12%	6%	0.1%–3%	5%
Eligibility	Available to all citizens	Available to all citizens	Loans for families whose first or a subsequent child was born on 1 January 2018 or later, as well as for families with one or more disabled children.	Available to all citizens	For specialists at IT companies Age: 22–45 Income: RUB 150 thousand per month in cities with a population of more than 1 million; RUB 100 thousand per month for everyone else Period of validity: 2022–2024
Mortgage amount	Up to RUB 60 million	RUB 12 million for Moscow, the Moscow region, St Petersburg and the Leningrad region RUB 6 million for all other regions	RUB 12 million for Moscow, the Moscow region, St Petersburg and the Leningrad region RUB 6 million for all other regions	RUB 3 million or RUB 5 million depending on the region Moscow, the Moscow region and St Petersburg are not participating in this programme	RUB 18 million for cities with a population of over 1 million RUB 9 million for all other regions

03

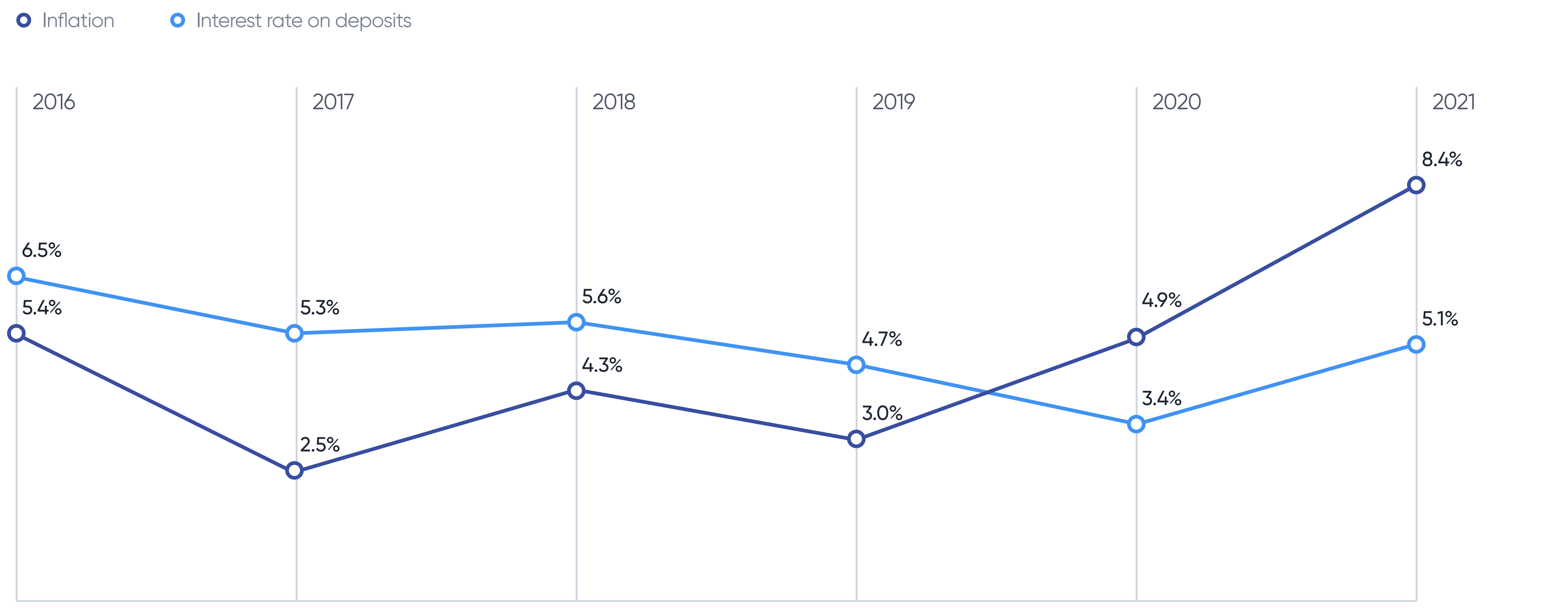
Demand for housing is also increasing as a means of protecting wealth against inflation. Private investment in real estate increased in 2021, competing with deposits.

During periods of economic instability, instruments aimed at protecting personal wealth against inflation play a larger role. People are increasingly targeting real estate investments because they offer protection against asset depreciation, are a simple form of investment and enabled owners to avoid taxation on income (provided the property is owned for at least three years).

Due to the high rate of inflation, the effective yield on bank deposits was negative in 2021. The volume of bank deposits made by individuals increased by 6% (RUB 1.9 trillion) in 2021, which was down 1 p.p. compared with 2020.

In March 2021, Russia introduced a restrictive monetary policy, the main instrument of which was an increase in the key rate. As a result, according to the Bank of Russia, the average yield on rouble deposits increased from 3.4% in 2020 to 5.1% for 2021, but still did not keep up with inflation.

Inflation rate to deposit yield,[1] %



[1] Source: Bank of Russia, Etalon Group analysis.

Demand drivers 4/4

04

In the long run, the multi-generational structure of the working population and the variety of housing demands from different segments of consumers will have an impact on demand.

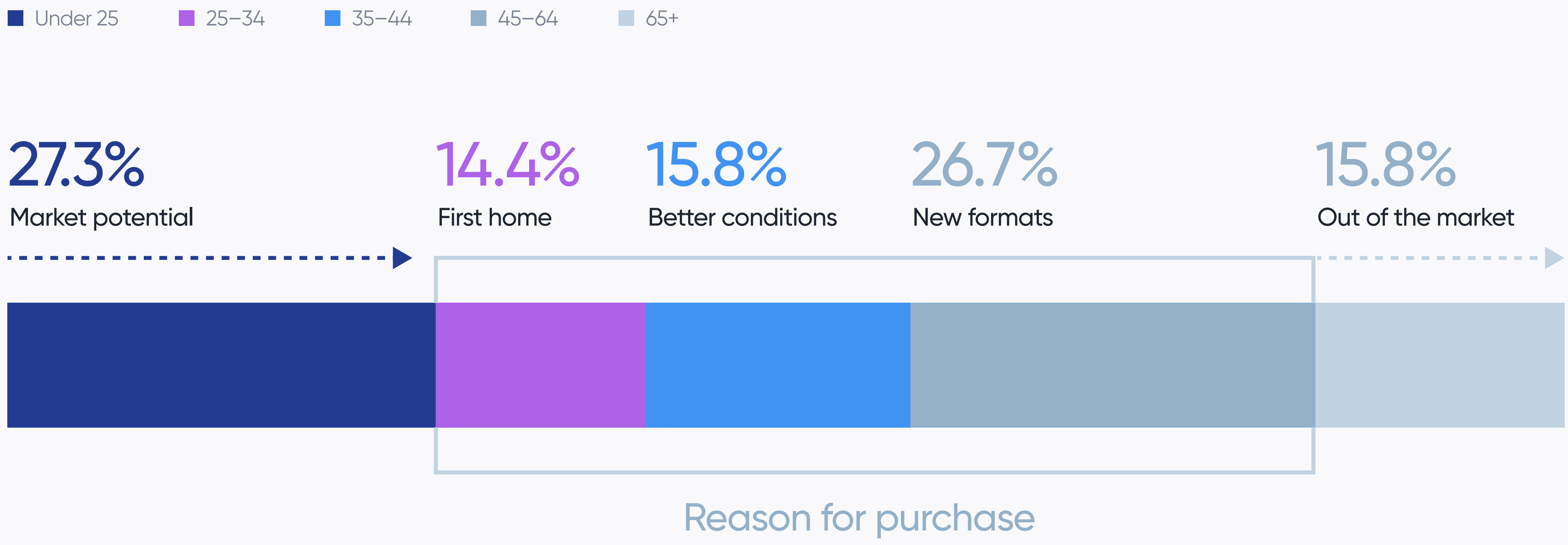
Sociocultural and demographic factors will have a considerable impact on the demand profile in the long term.

Demand in the industry is driven mainly by people 25 to 44 years of age – that is, the most active part of the workforce. During their lifetime, what they look for in housing also changes: when entering the workforce and starting a career, their search for self-identity usually involves the acquisition of their first home; when starting a family and raising children, their focus shifts to finding a larger home near public amenities such as preschools and schools; in the next stage of personal fulfilment and contributing to society, housing formats are either diversified (for example, they want a country home or a second apartment), or their needs in terms of the living environment and community become more demanding (environmentally friendly neighbourhoods, particular locations in the city, specific features of the environmental design, etc.).

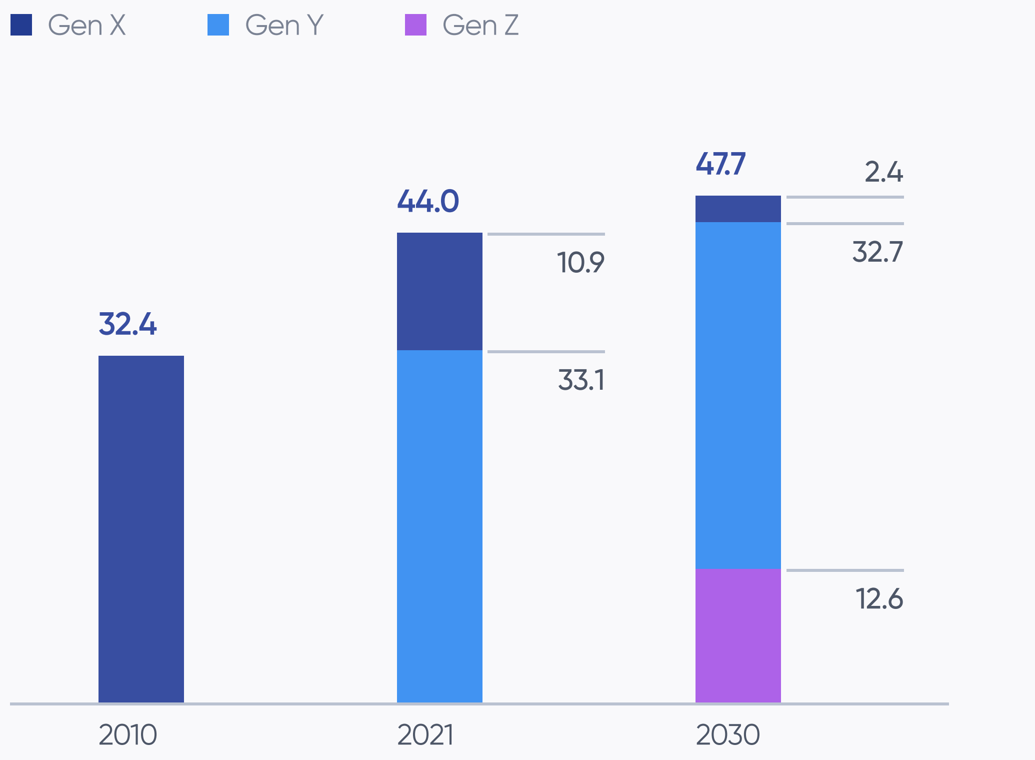
At the same time, this simplified demand profile will change considerably in the future due to the impact of a number of factors: (1) improvements in health and life expectancy owing to the development of healthcare technologies as well as an awareness of, and the popularity of, healthy lifestyles; (2) the widespread entry of Generation Y into management positions; (3) the active market entry of members of Generation Z. Thus, despite the expected demographic decline of Generation Z (20.9 million people against the more than 66 million members of Generations X and Y, who now make up the market), demand will grow and diversify.

Developers will need to work with members of at least three generations at the same time (the total number of which will increase by 5%–10% due to the above-mentioned factors), and whose demands are very different. Property developers focused on working with Generation Z will need to learn how to work with a shorter product life cycle, to respond quickly to changing demands and to offer thoroughly customised solutions.

Demand profile by age,[1] %



Changes in the generational profile impacting demand,[1] mln people



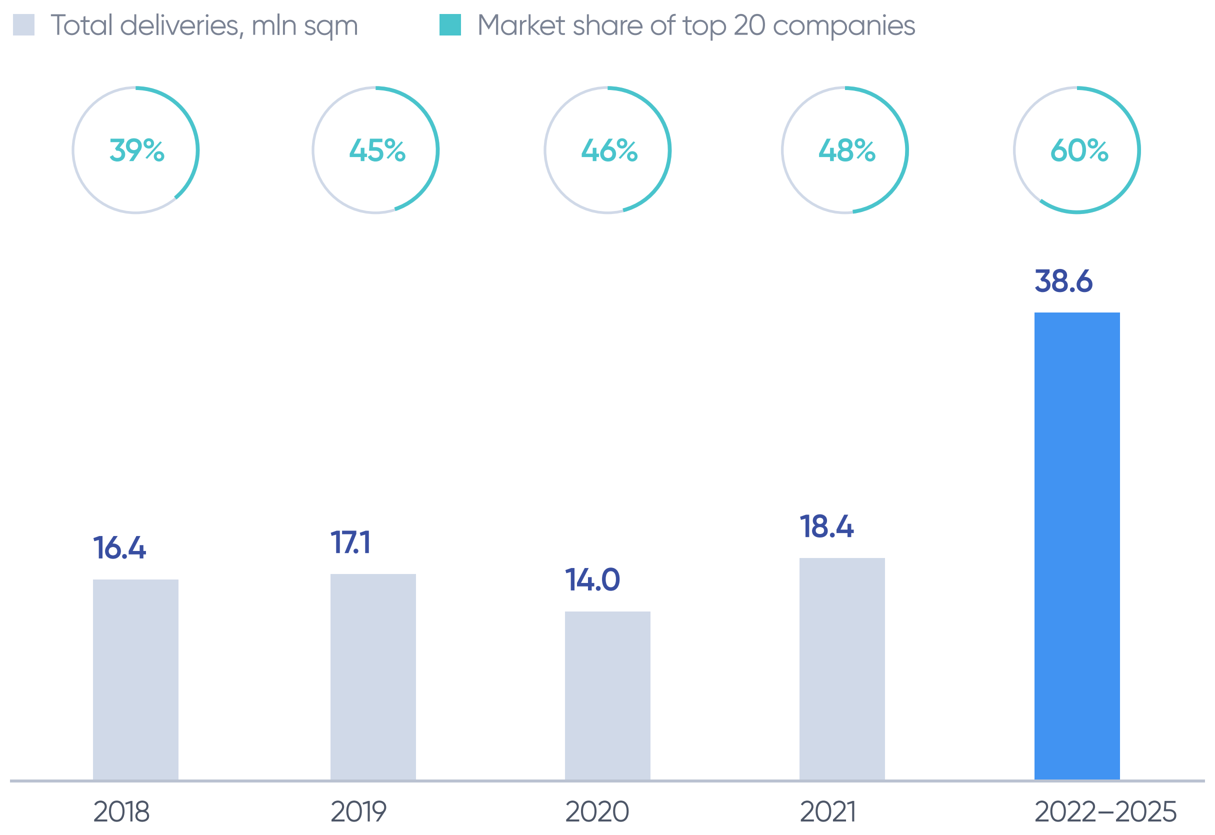
[1] Source: Rosstat, Etalon Group analysis.

Competitive landscape 1/2

01

The consolidation trend in the industry continues and is picking up the pace. The number of small and medium-sized players will continue to decline as a result of, among other things, new challenges stemming from the transformation of the industry.

Estimated market share of the top 20 developers

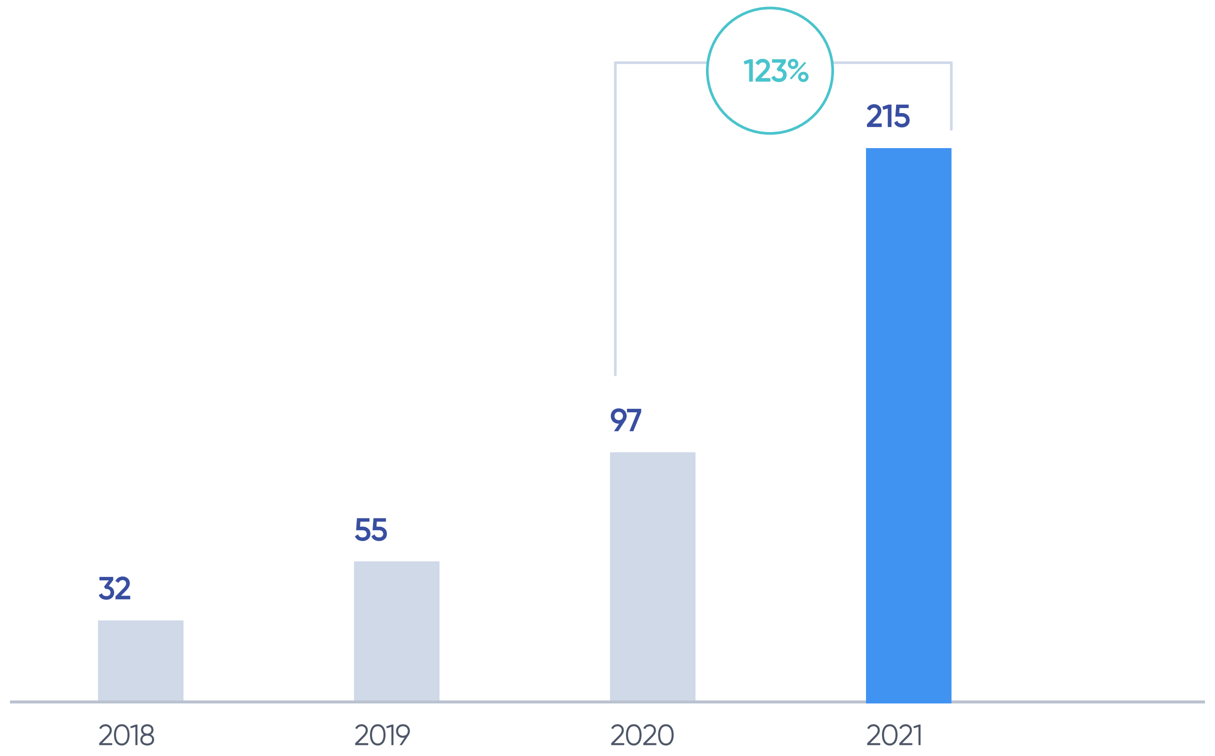


Source: ERZ.rf, Dom.rf, Etalon Group analysis

02

Competition for sites is increasing; the number of sites in central locations in megacities is decreasing, and the approach to working with them is becoming more complicated due to urban-planning regulations.

Development site investment dynamics, RUB bln



Source: CBRE data

By 2025, the top 20 developers could account for up to 60% of the supply in Moscow and St Petersburg; they currently account for 48% of all housing deliveries. At the same time, according to ERZ.rf, the total number of developers carrying out residential projects has decreased from 3,006 to 2,205.

Unlike in previous periods, when access to project finance was the key reason for the decreasing number of small and medium-sized players (the obligation to use escrow accounts, resulting in reduced rates, was too much for small companies), they will face new challenges in the form of an inability to ensure uninterrupted operations due to breakdowns in established supply chains. The procurement and freight markets will be consolidated, which will increase costs considerably or block access to the market for players that are not among the top companies in terms of business volumes.

According to the CBRE, housing development sites remained the most interesting segment in terms of real estate investments in Russia in 2021, with their share of total investment increasing from 34% to 55%. The volume of investments is estimated at RUB 215 billion, an increase of 123% year-on-year. This growth was driven by the higher cost of development projects amid the shrinking supply of available land in Moscow and St Petersburg and higher fees for changes to zoning permissions in the Moscow region. This is an additional deterrent for small players.

Moscow's desire for balanced development and the creation of a comfortable urban environment led to further amendments in the urban-planning regulations in late 2020 and an increase in fees for changes to zoning permissions for land from 2x in central areas to 8x in suburbs in the case of housing development projects whose concept does not provide for the creation of a balanced housing environment that includes business and social/recreational space in addition to residential space.

At the same time, a further update to the regulation in early 2021 reduced fees considerably for changes to zoning permissions when property developers play a role in balancing Moscow's further growth by building mixed-use projects on the outskirts of the city. In addition, the incentives provided may be extended not only to sites on the outskirts but also to other projects in central locations if the scale and complexity of projects on the outskirts exceed the scale of projects in the centre. Thus, an even distribution of projects throughout Moscow and the balanced development of the project sites can greatly reduce the fees for changing zoning permissions.

To achieve this, however, developers must become better at urban planning and come up with new development formats, which only large players that are able to invest in improving their own competencies and that can divert resources for balanced development projects are able to do.

Competitive landscape 2/2

03

Entry into new markets is becoming one of the main paths to business expansion. Players' entry into new markets is constrained by a lack of the sort of technological competencies that would enable them to manage the cost of construction in markets with lower prices than in the capital.

Despite the nearly record-breaking deliveries of apartment buildings in Russia as a whole in 2021 (43.5 mln sqm), an important aspect of state policy will be the need to increase the pace and volume of construction in regions outside Moscow and St Petersburg in order to balance the spatial development of the country as a whole. Given the role of non-market mechanisms in the industry, this trend will be key in years to come. The widespread updating of cities' land-use planning documents assumes vigorous growth of housing construction as well as the transformation of outdated housing and redevelopment of inefficient industrial zones.

At the same time, companies' ability to optimise costs while making a more attractive product will depend on their ability to expand into regional markets, which offer lower margins, even in the largest centres. Over the past two years, only two of the top 20 companies have entered the markets of more than three regions; four more companies have expanded their portfolios in one additional region.

Product competition is being replaced by cost competition; at the same time, developers will continue to be expected to produce a high-quality product.

From the point of view of cost reduction, only large players will be able to afford a comprehensive approach: the introduction of lean production principles in the construction cycle and the digitalisation of key business processes as well as the integration of new construction technologies, including BIM technologies, prefabricated structures (off-site production), wireless sensors and automated and robotic equipment.

Strategy

24 .... STRATEGY 2024

25 .... STRATEGY FOR DEVELOPING THE VALUE CHAIN

26 .... KEY GOALS AND OBJECTIVES TO 2024

27 .... WAYS TO ACHIEVE OUR STRATEGIC GOALS

34 .... STRATEGY IMPLEMENTATION IN FIGURES

Strategy 2024

Focus on new technologies and engineering production costs, business management platform and product standartisation to quickly adapt to emerging challenges

Etalon Group's strategy focuses on technologies that enable the Company to improve process efficiency while further expanding its business and that, at the same time, offer excellent potential for further commercialisation. By building its strategy around its key business processes, Etalon Group is making its business more adaptable to the external environment while also creating competitive advantages that will be sustainable in the long term.

The Company plans to further expand its core business – residential real estate development – by acquiring new projects and increasing supply in its key regions, partly through inorganic development, and also by further expanding into new markets. This expansion will be based on increases in business efficiency, flexibility and the speed of construction thanks to product standardisation, the development of a digital business management platform and the assimilation of new technologies for prefabricated housing construction through Etalon Group's R&D division.

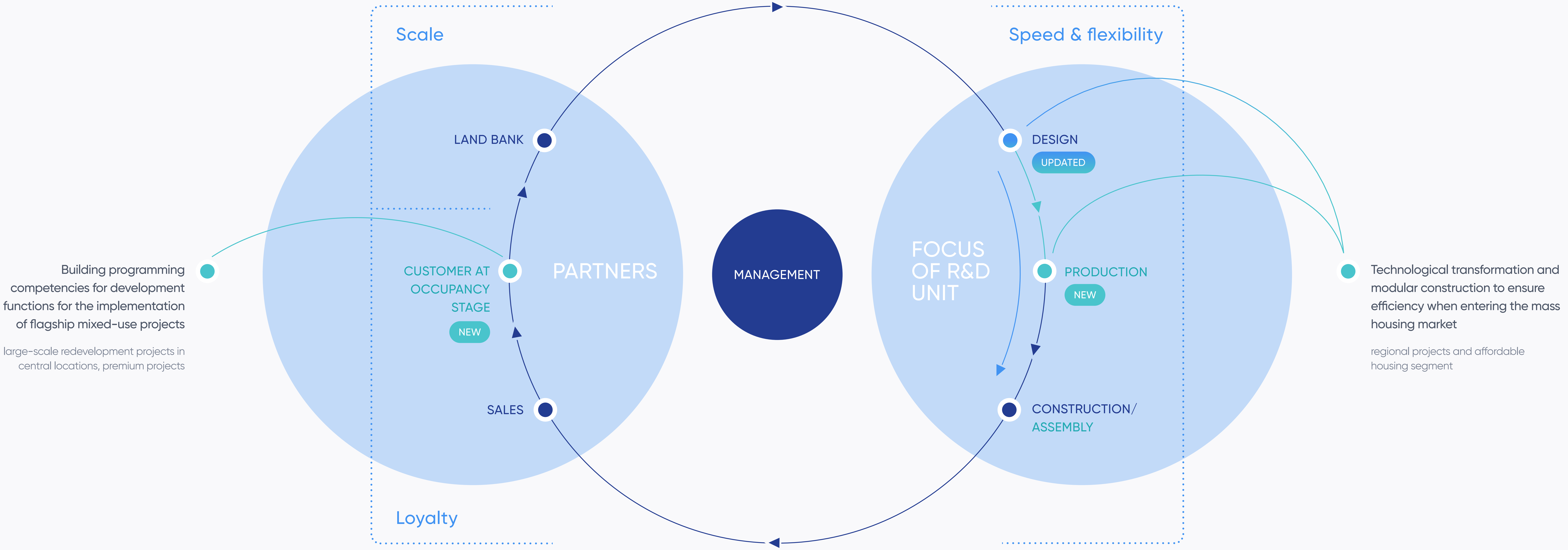
With an eye to accelerating changes and industry development trends as well as an understanding of available resources in a constantly changing external environment, Etalon Group's strategy re-engineers all of its business processes: from working with land assets and design to construction, sales and occupancy.

Strategy for developing the value chain

In responding to industry challenges, we are completely revising our model for value creation. We are paying particular attention to reforming our design function as a starting point for the development of our product's economic and consumer properties. In addition, we are developing a new stage in our value chain, production, which will enable us to further reduce the amount of construction work carried out at construction sites and to develop off-site housing construction in order to shorten the construction cycle and reduce costs.

We are committed to further increasing customer loyalty and generating repeat purchases through implementing large-scale integrated development projects and creating a balanced environment for living, working and relaxing at our housing complexes, as well as by developing our property management business: improving the quality of customer relations and providing services at the occupancy stage.

The changes to our business model embedded in our strategy will enable us to achieve competitive advantages even in the face of macroeconomic volatility and to act as a consolidator in Russia's housing development market.



Key goals and objectives to 2024

Size of the business

- A balanced portfolio with good locations in at least seven regions, meeting the operational needs for threefold business growth
- Raising the volume of current construction to at least 2.5 mln sqm during the strategic horizon

INDUSTRY LEADING PROFITABILITY

gross margin

DOUBLE DIGIT GROWTH

sales growth in monetary terms from 2022

Digital platform

- Predictive analytics and the use of automated solutions in master planning
- Proprietary solution for real-time construction oversight (CONTRUST)
- Engineering product cost and quality at all stages of the project life cycle
- Reducing SG&A expenses by automating procurement processes
- Industry-leading role in the development of BIM technology: parametric modelling and AI in development

New construction technologies

- Launch in 2022 of pilot production of modules as well as architectural and engineering solutions for the new technology
- Incorporation of technologies for industrial (hybrid and modular) housing construction – up to 85% prefabrication

15%–20%

shorter construction cycle

Product identity

- A competitive product diversified by segments in line with standards – Company know-how
- New product design solutions and business models to meet customer needs
- Creating an environment for the development of appealing and sustainable communities

>30

NPS score at the occupancy stage

Business diversification

Development of complementary business streams in higher-margin segments:

- Property management business and subscription-based services
- Managing multifunctional clusters
- Modular products in new segments for the Company

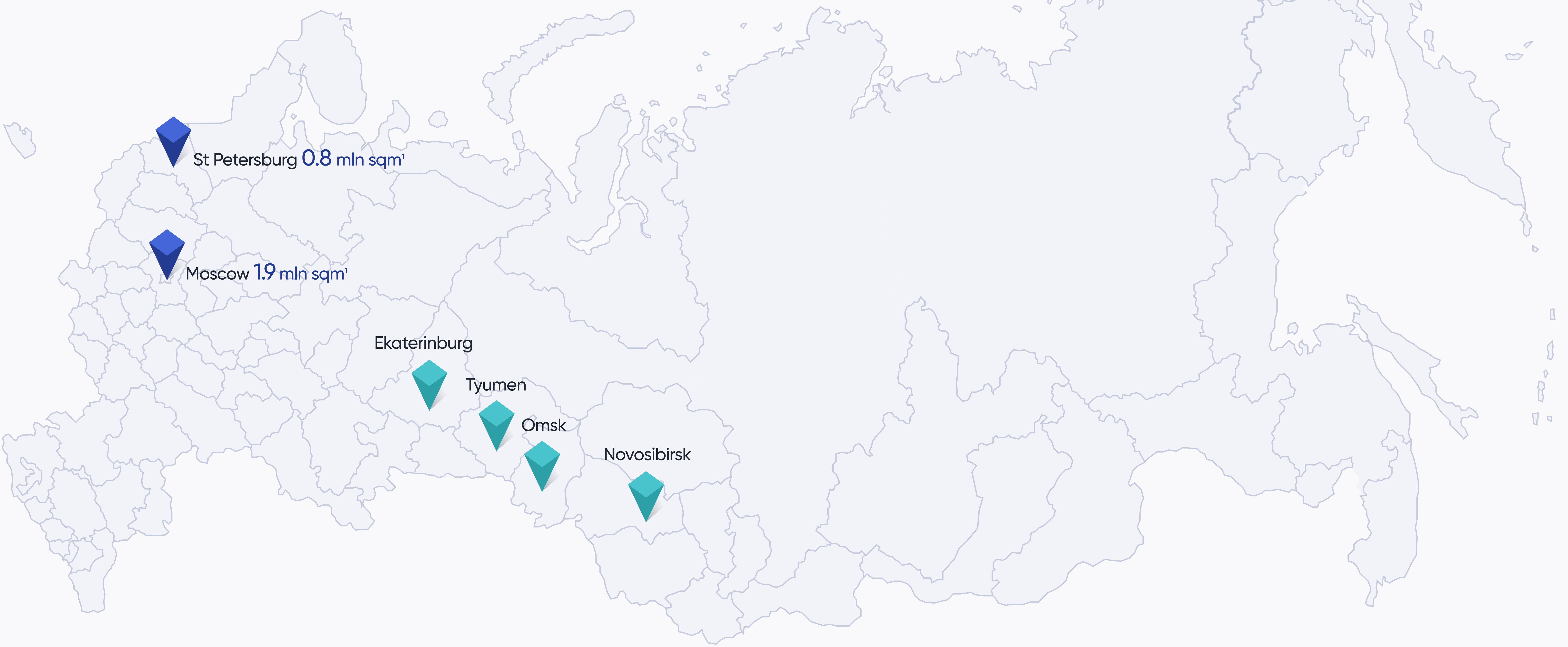
Ways to achieve our strategic goals

1. ENSURING EFFICIENCY ALONGSIDE BUSINESS GROWTH AND RESPONDING TO THE CHALLENGE OF SEGMENT POLARISATION

As industry consolidation speeds up, efficient players are able to scale up their businesses and increase their market share even in the face of macroeconomic volatility and declining affordability of housing in the midst of rising interest rates.

To ensure further business growth, Etalon Group has expanded its project portfolio by 3.7 mln sqm since the launch of its acquisitions programme in 2021, thus becoming one of the leading nationwide developers operating in six regions. The Company plans to further expand its business as more and more small and medium-sized players exit the market.

Etalon Group's regions of operations



Ekaterinburg	Tyumen	Omsk	Novosibirsk
1.5 MLN SQM	0.1 MLN SQM	1.4 MLN SQM	0.3 MLN SQM
Project NSA[1]	Project NSA[1]	Project NSA[1]	Project NSA[1]
2022–2034	2022–2026	2021–2030	2022–2026
Construction period	Construction period	Construction period	Construction period

[1] Unsold NSA as of 31 December 2021, according to Colliers International estimates.

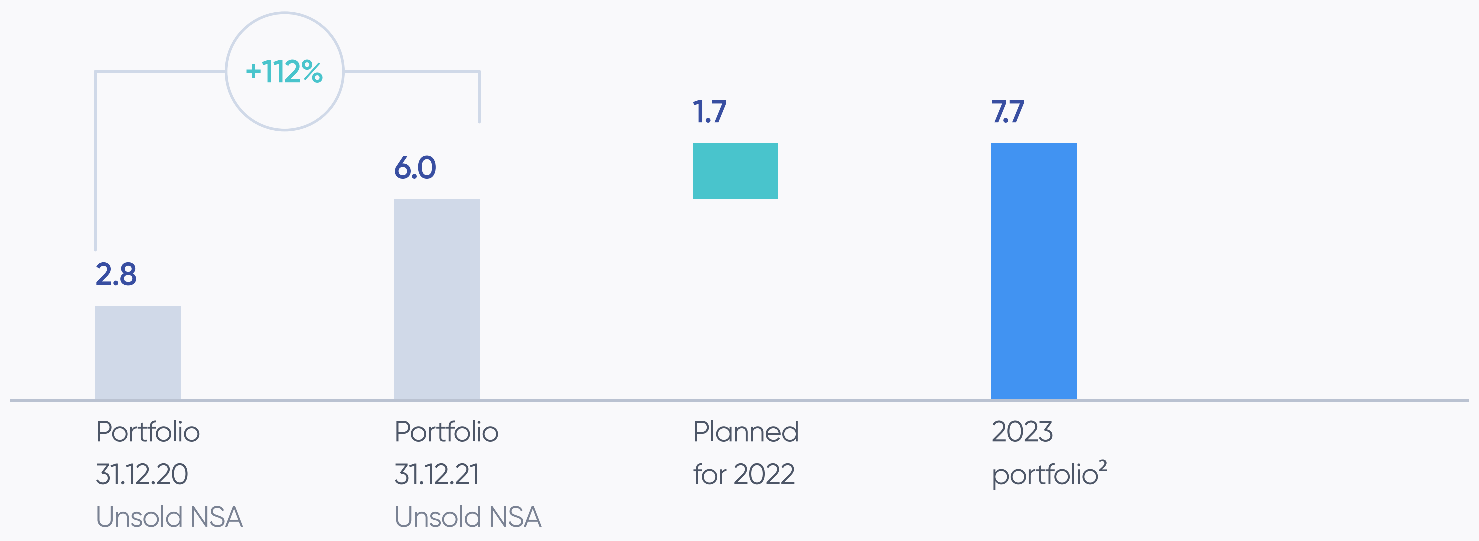
Portfolio replenishment for business growth

Following the replenishment of its project portfolio, the Company will be able to increase its new NSA for sale more than threefold. This will also enable the Company to compete with industry leaders in terms of the size of operations while ensuring stable double-digit growth in operational and financial metrics during the strategic horizon.

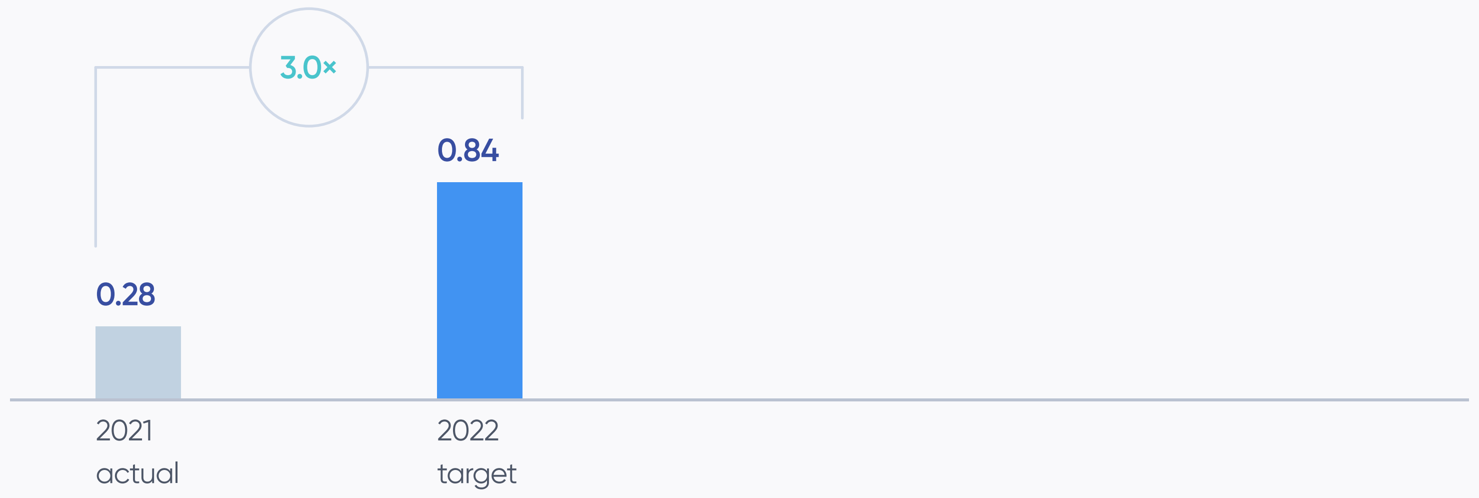
Further annual additions to the portfolio will be aimed at the consistent development of those housing segments that are most in demand: (1) the mass market, which provides the market with quality affordable housing, and (2) the upper price segment, for investment and acquisition by high-wealth customers in the Company's key regions of operations.

Ongoing subsidy programmes for young families and an increase in mortgage loan limits up to RUB 12 million in the Group's core regions (Moscow and St Petersburg), as well as the doubling of mortgage sizes in other regions (to RUB 6 million) together with efforts to make Etalon Group's product more affordable will ensure stable demand in the face of declining supply.

Acquistions programme, NSA, mln sqm[1]



New launches, NSA, mln sqm[1]



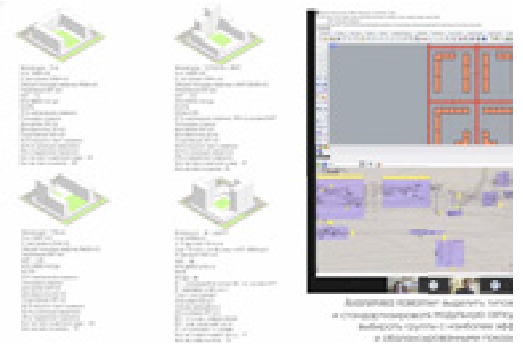
[1] Net sellable area
[2] New contracts in 2022 are not taken into account.

Approach to mass-market projects and operations in new region

Etalon Group's key goal in terms of quality affordable housing is to become a cost leader: ensuring the best production cost while maintaining the high quality of its product.

Standardisation

Entering regional markets and the lower price segment in traditional markets with a standardised product make it possible to engineer the cost of construction and installation works and to obtain better terms when purchasing construction materials and equipment as a result of economies of scale.



Example of the modular grid standardisation process

Facades developed using digital technology

Example of standardised finishing for an entrance lobby

Land affordability

The development of partnership arrangements to take part in projects through the creation of joint ventures with local players, the conclusion of investment agreements with regional governments, as well as other partnership arrangements and the purchase of existing businesses (M&A) will greatly reduce the cost of taking part in projects in the context of the rapid consolidation of the industry in 2022.

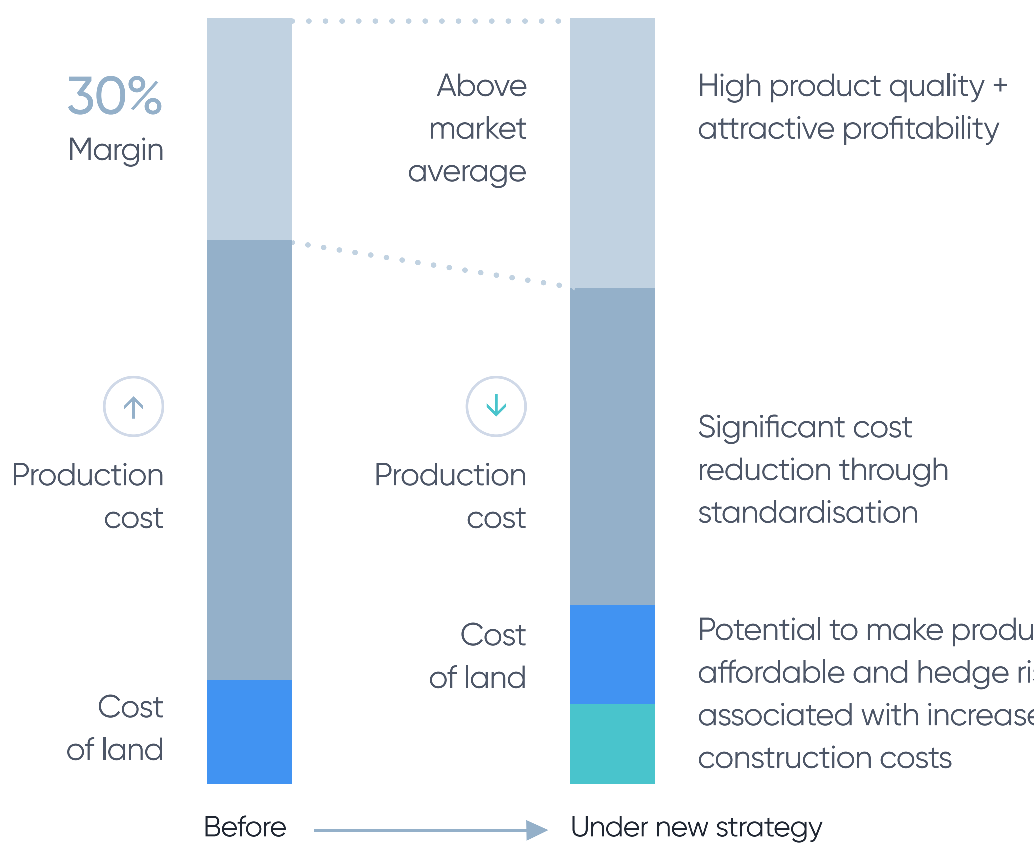
Reducing specific overhead costs when scaling up

Thanks to an effective regional business management system achieved through the centralisation of the back-office, procurement and design functions, we will be able to count on project margins that are comparable to those of our key markets.

Increased affordability as a result of lower costs and greater competitiveness

Work aimed at efficiency improvements will enable the Company to create a tool that can later be used to subsidise mortgages and to make housing more affordable for Etalon Group customers.

Efficiency gains from changes in the market environment



In 2022, we will complete the transition from our existing product to version 2.0, a standardised product for the middle-class and mass-market segments, and we will apply the new product standard both in our new regions of operations and for projects being built in outlying areas around Moscow and St Petersburg. At the same time, our clients will be able to customise the product thanks to the development of a methodology for large-scale customisation during the design phase, which will enable the Company to meet the needs of a wide range of consumers with comparable incomes.

Approach to large redevelopment projects in Moscow and St Petersburg and premium projects

The Company's key goal in the upper price segment is to become a leader in terms of product quality, which will enable the Company to receive excellent price premiums.

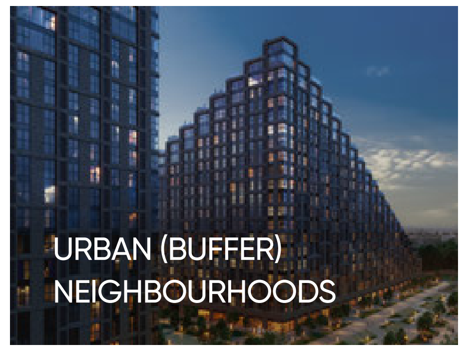
Urban planning

Our large development projects are built according to the 15-minute principle, whereby all major commercial, business and public infrastructure is accessible within a 15-minute walk.

We have greatly expanded the mechanisms we use for working with land plots by launching so-called activation programmes aimed at increasing project capitalisation step by step within the framework of large-scale integrated development projects.

Architecture

In the context of our work on product quality, we are developing a classification system for buildings in response to various lifestyle-related requests from our customers.



- the inclusion of high-rise centrepieces that create a unique skyline
- the availability of developed pedestrian routes and transport accessibility
- the terracing of buildings in the interior of the development
- state-of-the-art acoustic insulation

- a comfortable number of stories
- extensive softscaping in courtyards
- a large number of unique and diverse layouts: two-level apartments, apartments with rooftop terraces, terraced buildings
- proximity to public amenities

- neighbourhoods alongside parks or riverside embankments
- diverse building types and apartment layouts
- courtyards as a continuation of a park or riverside embankment
- commercial premises on ground floors

- the sensation of living in a metropolitan city
- facilities where new jobs can be created
- close walking distance to metro stations and mass-transit hubs
- intimate, private courtyards with restricted access
- a feature-rich environment
- offices and co-working spaces

Examples of developments for the upper price segment

Mixed-use

In our efforts to develop new ways to create a comfortable living environment and in response to existing urban-planning challenges in Moscow, we are establishing principles for the construction of mixed-use development projects that provide an optimal balance of residential, commercial, business, social and recreational functions within one project.

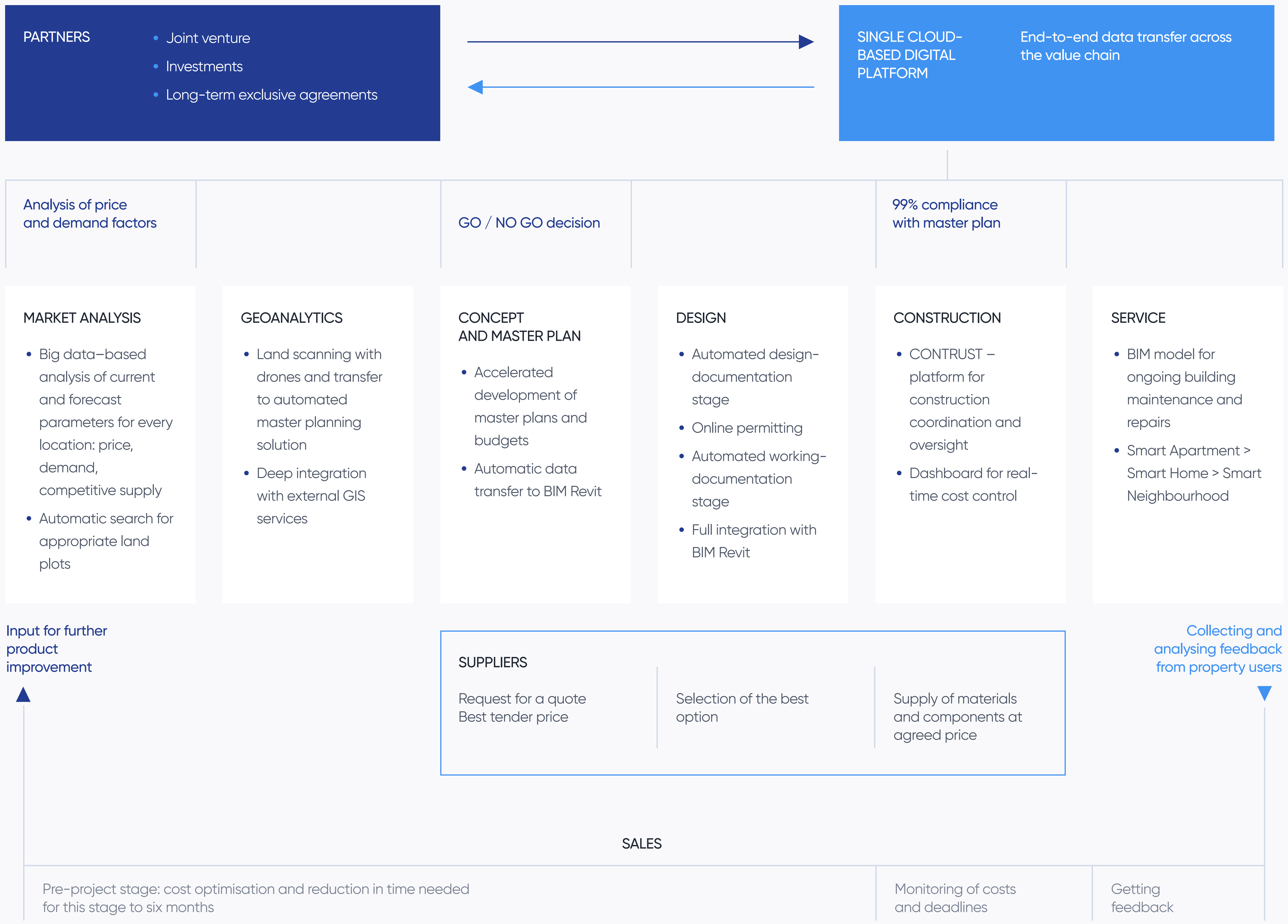
The construction of mixed-use projects in the Moscow region will also enable us to obtain further significant reductions in fees for changing the permitted land use of our existing projects.

2. DEVELOPMENT OF COMPONENTS OF DIGITAL PLATFORM FOR EFFICIENT MANAGEMENT OF BUSINESS GROWTH AND DEVELOPMENT OF NEW PRODUCT SOLUTIONS

Expanding the scale of our business generates a need for faster decision-making and more transparency in our business processes. Our priority in 2021 was to build the platform's overall infrastructure and reduce the number of duplicate functions, including by moving certain functions to the platform's systems.

The platform includes in a single seamless cycle all stages involved in the creation of a development project – from market analysis to construction, collecting feedback at the stage of occupancy and property management, and customer and partner relations.

Business management digital platform



The following are the key projects involved in the development of the digital platform

01

Predictive analytics

Installation of an AI-based location analytics system to determine the most important parameters in selecting the project segment and forecasting the cost per sqm. The system is currently undergoing testing.

02

Solution libraries and standardisation

Development of a library of standardised elements and a methodology for the creation of design solutions that make it possible to create numerous variations of a product solution while optimising its cost. It is currently in the final stage of development, with its launch scheduled for 3Q 2022.

03

Digital technical specifications

Etalon Group is planning, during the strategic horizon, to automate the process of creating and revising its technical design specifications, as well as to link its technical specifications with its library of structural elements and materials through its BIM system.

04

Master planning robot

Automated master planning with functions for creating concepts for mixed-use development morphotypes, including transportation and social infrastructure, site-specific solutions, ready-made collections of standardised design solutions and algorithms for use at the design and working-documentation stages.

05

CONTRUST

Launch of a real-time construction oversight system that uses digital tools to manage the timing, cost and quality of in-progress investment and construction projects. Proprietary information systems have been developed that customers can use to follow daily updates and project dynamics, leave comments and monitor progress in terms of document approval.

06

Centralised procurement

Automation of the centralised procurement and supply system aimed at reducing costs and construction time. The existence of an automated centralised procurement system as part of the digital platform enables the rapid integration of new suppliers and reorientation towards new procurement channels; in the future, it will also make it possible to optimise supply chains and achieve economies of scale when managing a business with a broad geographic footprint.

07

BIM during operations

Integration of utilities and telecommunication systems into a single network in order to reduce costs and provide seamless services for the developer and the management company.

The digitalisation of processes makes it possible to greatly reduce the time needed to retrieve information, to reduce the overall project completion time, to achieve an exceptional level of security and, in general, to improve the efficiency of work processes.

3. SHORTENED CONSTRUCTION CYCLE AND GENERATION OF FREE CASH FLOW

In addition to its efforts on product standardisation, Etalon Group is working on the standardisation of individual structural and engineering elements to be followed by industrial-scale production of said elements both independently and in partnership with innovative companies focused on the construction sector. This approach creates new opportunities for product customisation and also helps fully realise the potential for further development of state-of-the-art housing construction at off-site facilities. Off-site production improves construction efficiency, enables process consistency, reduces delays associated with, among other things, seasonal weather, and greatly reduces the time needed to hand over the keys to customers.

Etalon Group is transitioning to off-site production, incrementally increasing the degree of prefabrication in the context of existing cast-in-place technology (installation of manufactured panels for external and internal load-bearing walls, application of modular components and engineering systems) and developing a new technology – modular housing construction.

Piloting of available prefabrication technologies and adapting them for subsequent use in combination with traditional cast-in-site technology (hybrid technology)

Since 2021, the Project on Chernigovskaya Street and Galactica have been using hybrid technology, which increases the amount of prefabrication from 20% to 40% of the cost of construction and installation works. This is achieved thanks to factory-made structural elements for buildings, such as internal partitions and prefabricated facade panels.

Etalon Group properties also use technology for prestressed floor slabs. The main advantage of this technology is the considerable length of spans that can be achieved with minimal production costs and installation time while maintaining a high degree of reliability.

In the future, the Company will increase prefabrication by means of off-site production of key assemblies, engineering systems, plumbing and other finishing details insofar as customers' preferences shift towards shorter wait times between the acquisition of a mortgage for a property under construction and moving into a finished apartment. This technology has the potential to increase prefabrication to 60% of the cost of construction and installation works.

Modular technology

In terms of the development of construction technologies, the Company's priority is the construction of ready-to-assemble modular multi-storey buildings using off-site prefabrication technology, with the possibility of complete external and internal finishing (including furnishings and bathroom facilities). In the long term, the incorporation of new technologies will enable the Company to shift about 85% of the construction cycle for an apartment building off-site. Etalon Group plans to launch production of its modules in 2022.

The modules are made of lightweight steel elements to optimise transport and assembly at the construction site. The technological solutions employed improve insulation in comparison with traditional technology. At the same time, the technology enables Etalon Group to maintain all of its existing apartment layouts.

The Company will start implementing projects using this new construction technology in 2023.

Assembly of prefabricated reinforced concrete walls as part of cast-in-place construction

Installation of a large-span slab with prestressed reinforcement

Development of partnerships for the installation of prefabricated elements at Etalon Group properties

Production of modular prefabricated housing

A shorter construction cycle will make it possible to lengthen the pre-sale period by a comparable amount of time and, as a result, reduce the project financing rate. In the framework of the new project life cycle, the pre-sales period can be as long as 12 months, during which the Company will be able to sell up to 50% of available NSA. A further 30%–40% can be sold during the period of production and on-site assembly. Thus, at the moment a project is completed, the Company, as before, expects to have sold about 80% of all the apartments in the project.

15%–20%

reduction in the construction cycle

>50%

percentage of new contracts signed before the start of construction

20%–30%

cost reduction upon switching to off-site production thanks to a reduction in upfront expenditures and overhead costs, the placement of equipment on-site, etc.

0.01%–4%

expected interest rate for project financing

Strategy implementation in figures

Since the announcement of its strategy in 2020, Etalon Group has been successfully moving towards fulfilment of its strategic goals. We have managed to achieve a leading position in terms of profitability, to double our land bank and to become one of the largest nationwide companies as well as a leader in terms of undertaking a technological transformation to further strengthen its leadership positions and to ensure implementation of its strategy in an ever-changing external environment.

	2020 strategy announcement	2021	2024
PROJECT PORTFOLIO	3.3 MLN SQM[1]	6.0 MLN SQM	>6.0 MLN SQM
NUMBER OF REGIONS OF OPERATIONS	2	6	7
PRE-PPA GROSS MARGIN	29 %[2]	36 %	>35 %
RATIO OF SALES AND ADMINISTRATIVE EXPENSES TO REVENUE	14 %	12 %	10 %
RATIO OF NET CORPORATE DEBT TO PRE-PPA EBITDA	1.8x	0.1x	2x–3x

[1] In the context of the announced strategy, this metric is indicated as of the end of 2019

[2] Based on 1H 2020 financial results

Project portfolio

36 .... PORTFOLIO HIGHLIGHTS

37 .... 2021 ADDITIONS TO PROJECT PORTFOLIO

39 .... CURRENT PROJECT PORTFOLIO

42 .... INTEGRATED DEVELOPMENT PROJECTS

48 .... BUSINESS-CLASS PROJECTS

52 .... COMFORT-CLASS PROJECTS

Portfolio highlights

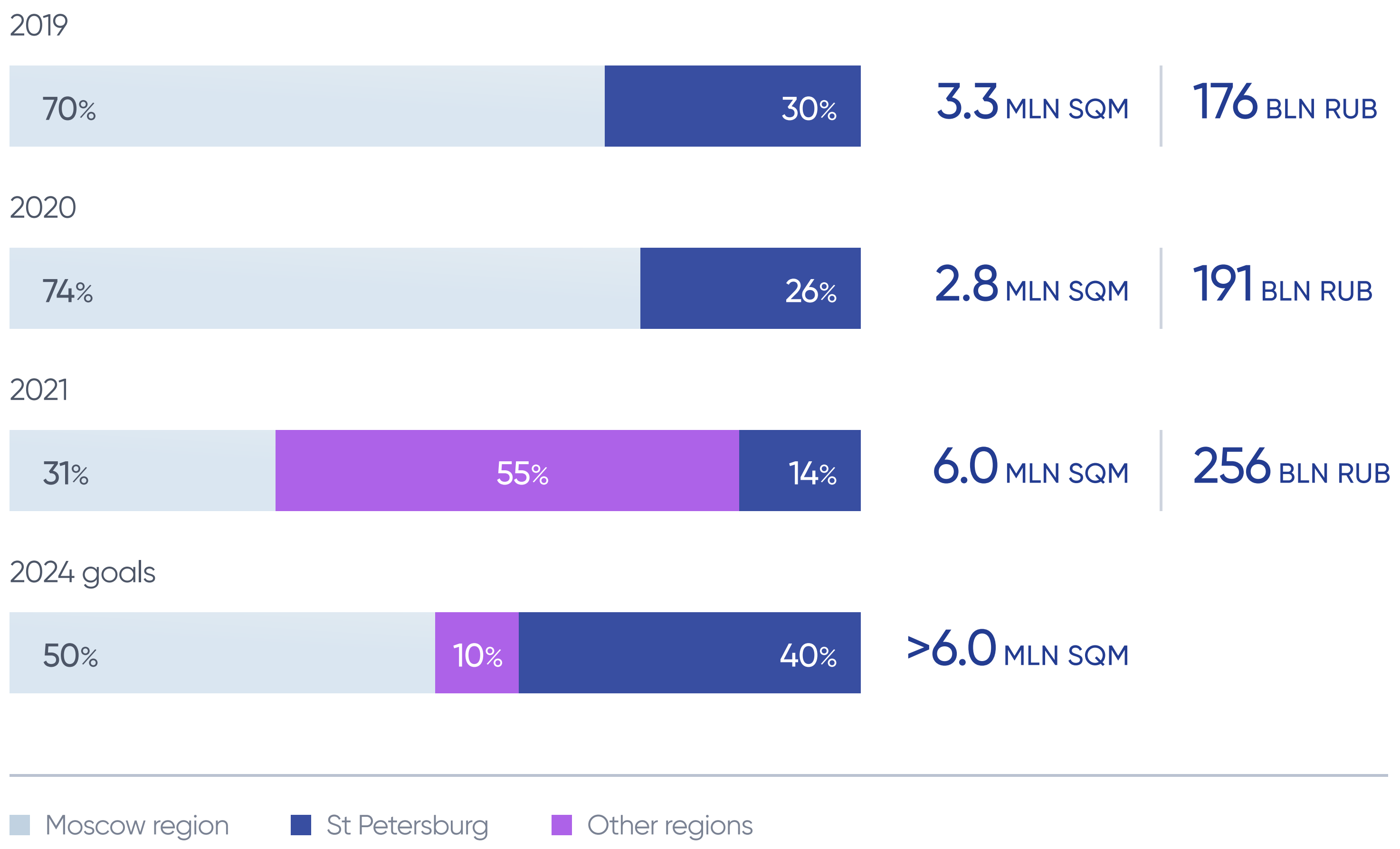
BALANCED PROJECT PORTFOLIO AS OF 31 DECEMBER 2021

As of 31 December 2021, Etalon Group's portfolio included over 60 projects of various classes and sizes located in St Petersburg and the Moscow Metropolitan Area, as well as projects acquired in the Company's new regions of operations. Colliers International estimated the market value of the portfolio to be RUB 256 billion.

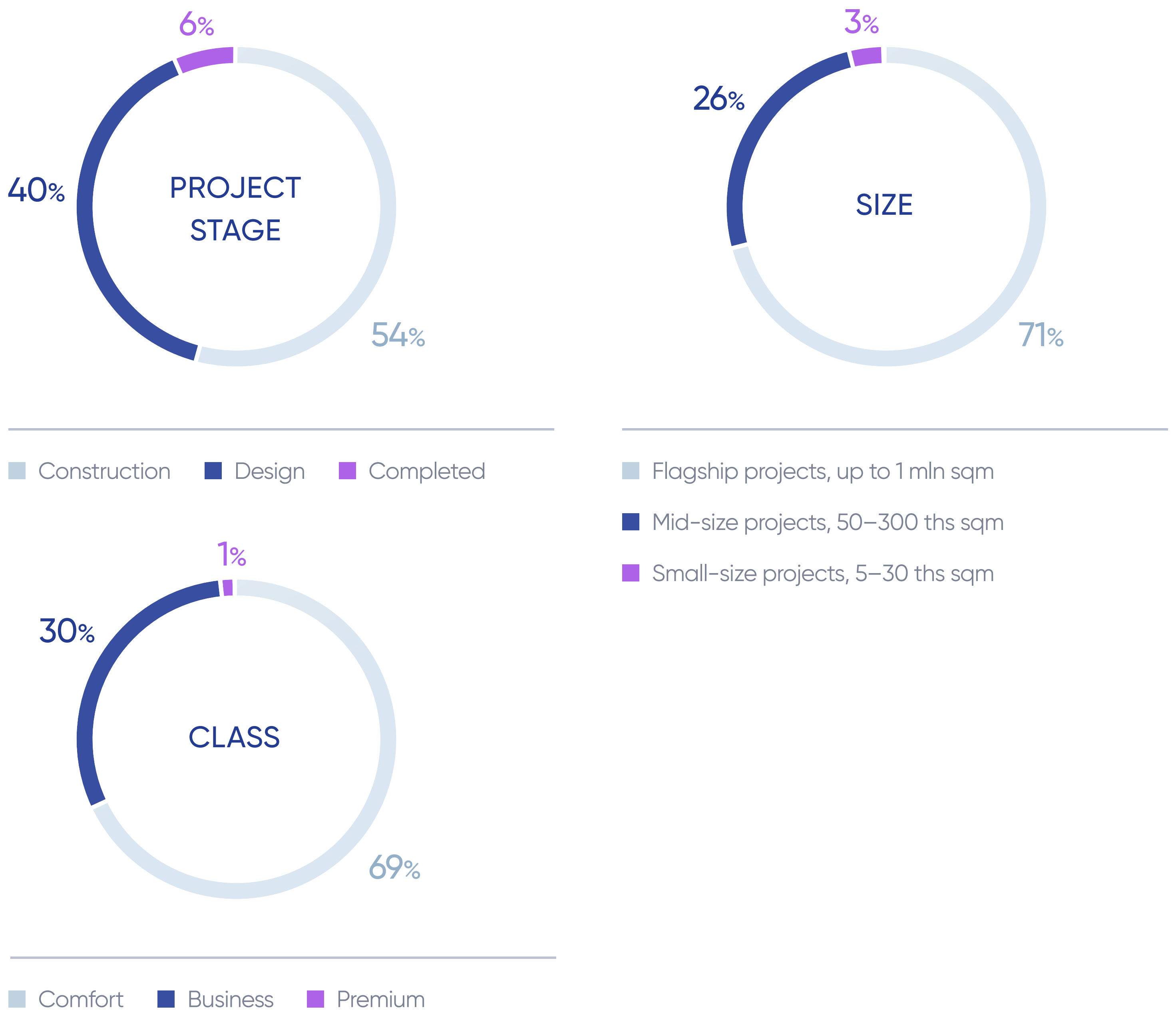
Market value of project portfolio

BLN RUB

Project portfolio by region, sqm (unsold NSA)



2021 portfolio breakdown, sqm (unsold NSA)



2021 additions to project portfolio

In FY 2021, the Company acquired five new projects with a total NSA of about 2 mln sqm. In addition to new sites to expand its portfolio in its key regions, Etalon Group increased its land bank with new projects in Omsk and the Novosibirsk region.

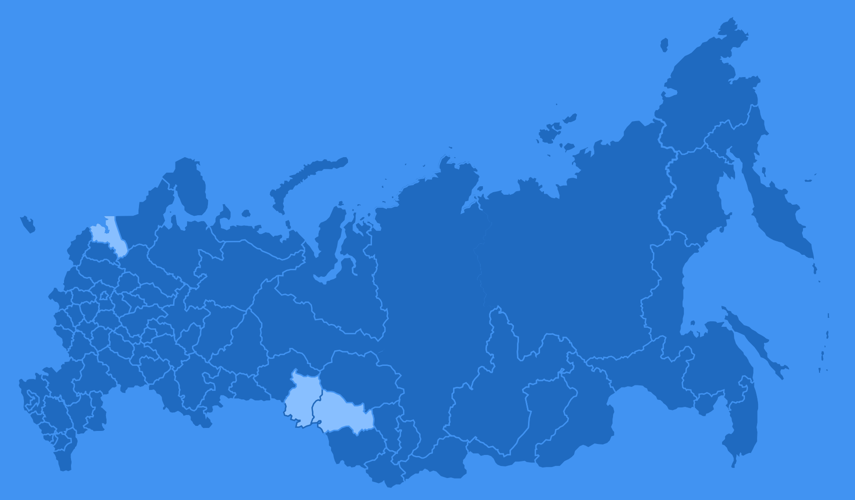
The Company plans to add to its portfolio at a faster pace by acquiring around an additional 3.5 mln sqm in 2022 in Moscow, St Petersburg and other Russian regions.

HIGHLIGHTS

2021

1.9 MLN SQM

new acquisitions



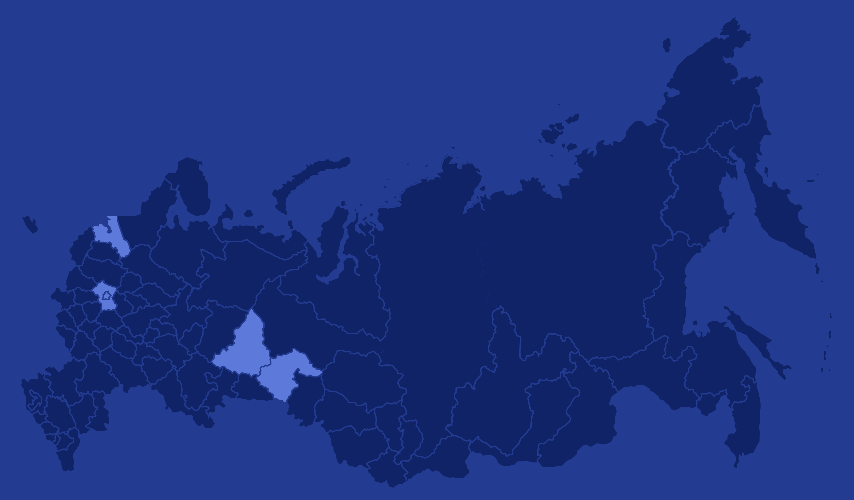
Entered two regions (Omsk, Novosibirsk)

PLANS

2022

3.5 MLN SQM

acquisitions in St Petersburg, Moscow and other regions



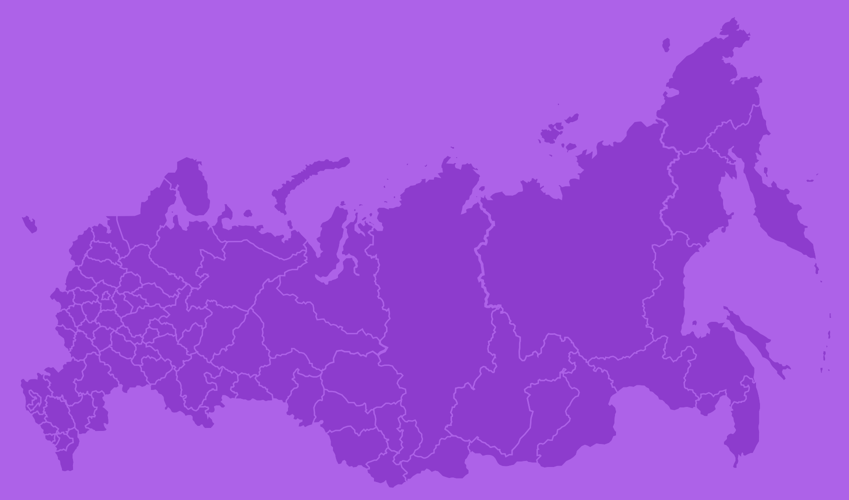
Already entered two regions (Ekaterinburg, Tyumen)[1]

STRATEGIC GOAL

2024

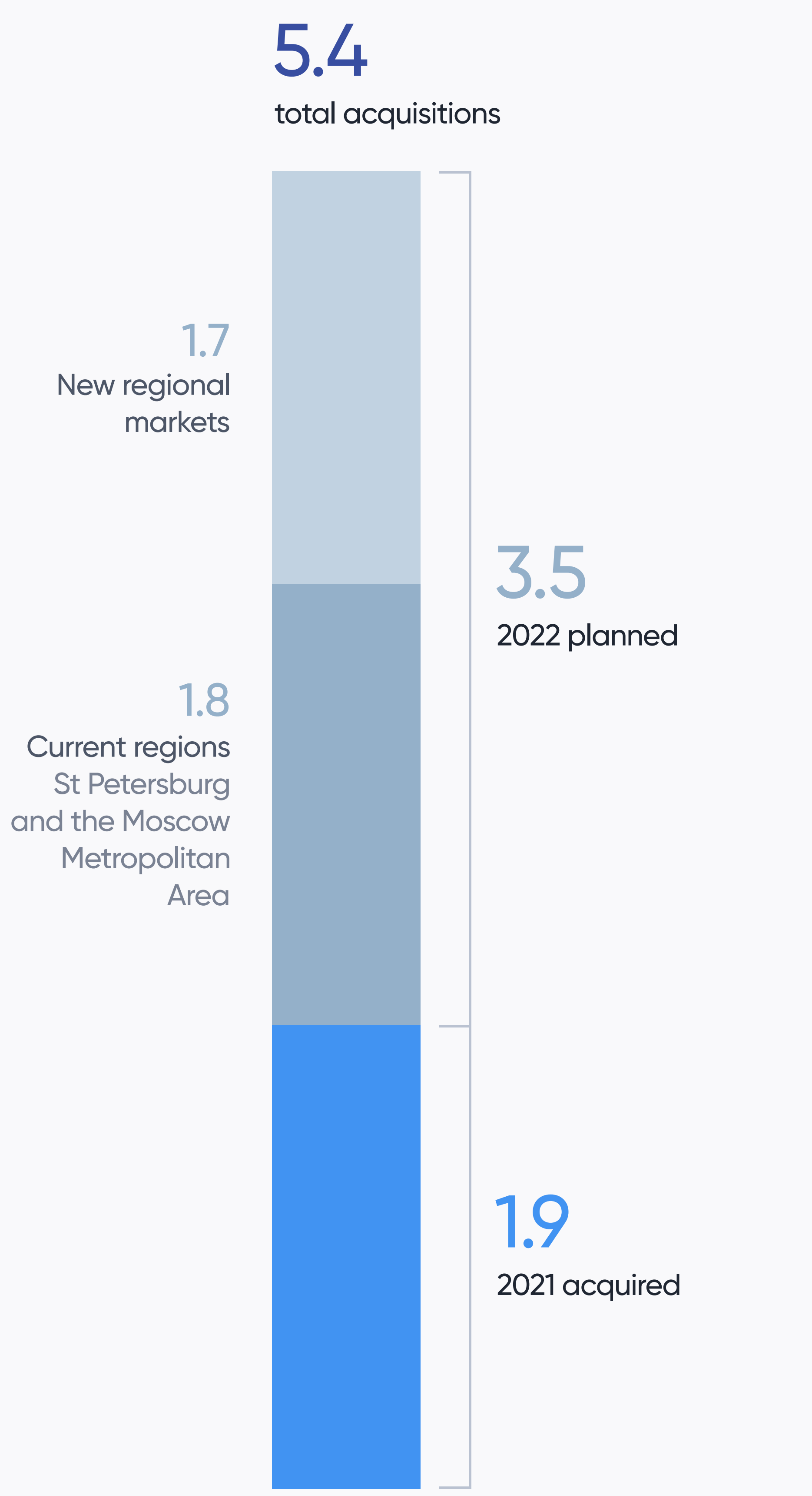
> 6 MLN SQM

added to the project portfolio



Enter five new regions

Acquisitions programme, NSA, mln sqm



[1] As of 10 February 2022.

Acquisitions in key regions

Pushkin Village

ST PETERSBURG

Planned NSA: 130 ths sqm

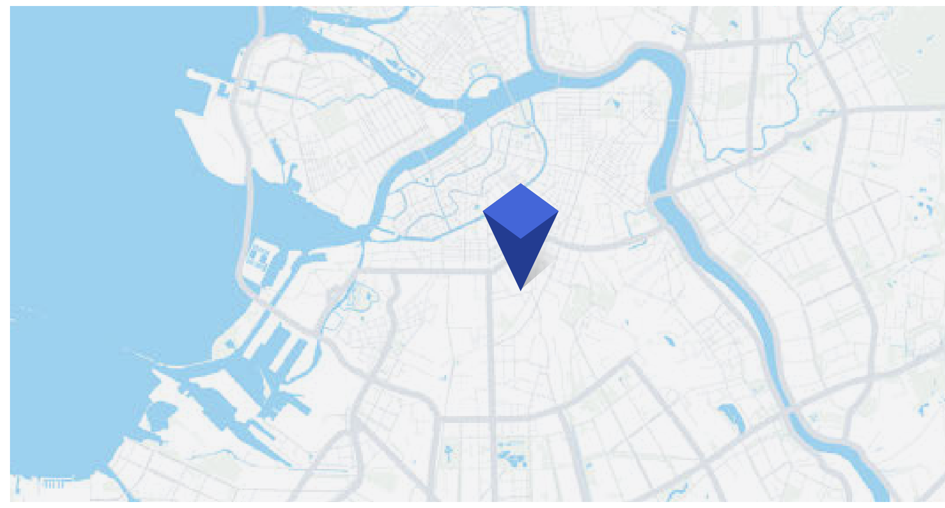
Planned residential and commercial NSA: 112 ths sqm

Construction timeline: 2022–2025

Launch of sales: 2022

The project entails the construction of a comfort-class low-rise residential complex with commercial and social amenities as well as parking for 360 vehicles. The site is located in an area with developed social, recreational and transport infrastructure. Within walking distance are shops, preschools, schools and post-secondary institutions as well as medical and sports facilities. With its proximity to the Aleksandrovskiy and Ekatermininskiy Parks, public gardens and architectural landmarks, residents will have ample ways to enjoy their free time without leaving the neighbourhood.

With two railway stations, public transport routes and convenient road connections, the project offers excellent transport accessibility: it takes 10–15 minutes to reach the Western High-Speed Diameter and the Ring Road, 20 minutes to reach Pulkovo Airport and 10 minutes to reach the Expoforum Convention and Exhibition Centre.



Project on Kievskaya Street

ST PETERSBURG

Planned NSA: 28 ths sqm

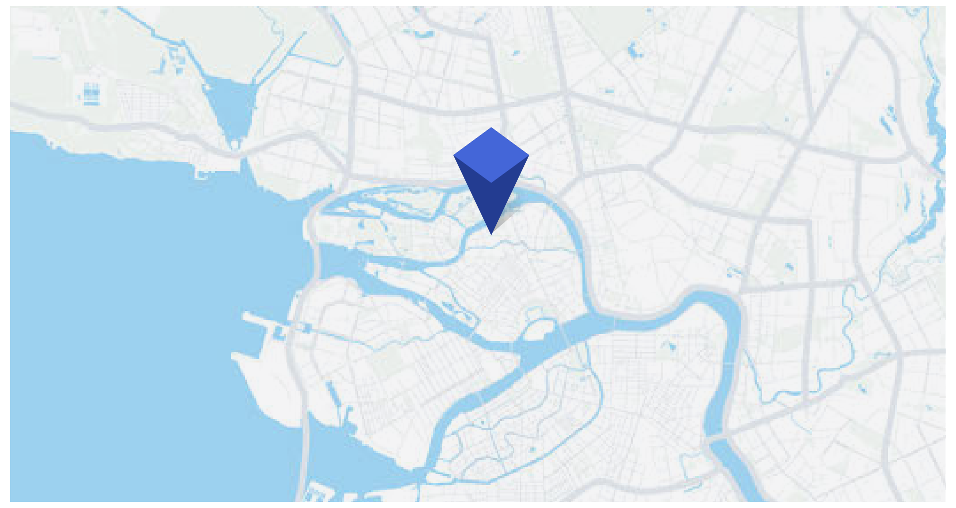
Planned residential and commercial NSA: 24 ths sqm

Construction timeline: 2022–2025

Launch of sales: 2022

The construction site is located in an area adjacent to the historical centre, just 1 km from Obvodniy Kanal and 5 km from Nevskiy Prospekt. In addition, future residents will be able to take advantage of the extensive infrastructure in the area, including schools and preschools, shops and supermarkets, medical centres, several sports centres, a swimming pool, Moskovskiy Stadium, several business centres and numerous cafes.

The project is located near Moskovskiy Prospekt, one of St Petersburg's main thoroughfares. There are two metro stations within walking distance.



Project on Professor Popov Street

ST PETERSBURG

Planned NSA: 63 ths sqm

Construction timeline: 2023–2026

Launch of sales: 2023

The new premium-class project is located alongside Pesochnaya Naberezhnaya, within walking distance from the Vyazemskiy and Lopukhinskiy Parks. Two of St Petersburg's most prestigious districts – Krestovskiy Island and Kamenniy Island – can be easily reached from the future complex. A variety of recreational areas as well as commercial infrastructure and sports facilities can also be found nearby the project.

The residential complex will offer convenient access to Kamennoostrovskiy Prospekt, one of St Petersburg's main thoroughfares. The Western High-Speed Diameter and the Spit of Vasilievskiy Island can be reached in about 10 minutes by car.

Regional expansion

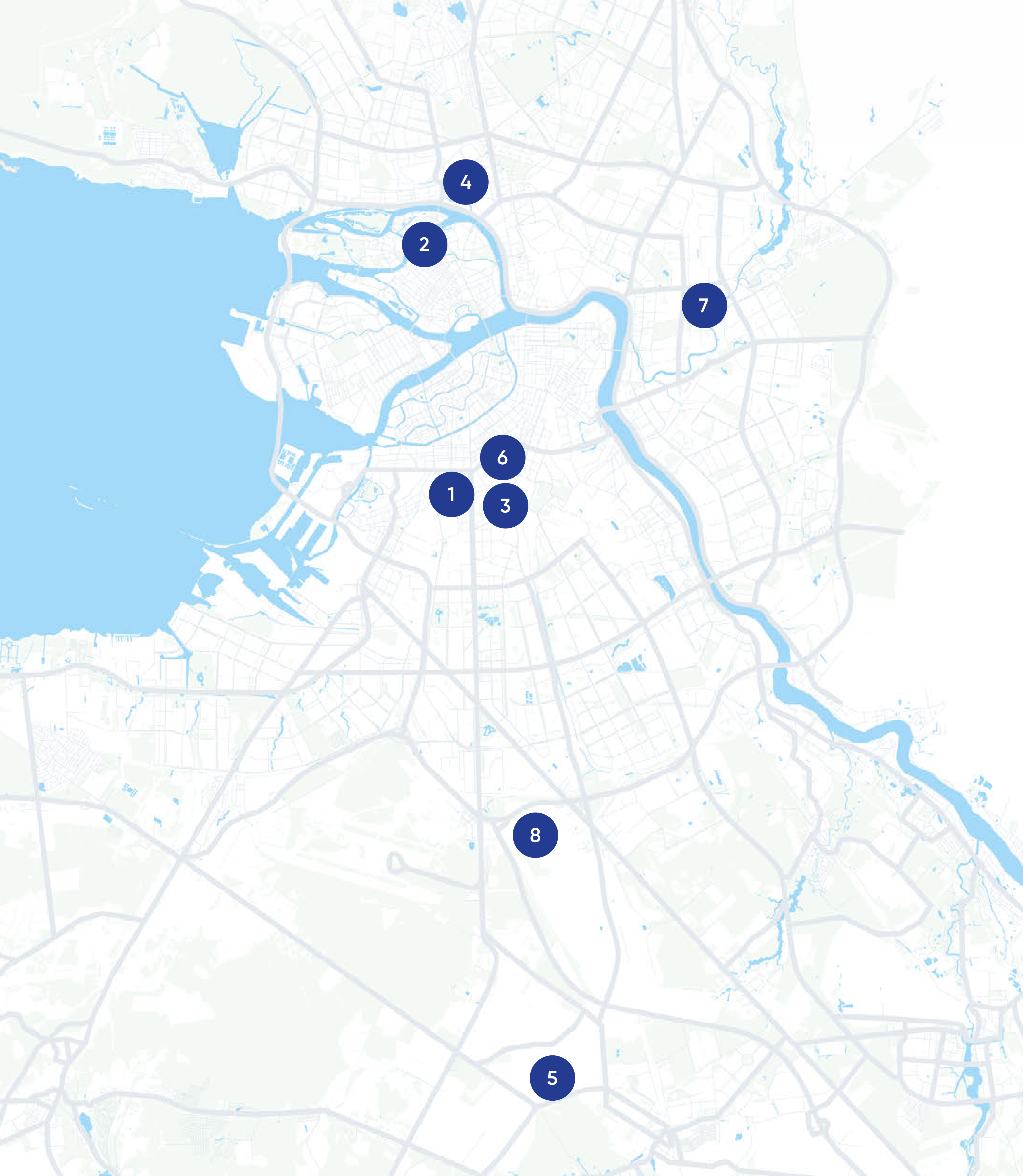
As part of its development strategy to 2024, Etalon Group intends to expand into several Russian regions. In 2021, the Company acquired a number of projects beyond Moscow and St Petersburg and is negotiating to obtain the rights to carry out projects in other regions.

New regional projects in the Company's portfolio include an integrated development project in Omsk, known as Green River (NSA of 1.5 mln sqm), and a project in the Novosibirsk Metropolitan Area with NSA of about 280 ths sqm. In December 2021, the Company received a construction permit for the first buildings at its project in Omsk, and the Company is preparing to launch sales at its project in Novosibirsk by the end of 2022.

In early 2022, after the end of the reporting period, Etalon Group announced the acquisition of projects in Ekaterinburg and Tyumen, which it also expects to launch in 2022.

Current project portfolio

St Petersburg



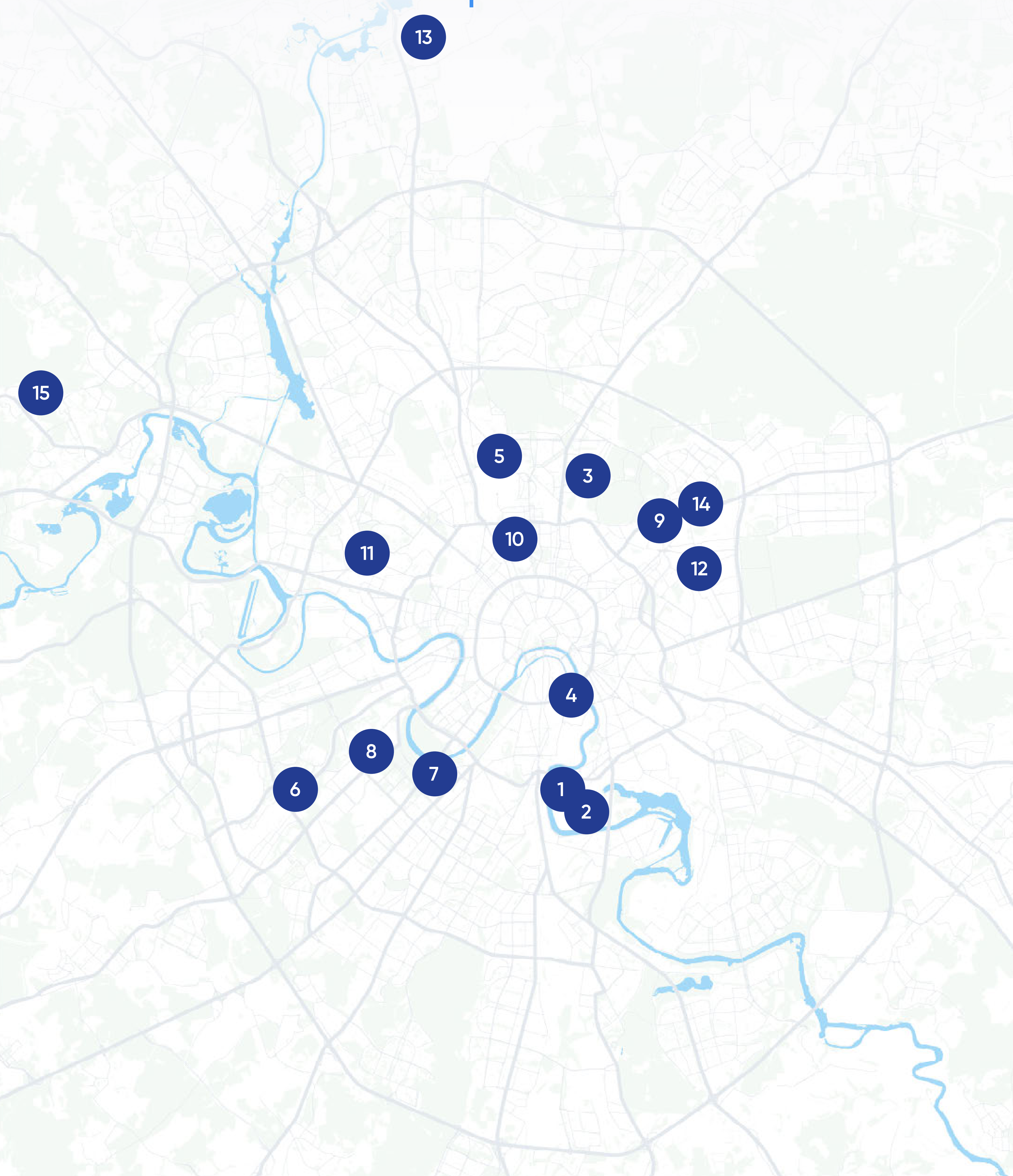
Projects	Status	Total NSA ths sqm	Unsold NSA ths sqm[1]	Unsold parking spaces	Market value RUB mln	Sales revenue RUB mln[2]	Construction budget RUB mln[3]	Outstanding budget RUB mln[3]
CURRENT PROJECTS								
ST PETERSBURG								
1 Galactica	Construction	744	169	1,408	21,760	86,967	49,122	14,239
2 Project on Professor Popov Street	Design stage	63	61	373	7,186	25,034	6,790	6,783
3 Project on Chernigovskaya Street	Construction	136	77	906	7,005	21,277	9,654	5,320
4 Domino	Construction	39	30	293	3,642	8,755	4,292	3,543
5 Pushkin Village	Design stage	130	112	0	2,056	15,923	10,842	10,798
6 Project on Kievskaya Street	Design stage	28	27	175	1,428	6,019	2,892	2,881
7 Project in the Krasnogvardeiskiy district[4]	Design stage	24	24	217	1,180	6,511	2,712	2,712
8 Project in the Pushkinskiy district[4]	Design stage	36	36	100	1,090	5,266	2,802	2,776
TOTAL ST PETERSBURG		1,200	536	3,472	45,347	175,754	89,106	49,052

[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 2021.
[3] Excluding land acquisition costs.
[4] Acquired at the beginning of 2022.

Source: Colliers International estimate as of 31 December 2021.

Current project portfolio

Moscow Metropolitan Area



	Projects	Status	Total NSA ths sqm	Unsold NSA ths sqm[1]	Unsold parking spaces	Market value RUB mln	Sales revenue RUB mln[2]	Construction budget RUB mln[3]	Outstanding budget RUB mln[3]
	CURRENT PROJECTS								
	MOSCOW METROPOLITAN AREA (MMA)[5]								
1	Zil-Yug	Construction	1,197	1,163	9,701	95,560	428,503	171,627	167,761
2	Nagatino i-Land	Construction	270	213	1,378	24,167	79,707	37,736	32,739
3	Silver Fountain	Construction	206	69	1,212	11,360	47,223	20,378	5,305
4	Voxhall	Construction	66	59	567	7,789	27,535	11,912	11,050
5	Project on Ogorodniy[4]	Design stage	100	100	617	5,649	28,476	13,243	13,243
6	Wings	Construction	169	45	336	4,472	39,891	18,824	6,076
7	Fotievoi 5	Design stage	11	11	72	1,374	5,736	2,188	2,186
8	Schastye na Lomonosovskom	Construction	6	0.5	10	966	2,392	1,376	430
9	House on Electrozavodskaya	Design stage	14	14	109	828	4,262	2,525	2,502
10	Project on Oktyabrskaya Street[4]	Design stage	11	11	87	855	3,395	1,825	1,825
11	Zorge 3	Design stage	12	12	99	521	3,183	2,494	2,494
12	Schastye na Semyonovskoy	Construction	6	1	9	508	1577	947	245
13	Gribki	Design stage	93	82	332	406	9,011	5,968	5,968
14	Bolshaya Cherkizovskaya 4	Design stage	7	7	46	357	1,924	1,089	1,089
15	Emerald Hills	Construction	859	10	181	0	60,516	40,648	3,870
	TOTAL MMA		3,027	1,796	14,756	154,812	743,331	332,780	256,783

[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 2021.
[3] Excluding land acquisition costs.
[4] Acquired at the beginning of 2022.
[5] Moscow, New Moscow and the Moscow region within 30 km from the Moscow Ring Road.

Source: Colliers International estimate as of 31 December 2021.

Current project portfolio

Other regions

Projects	Status	Total NSA ths sqm	Unsold NSA ths sqm[1]	Unsold parking spaces	Market value RUB mln	Sales revenue RUB mln[2]	Construction budget RUB mln[3]	Outstanding budget RUB mln[3]
CURRENT PROJECTS								
OTHER REGIONS								
1 Omsk: Green River	Construction	1,463	1,413	12,557	8,897	139,657	68,266	68,123
2 Project in Novosibirsk	Design stage	280	280	1,200	2,574	26,881	13,914	13,914
3 Project in Ekaterinburg[4]	Design stage	1,494	1,494	4,500	11,838	183,922	89,618	89,600
4 Project in Tyumen[4]	Design stage	212	106	885	1,790	8,310	4,329	4,329
TOTAL CURRENT PROJECTS		7,675	5,625	37,370	225,258	1,277,856	598,013	481,799
COMPLETED PROJECTS								
Residential property in completed projects		3,708	374	7,272	30,012	354,609		
Completed stand-alone commercial properties		4	4		491			
TOTAL COMPLETED PROJECTS		3,713	378	7,272	30,503	354,609		
TOTAL ETALON GROUP PROJECTS		11,388	6,003	44,642	255,761	1,632,465	598,013	481,799
PRODUCTION UNIT								
Production Unit's business and properties			18		14,285			
TOTAL ASSETS VALUE		11,388	6,021	44,642	270,046	1,632,465	598,013	481,799

[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 2021.

[3] Excluding land acquisition costs.

[4] Acquired at the beginning of 2022.

Source: Colliers International estimate as of 31 December 2021.

Integrated development projects

Zil-Yug

BUSINESS CLASS

MOSCOW

428.5 BLN RUB
Sales revenue

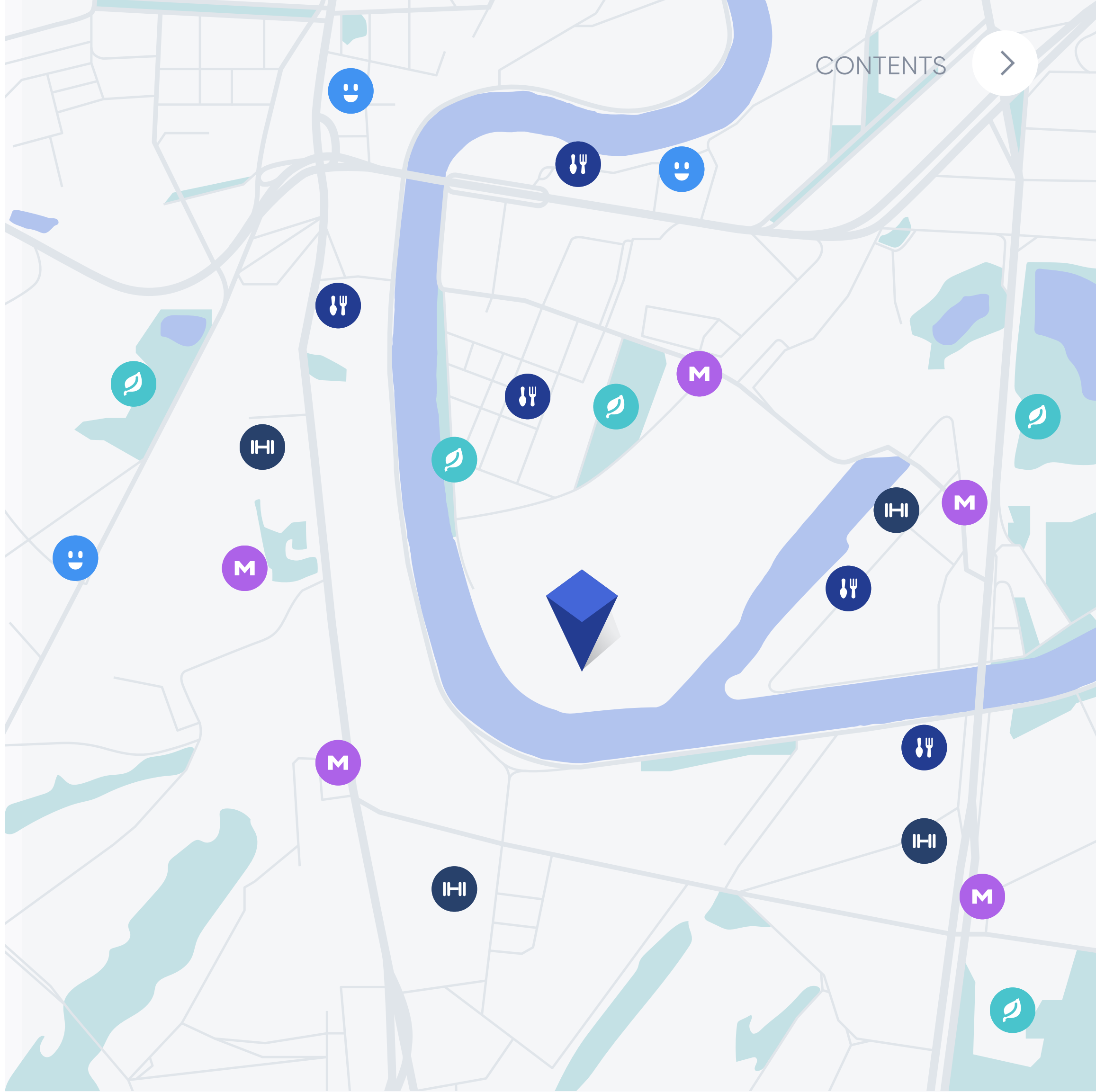
95,560 MLN RUB
Market value

1,197 THS SQM
Net sellable area

Zil-Yug is a large-scale redevelopment project based on an integrated approach to the design of the residential environment, the use of the latest technologies and the principle of being within a 15-minute walking distance from primary commercial and business areas as well as public spaces.

This project is being built on the grounds of the former ZIL automobile plant in an area that is now undergoing intense development. Within walking distance from the project can be found all the necessary social, commercial and sports infrastructure, including the CSKA Arena and the Olympic synchronised swimming centre. A state-of-the-art office cluster is located on an adjacent site. In addition, the project envisions the creation of its own commercial, public and recreational infrastructure in line with the concept of a "15-minute city".

The complex is located on the banks of the Moskva River and the Novinki Backwater, next to the fully modernised and developed Marc Chagall Embankment. The park on the grounds of the embankment includes themed walking trails, jogging and cycling paths, therapeutic trails and a riverside amphitheatre. Plans are also in place to add swimming pools, a garden on the water and architectural installations.



5 km — 15 minutes to the Garden Ring

7 km — 25 minutes to Red Square

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 historical 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.

2021–2030
construction timeline

Urban-planning solutions and technologies

15-minute city

Drawing on international experience, Etalon Group together with the leading Dutch urban-planning and architectural company KCAP and the Citymakers team developed a modern concept for the Zil-Yug project that features comfortable space for living, working and relaxing.

The development of the grounds and the functional use of buildings have been carefully thought out in light of movement patterns around the neighbourhood as well as transport and pedestrian infrastructure. As part of the project, pedestrian-only streets will be built, including the main pedestrian boulevard, which, with a total length of about 10 km, will connect the Moscow Central Circle's ZIL station and the ZIL-Vostok grounds with a riverside recreational area and the Marc Chagall Embankment. The primary public spaces on the grounds will be the main square and Central Park. The principal social amenities in the new neighbourhood will be located along the boulevard and in adjacent city squares. The designs for the lower floors of the buildings include a variety of commercial and business premises, including cafes, shops and co-working spaces. All the necessary commercial, business and recreation infrastructure will be within a 15-minute walk from any point in the complex.

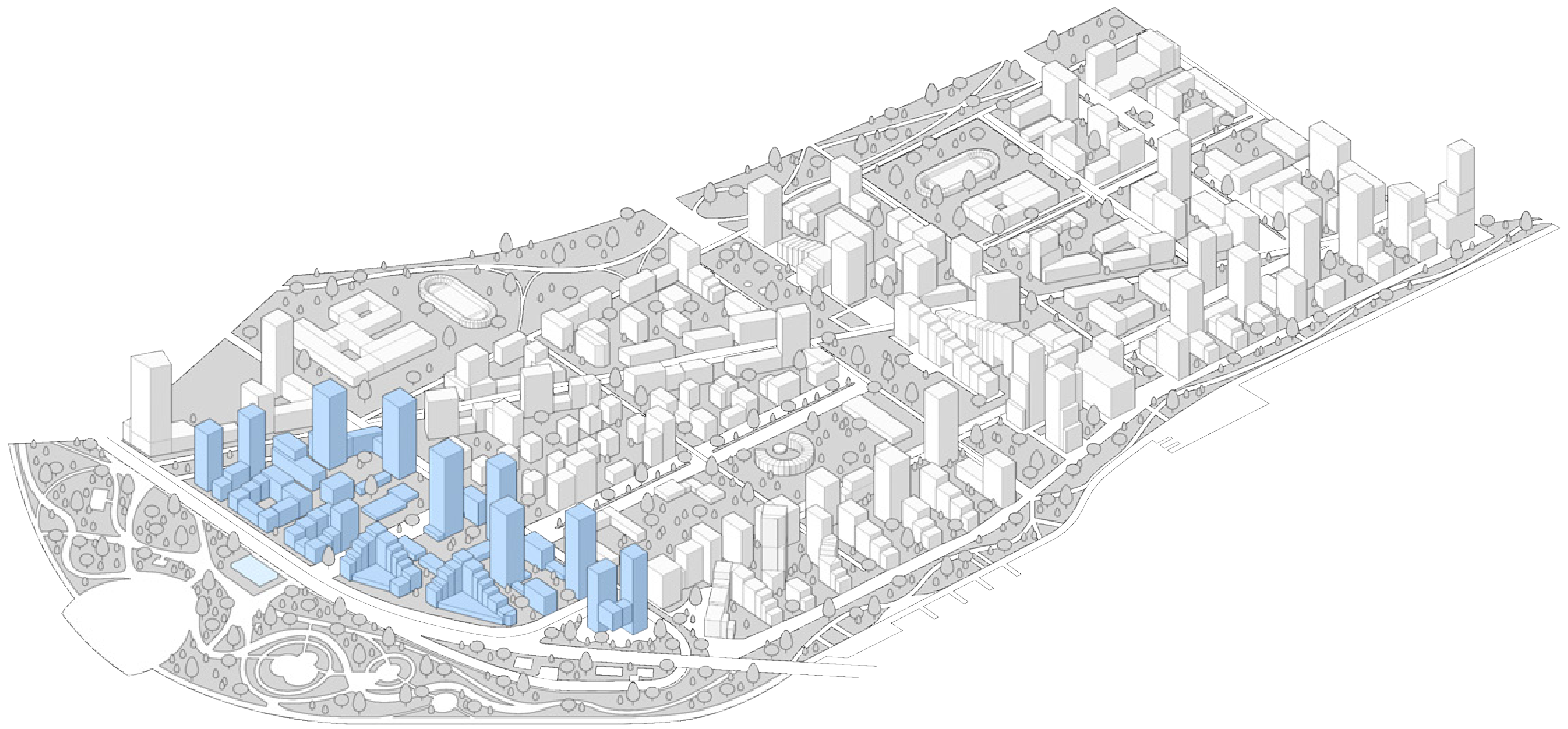
Combination of different building types

The project will feature a combination of different building types and housing formats. The residential areas from the embankment to the business cluster feature buildings with gradually increasing numbers of floors: townhouses, urban villas, buildings with terraces and high-rises with penthouses. Due to the varying heights of the buildings, most apartments will offer excellent views of the city, the embankment or the park.

Selling points of the project

In 2021, the Zil-Yug residential district won a European Property Award, and it was also selected as the best project in Moscow in the Premiere of the Year category during the final round of the Urban Awards.

- The separation of pedestrian and vehicle traffic flows will ensure hassle-free movement throughout the area
- High-standard urban-space design – "my street" and "my district"
- An excellent neighbourhood consisting of low-rise and high-rise buildings
- The relatively even distribution of public spaces, parkland, and social and commercial facilities will ensure that every resident is able to reach a variety of amenities within a 15-minute walk
- 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 about 4 km (comparable to the Naberezhnaya Parka Gorkogo and Naberezhnaya Vorobyovykh Gor)
- Landscaped terraces on the roofs of buildings



Nagatino i-Land

79,707 MLN RUB
Sales revenue

24,167 MLN RUB
Market value

270 THS SQM
Net sellable area

BUSINESS CLASS

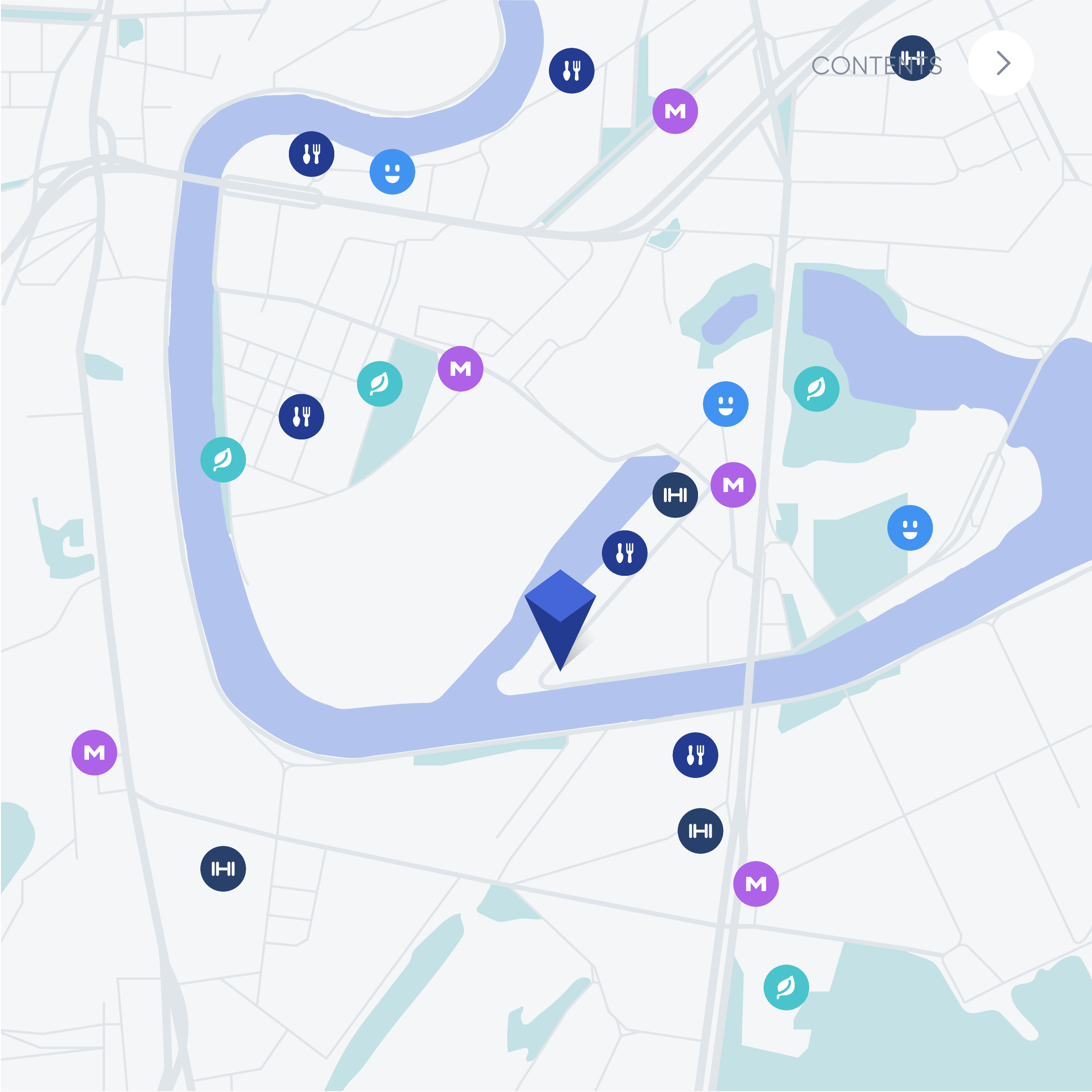
MOSCOW

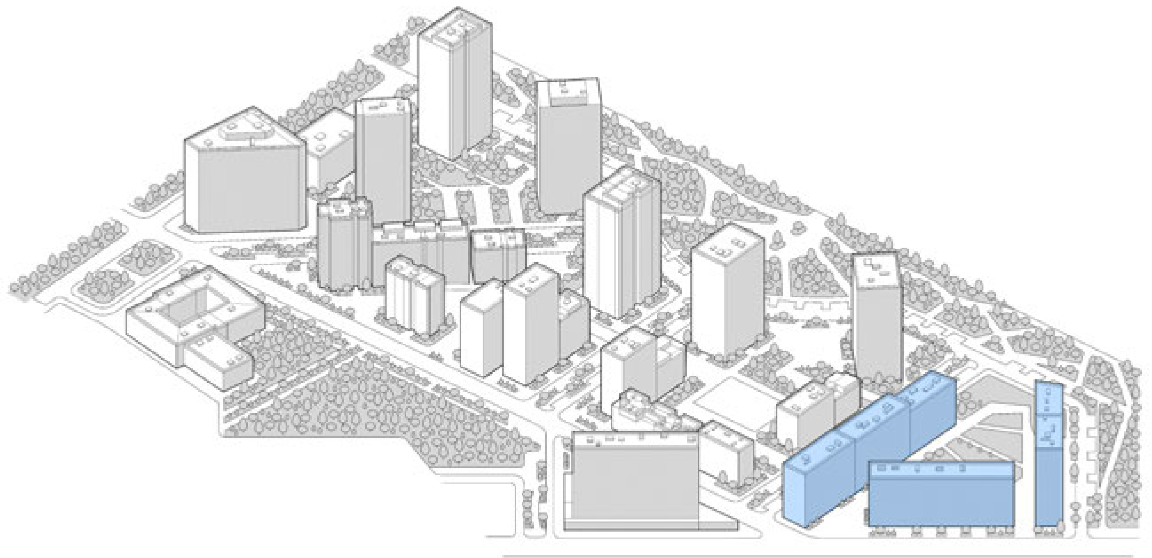
Developed in collaboration with the British firm AHR Architects based on the "city within a city" concept, the project is being built in one of Moscow's most promising districts and combines an existing business cluster with residential and commercial development.

The complex will integrate the existing Nagatino i-Land business cluster and Port Plaza with new residential and commercial developments.

The project's varying-height buildings form inviting quarters with inner courtyards accessible only to residents. These private grounds will house recreation areas near artificial ponds, playgrounds and public spaces for socialising and sports. Softscaping will be carried out on about a quarter of the entire site. Special attention was paid to the grounds' landscape design, which included the development of a landscape park, pedestrian boulevards and improvements to the embankment.

The layouts are diverse and, along with the traditional formats, include exclusive designs, such as apartments with private terraces, spacious apartments with ceiling heights of up to 3.3 metres, as well as apartments with panoramic views overlooking the Moscow River Embankment.





2019–2025
construction timeline

7 km — 10 minutes to the Garden Ring

11 km — 15 minutes to Red Square

Nagatino i-Land is located on a land plot of more than 14 hectares in the Danilovskiy district of the Southern Administrative Division of Moscow, near the Moscow River and the Marc Chagall Embankment. Business centres in a state-of-the-art office cluster and large shopping centres are also located nearby.

With the Tekhnopark and ZIL metro stations within easy reach, the project offers excellent transport accessibility. There are also convenient access roads onto two major thoroughfares: Prospekt Andropova and the Third Ring Road.

Galactica

COMFORT CLASS

ST PETERSBURG

86,967 MLN RUB	21,760 MLN RUB	744 THS SQM
Sales revenue	Market value	Net sellable area

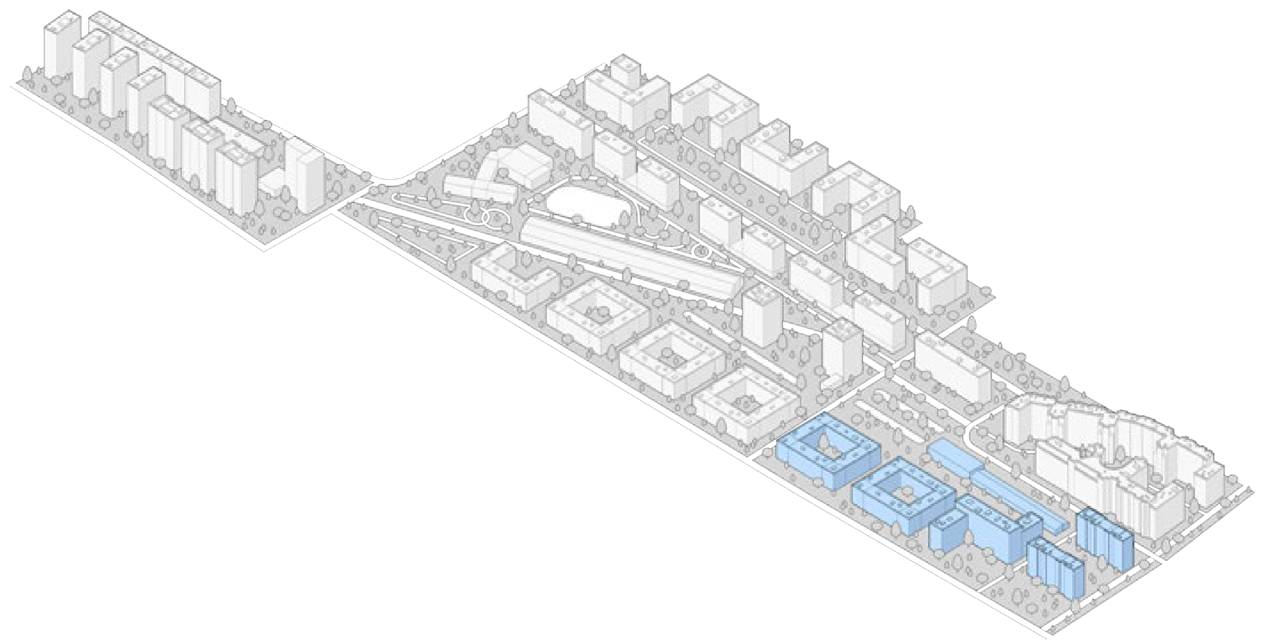
The large-scale project being built on the grounds of the former Warsaw railway station is the largest redevelopment project in the centre of St Petersburg.

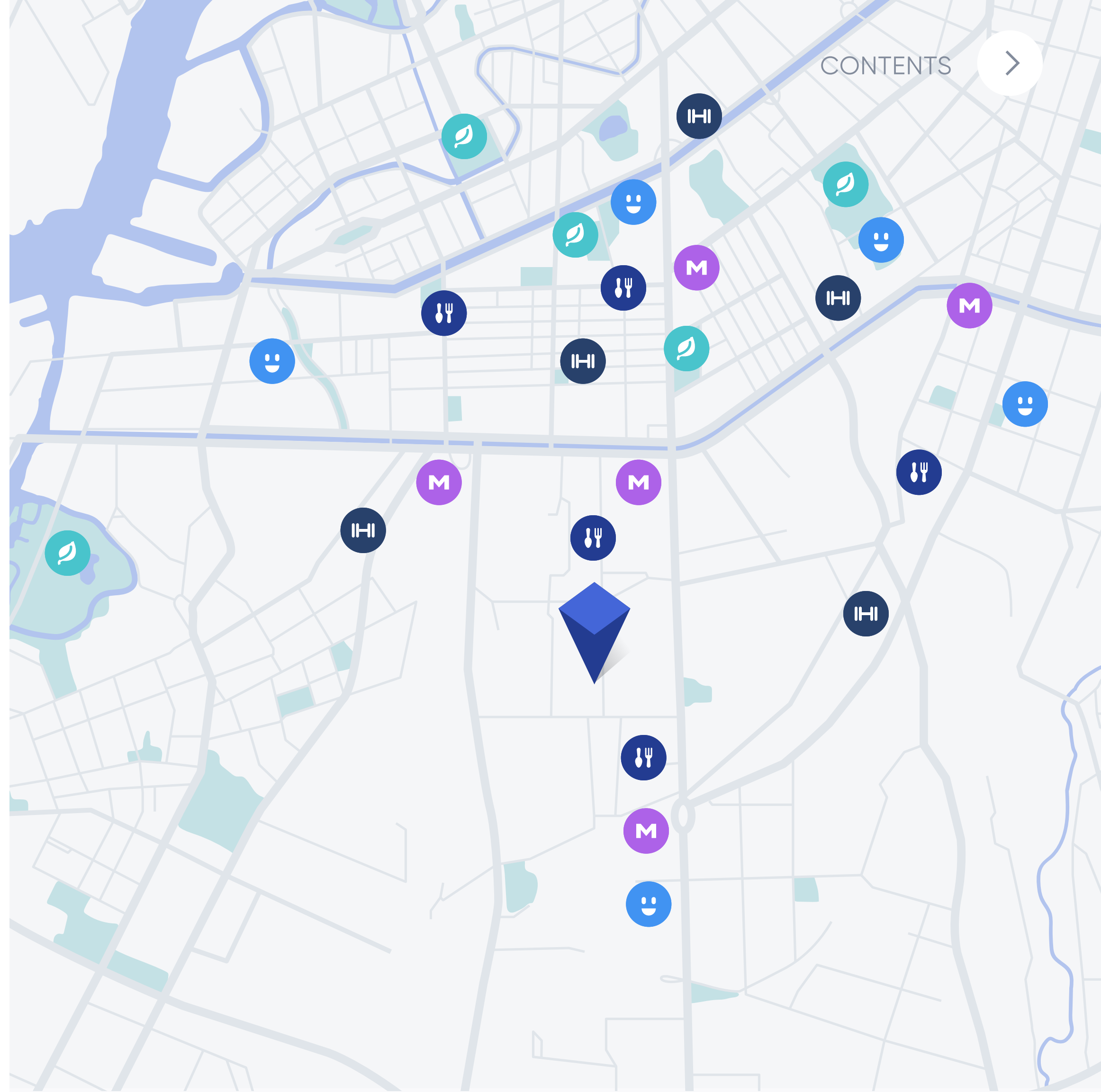
The project straddles two districts – Admiralteiskiy and Moskovskiy – on an area of about 36 hectares. The site is undergoing intense development as part of the historical centre redevelopment programme. Thus, the complex combines the advantages of a central location with the diverse social and commercial 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, concert venue and fitness area, is within easy reach of the project.

The residential complex includes 30 multi-storey cast-in-place brick 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. The neighbourhood is based on and inspired by the architecture found on Moskovskiy Prospekt. The design of the buildings combines historical elegance and modern functionality. The complex shapes of the buildings, which form peaceful, inviting courtyards, infuse the project with a dynamic quality.

In 2020, the Galactica residential complex won an Urban Award for the best integrated development project.





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

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.

2016–2023

construction timeline

Green River

COMFORT CLASS

OMSK

139.7 BLN RUB
Sales revenue

8,897 MLN RUB
Market value

1,463 THS SQM
Net sellable area

The first project acquired and developed by Etalon Group as part of its regional expansion programme. The Green River residential complex, which is being built on a 164-hectare site, the Company's flagship project outside Moscow and St Petersburg, is comparable in scale to the Galactica and Zil-Yug projects.

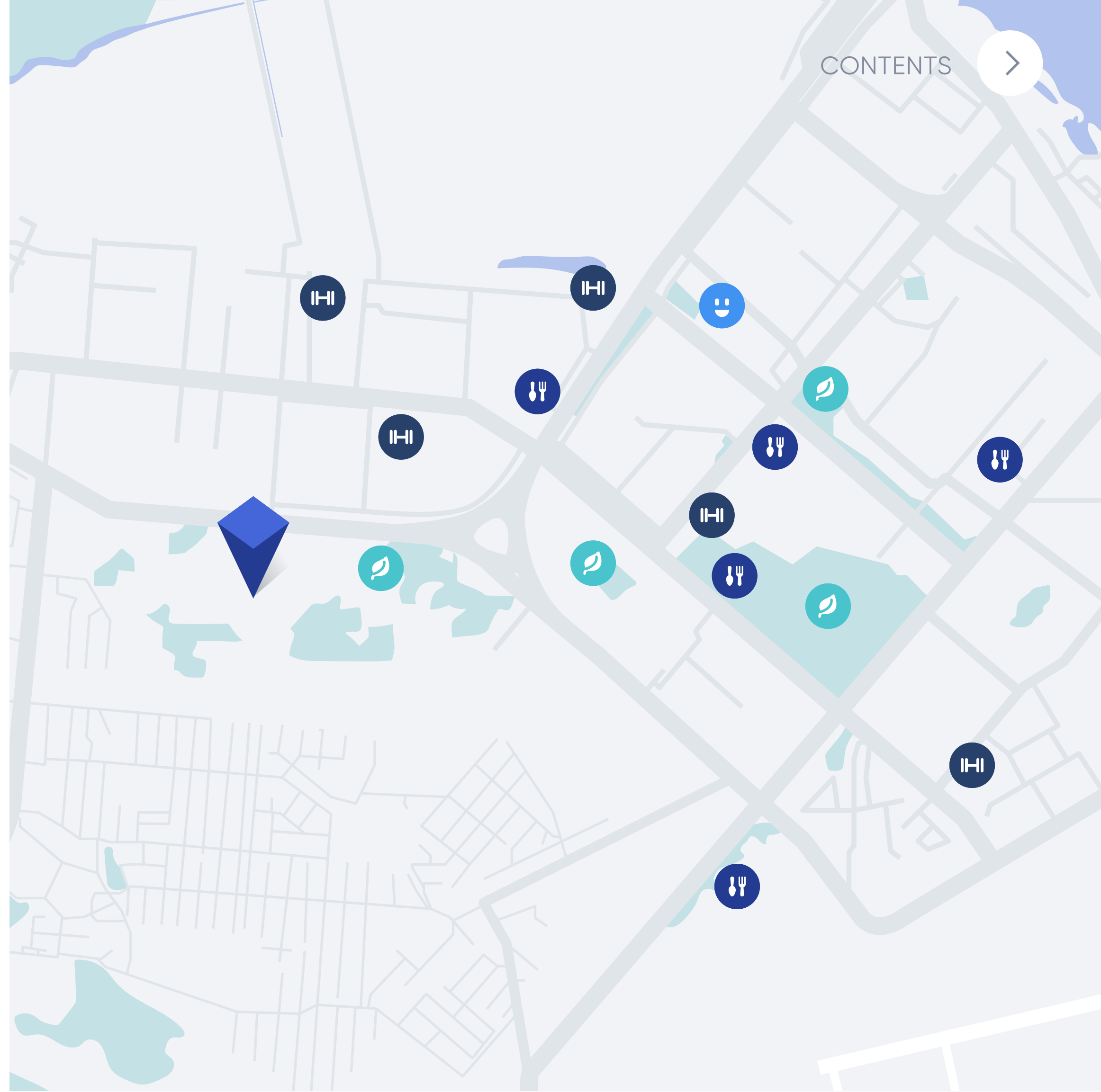
Sales in the project's first buildings were launched in early 2022.

Developed in line with the "city within a city" concept, the project will involve several phases of construction. The first phase will include 14 residential buildings of varying heights with an expected NSA of about 150 ths sqm, a preschool, integrated commercial space and parking lots. Everything necessary for a comfortable life, work, recreation and everyday matters will be available on the project grounds. The ground floors of the project buildings are expected to house commercial space for cafes and restaurants, beauty salons, grocery stores and everyday consumer services.

The project concept provides for a large selection of apartments of different sizes and layouts: from classic to European-style. The upper floors of the Green River complex will be reserved for high-comfort apartments with terraces.

The Green River project will be integrated organically into the existing natural landscape and will create a distinct new recreational area for the entire district. A great deal of attention will be paid to developing the courtyards and grounds surrounding the project. The property will include children's playgrounds, areas for recreation and socialising, a green amphitheatre, multifunctional sports grounds with exercise equipment, walking paths and observation decks. The project's public spaces will be connected by a wide promenade.

2022–2030
construction timeline



10 km — 25 minutes to the airport

10 km — 25 minutes to the city centre

Called Green River, the new project is being built on the left bank of the Irtysh River, in the Kirovskiy district of the city of Omsk. The construction site occupies the territory from Baucentre on Volgogradskaya Street to Kondratyuk Street and Verkhnedneprovskaya Street. The residential complex is located just half an hour's drive from the city centre and the airport, 15 minutes from the Mega shopping centre and within walking distance from all the necessary amenities in the area.

A public garden has been laid out at the site, and a park in honour of Omsk's 300th anniversary is 2 km away. The project calls for the development of commercial and social amenities as well as a promenade and landscaped green space.

Business-Class Projects

Voxhall

BUSINESS CLASS

MOSCOW

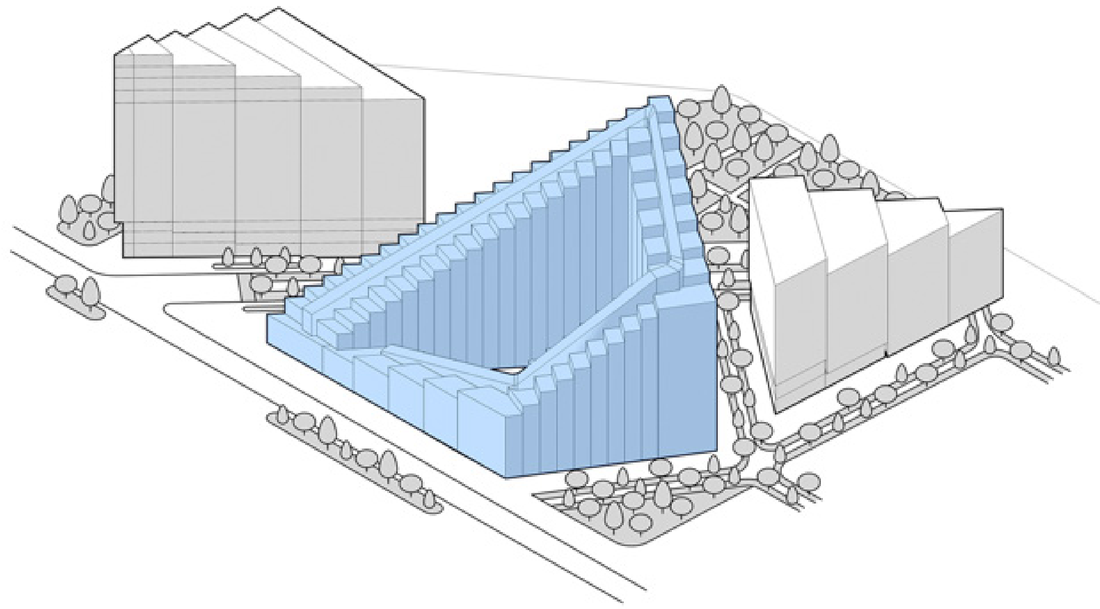
27,535 MLN RUB
Sales revenue

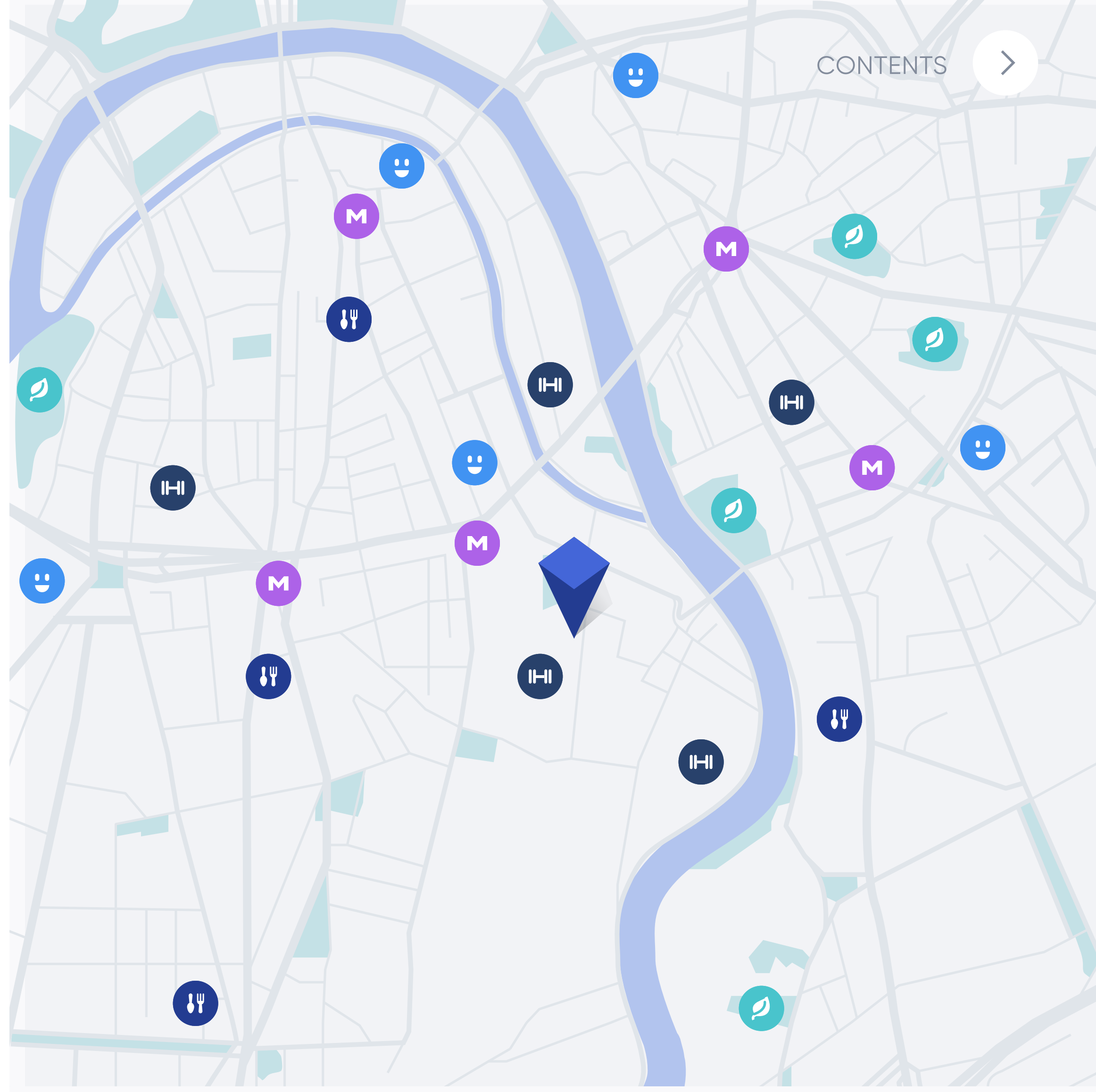
7,789 MLN RUB
Market value

66 THS SQM
Net sellable area

A new multifunctional business-class complex located in the prestigious Zamoskvorechye district in the very centre of Moscow, in close proximity to business districts.

The multifunctional business-class complex, called Voxhall, is located in the very centre of the capital, in close proximity to the Paveletskaya metro station. The project offers residential and rnon-esidential apartments in a variety of layouts, including with several terraces, spacious kitchens and master bedrooms, and windows facing in three cardinal directions. The property will also offer excellent views thanks to its convenient location 5 km from the Kremlin and near the Moscow River Embankment.





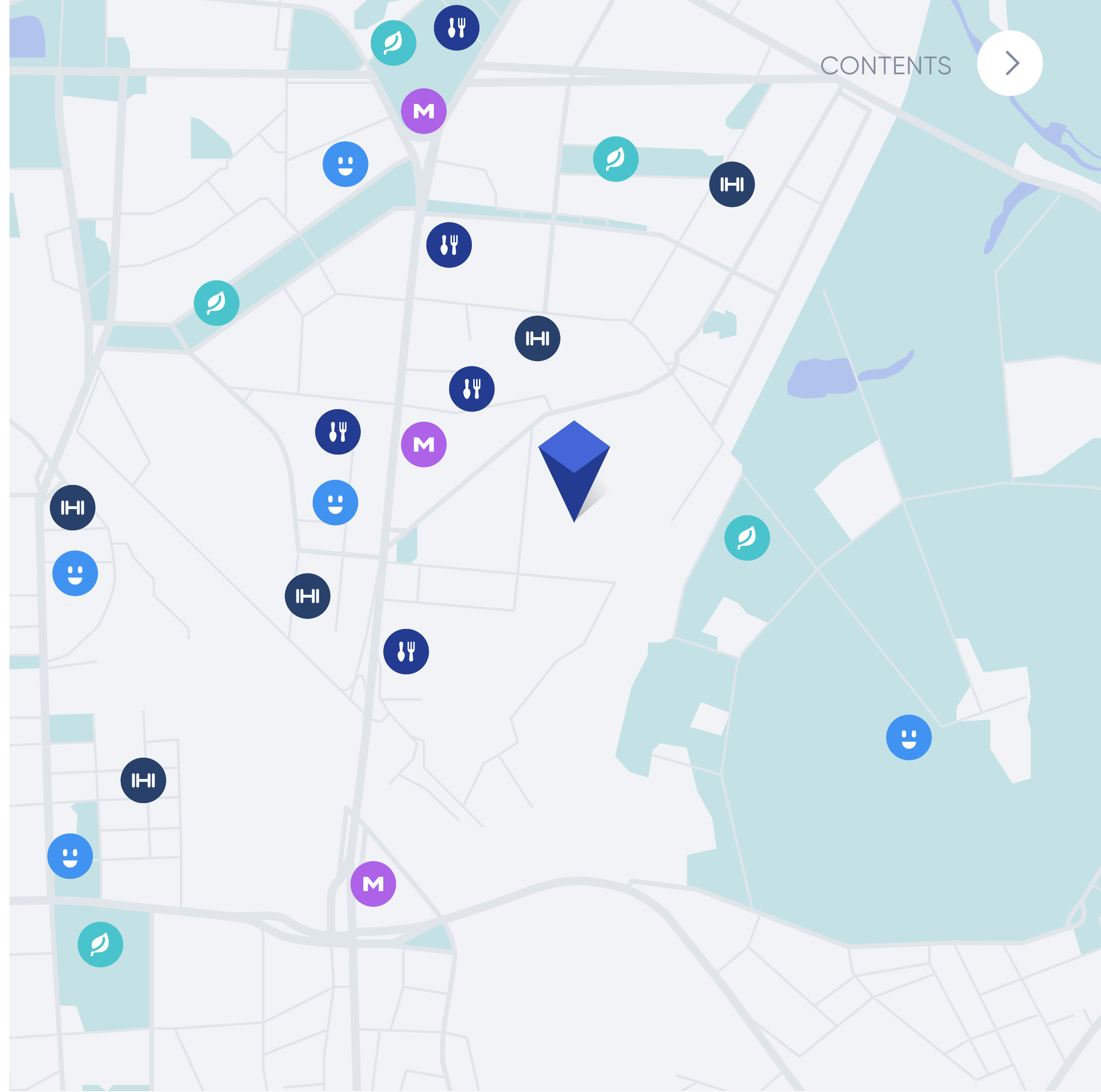
2021–2024
construction timeline

1 km — 15 minutes to the Garden Ring

5 km — 25 minutes from the Kremlin

The construction site is located in the prestigious Zamoskvorechye district with its modern residential, business and entertainment infrastructure as well as nearby cultural attractions. Voxhall is in the immediate vicinity of business districts where a number of financial institutions and international companies are headquartered. Just four minutes from the residential complex, a new landscape park has been laid out on Paveletskaya Square, with an underground shopping centre, fountains, landscaped green space and an open-air amphitheatre.

The property offers excellent accessibility for personal and public transport. Only 350 metres away, to the north of Letnikovskaya Street, is Paveletskiy station, where Aeroexpress trains depart for Domodedovo Airport.



Silver Fountain

47,223 MLN RUB	11,360 MLN RUB	206 THS SQM
Sales revenue	Market value	Net sellable area

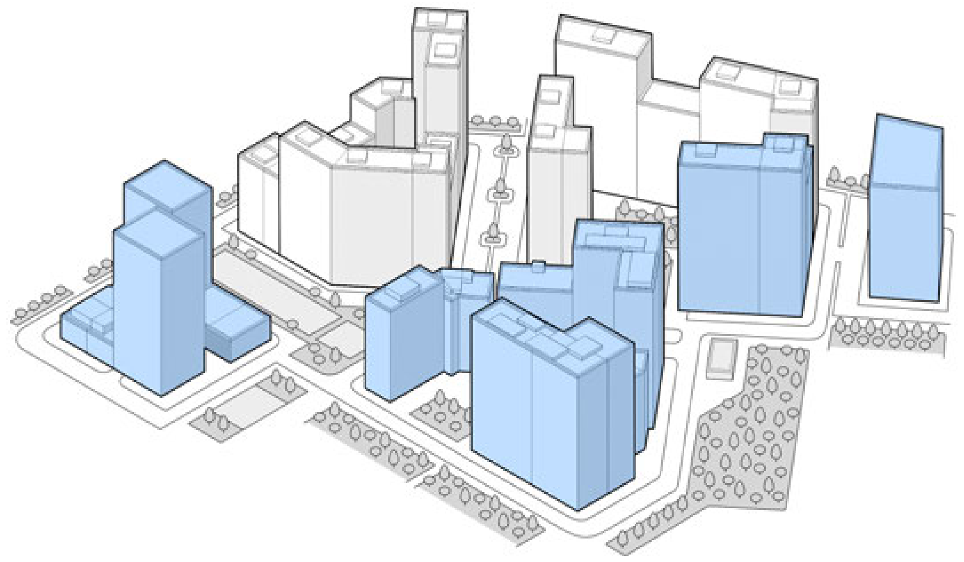
BUSINESS CLASS

MOSCOW

Silver Fountain is a business-class project that integrates architectural traditions with advanced technological solutions.

The multifunctional residential complex, located in a very green part of old Moscow, the Alekseevskiy district of the North-Eastern Administrative Division, includes four residential buildings of varying heights and one building that will serve as a community and business centre. Each phase of project will develop a self-sufficient residential area surrounded by beautified grounds. The courtyard of the Silver Fountain complex's first building can rightly be called a public garden. Numerous large trees, modified terrain and striking shrubbery and flowers combine to create a pleasant and harmonious atmosphere in the courtyard, which also serves as a living partition separating the residence from the crowded city centre. In addition to convenient children's playgrounds and sports grounds with the latest equipment, the complex also includes recreational areas. The accessories and materials for each courtyard were selected based on the colour scheme and architectural design of the facade and the overall style.

To ensure efficient operations, 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.

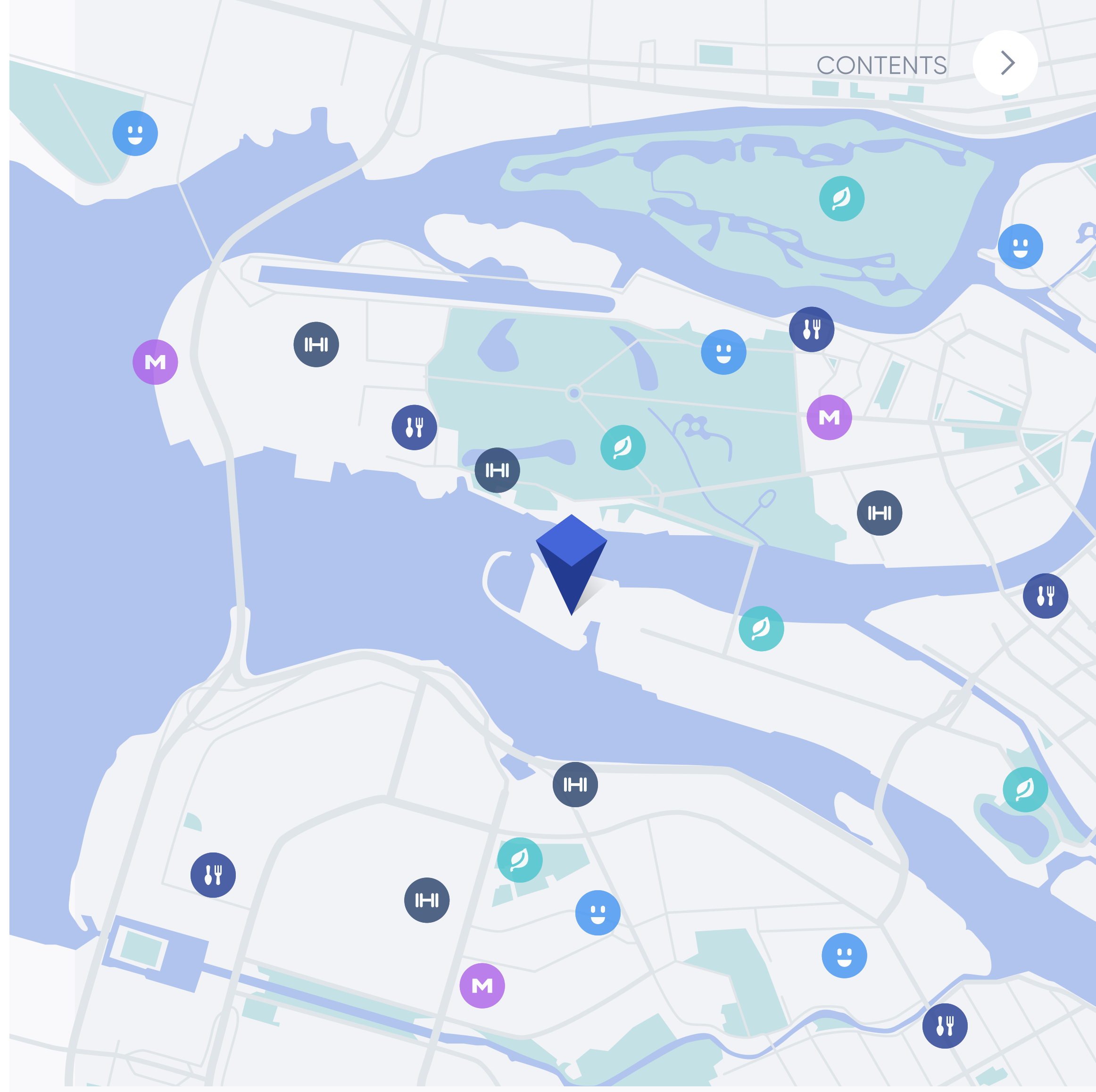


2017–2022
construction timeline

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

Surrounded by an old linden park, the state-of-the-art buildings that make up the complex form a seamless architectural composition with cultural heritage properties. The grounds of the park are home to an iconic Wallace fountain, the only one in Moscow, which gives the complex its name.

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.

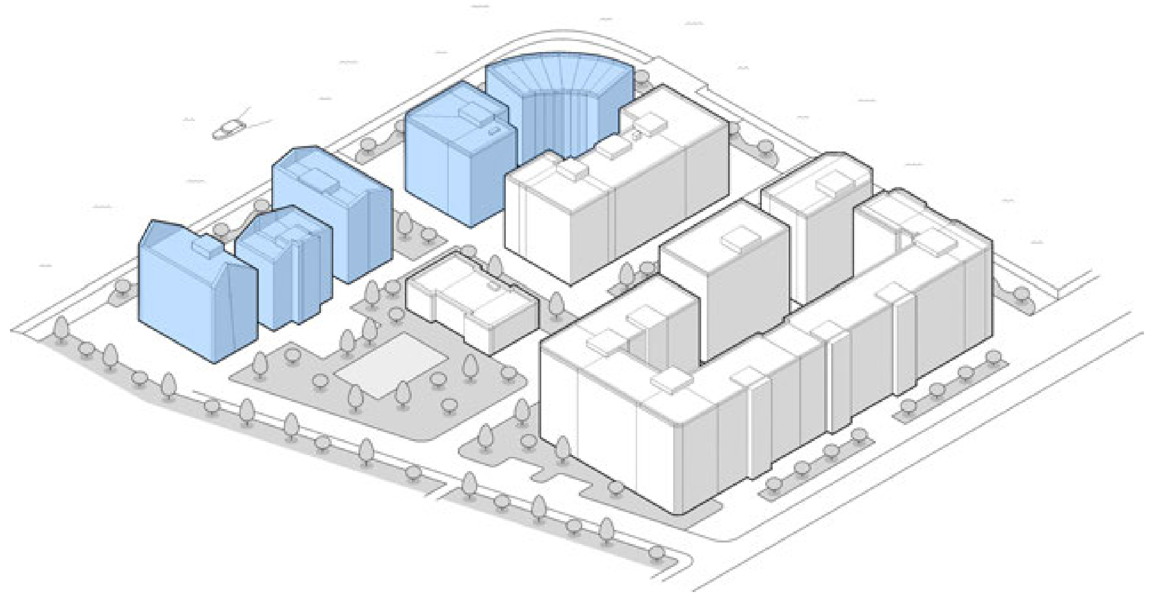


Petrovskiy Landmark

BUSINESS CLASS

ST PETERSBURG

A business-class residential complex on a street alongside the Neva, in one of the most interesting and promising areas in central St Petersburg.



17,133 MLN RUB
Sales revenue

6,550 MLN RUB
Market value

73 THS SQM
Net sellable area

The buildings that make up the Petrovskiy Landmark complex are designed for mid-rise construction. While each building has an individual appearance, the complex as a whole is designed in the style of European brick architecture of the late 19th and early 20th centuries. The facades make use of a variety of materials, including clinker bricks, natural Jurassic stone, niello, glass and decorative elements. The suspended facades of building A are made of hand-moulded red brick; the ground floors, where commercial premises will be housed, feature panoramic glazing and are adorned with light-coloured stone. Similar in style to classical architecture, the building blends in with the symmetrical architecture of the Petrograd Side, which can be seen through the building's windows. Buildings B and C are designed with a nod to Dutch architecture. 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 biggest selling points, 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 plans for the grounds of the project call not only for the development of walking trails and grounds for sports, games and recreation but also for the construction of a central square with a ramp down to the water and a slipway for yachts.

2018–2021
construction timeline

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

The business-class residential complex is located on Petrovskiy Island. The historical city centre can be reached in 10 minutes by car. In such a location, residents of the complex will have every possible opportunity to lead an active lifestyle and to relax in a peaceful environment. A riverside yacht club with a large marina and service area is located nearby. The neighbouring Krestovskiy Island is home to a high-end residential development and wide-ranging recreation and sports facilities.

Comfort-Class Projects

Normandy

COMFORT CLASS

MOSCOW

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.

16,497 MLN RUB	707 MLN RUB	124 THS SQM
Sales revenue	Market value	Net sellable area

2017–2021
construction timeline

Summer Garden

COMFORT CLASS

MOSCOW

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 features facades with their own colour scheme. 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 various 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 project'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 anywhere in the city quickly and easily.

34,007 MLN RUB
Sales revenue

2,526 MLN RUB
Market value

262 THS SQM
Net sellable area

2016–2021
construction timeline

Etalon City

COMFORT CLASS

MOSCOW

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 has been built, and construction continues on a school for 625 pupils. The ground floor of each high-rise building houses a fitness centre with an area of 10 ths sqm and three swimming pools. The project offers convenient access onto 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 panoramic views of one of the cities. The facades of the second row of skyscrapers, known as the Tokyo Towers, are decorated with motifs from one of Japan's most famous engravings, *The Great Wave off Kanagawa.*

29,171 MLN RUB
Sales revenue

1,290 MLN RUB
Market value

308 THS SQM
Net sellable area

2013–2018
construction timeline

Schastye na Semyonovskoy

COMFORT CLASS

MOSCOW

The Schastye na Semyonovskoy residential complex consists of a 13-storey residential building with underground parking and a parking lot for guests. One of the features of the project is 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 do 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 amenities 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 recreation area. The Schastye na Semyonovskoy residential complex is located in a developed green area of Moscow near two of the capital's largest parks: Sokolniki Park and Izmailovskiy Park. The pleasant Semyonovskiy Park and Public Garden is 250 metres from the complex. 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, offer residents excellent transport accessibility.

1,577 MLN RUB	508 MLN RUB	6 THS SQM
Sales revenue	Market value	Net sellable area

2020–2022
construction timeline

Emerald Hills

UPPER ECONOMY CLASS

MOSCOW REGION

The Emerald Hills residential complex was the Company's first – and one of its largest – projects in the Moscow region.

It is located just 9 km from the Moscow Ring Road and consists of 20 cast-in-place brick 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 landscaped park with recreational areas and dedicated paths for pedestrians and cyclists has been laid out in the forest adjoining the complex. 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 as well as from the Opalikha station on the second Moscow Central Diameter rail line.

60,516 MLN RUB	0 MLN RUB	859 THS SQM
Sales revenue	Market value	Net sellable area

2009–2022
construction timeline

Etalon on the Neva

COMFORT CLASS

ST PETERSBURG

The Etalon on the Neva residential complex, consisting of 16 variable-height sections, is located in the historical 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. Thanks 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 the 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 public gardens 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.

10,092 MLN RUB	2,696 MLN RUB	76 THS SQM
Sales revenue	Market value	Net sellable area

2018–2021
construction timeline

Domino

COMFORT CLASS

ST PETERSBURG

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 recreational 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 enable residents of the property to quickly reach other districts and resort suburbs of St Petersburg.

8,755 MLN RUB	3,642 MLN RUB	39 THS SQM
Sales revenue	Market value	Net sellable area

2020–2023
construction timeline

Okhta House

COMFORT CLASS

ST PETERSBURG

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. A wide selection of apartments that meet different needs and tastes, including finished apartments, are available. Playgrounds, recreational areas and sports facilities can be found on the adjacent grounds. The property is built on a site free of tightly packed buildings, near the Okhta River and numerous parks and public gardens, 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.

12,399 MLN RUB
Sales revenue

3,111 MLN RUB
Market value

133 THS SQM
Net sellable area

2018–2020
construction timeline

Project on Chernigovskaya Street

COMFORT CLASS

ST PETERSBURG

The residential complex on Chernigovskaya Street is being built in a historical part of St Petersburg near the Moscow Gate.

On the grounds of the project will be six cast-in-place buildings of 8–12 storeys, 2 preschools, above-ground and underground parking, and interactive areas for recreation, socialising and sports. The residential complex was conceived as a new-format project that integrates 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 floor-to-ceiling glazing and spacious open-concept kitchen–living rooms.

The project 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 9 minutes by car; the Ring Road, in 16 minutes; Pulkovo Airport, in half an hour.

21,277 MLN RUB
Sales revenue

7,005 MLN RUB
Market value

136 THS SQM
Net sellable area

2019–2022
construction timeline

Operating results

58 .... OPERATING RESULTS

64 .... FORECAST

Operating results

RESULT	STRATEGIC GOAL
2021	2024
84.4 BLN RUB	>10 %
record new contract sales +6% year-on-year	double-digit annual sales growth

FACTORS DRIVING SALES ON THE STRATEGIC HORIZON

1

increased supply thanks to the addition of 2 mln sqm to the land bank in 2021 and future acquisitions

2

expanded regional presence

3

continued stable, robust growth in housing prices

4

attractive mortgage terms through subsidised mortgages and partnership programmes with banks

New contract sales

THS SQM

2019
630.4

2020
538.2

2021
446.5

New contract sales

BLN RUB

2019
77.6

2020
79.9

2021
84.4

+6% GROWTH Y-O-Y

Average price (apartments)

RUB THS/SQM

2019	2020
148.7	178.7

2021
+34% GROWTH Y-O-Y

Average price

RUB THS/SQM

2019	2020
123.1	148.5

2021
+27% GROWTH Y-O-Y

Cash collections

BLN RUB

2019	2020
77.7	82

2021

+3% GROWTH Y-O-Y

84.1

Operating results at a glance

In 2021, Etalon Group set new records in terms of new contract sales in monetary terms and cash collections, with both metrics exceeding RUB 84 billion. Sales growth was driven by a significant increase in real estate prices and the delivery of attractive new projects in the high price segment. That said, sales in St Petersburg increased at a slower rate, which is a temporary trend due to a limited product offering that the Company plans to rectify with the launch of new projects starting in 2022. By expanding its offering, especially in St Petersburg, Etalon Group will be able to resume its path towards strong double-digit sales growth.

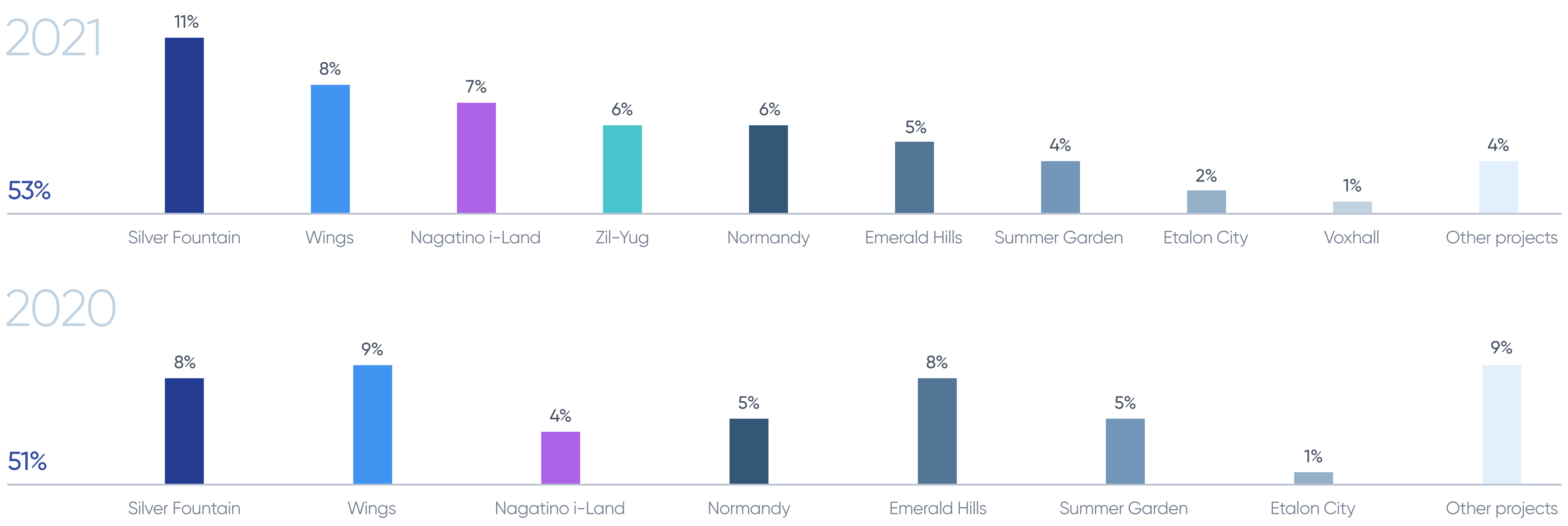
Factors driving sales in 2021

Launching sales of new properties with a higher price per sqm

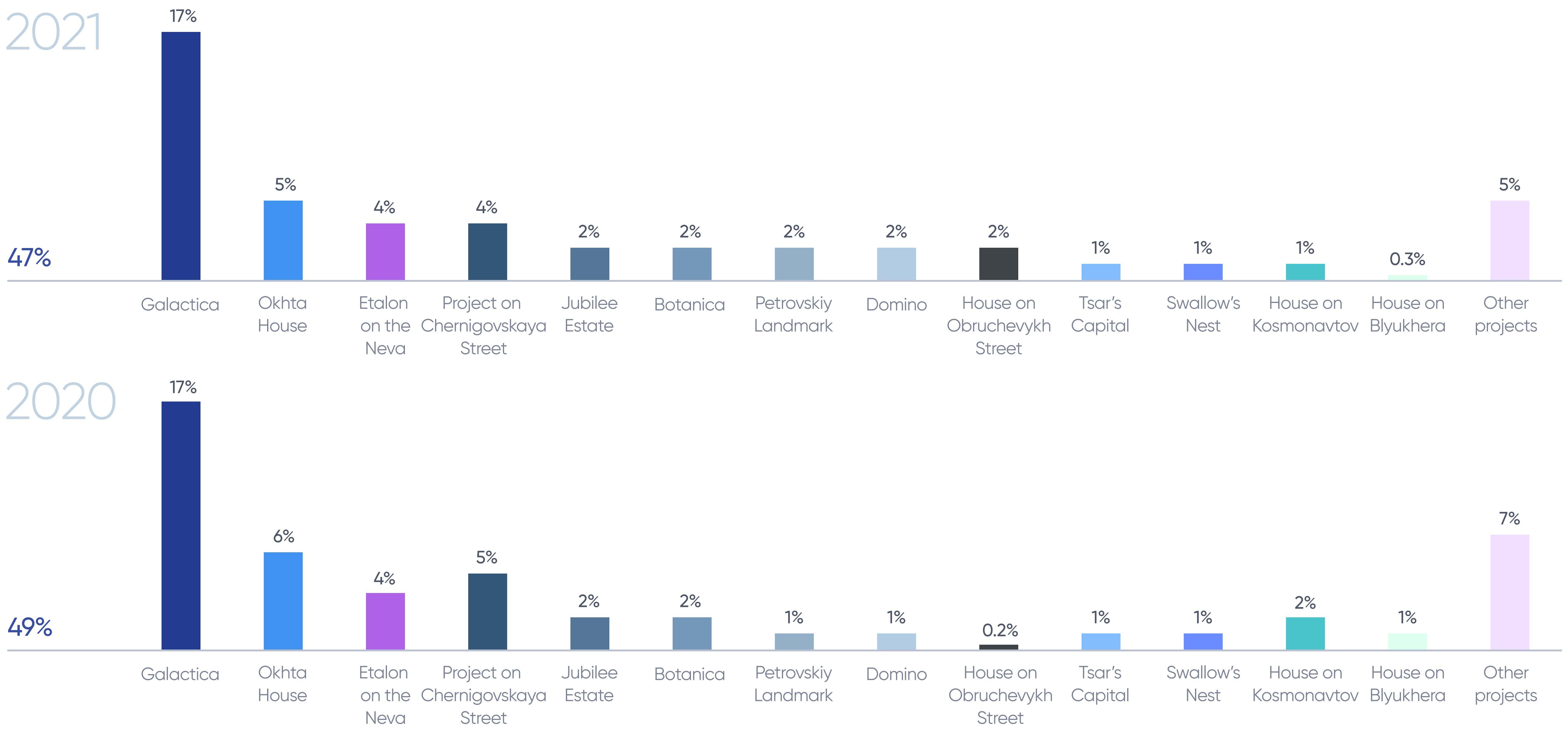
During the year, the Company launched sales for about 280 ths sqm of NSA at both existing and new projects in the high price segment, such as Zil-Yug and Voxhall in Moscow. Thanks to their attractive location and superior specifications, these projects also saw a considerable increase in price per sqm: at the Zil-Yug complex, which went on sale in May 2021, about 30 ths sqm was sold by the end of the year. The average selling price per sqm at the project increased from RUB 282 thousand in May to RUB 337 thousand in December.

PORTFOLIO SALES BY REGION

Share of contracts in sqm in Moscow,[1] %

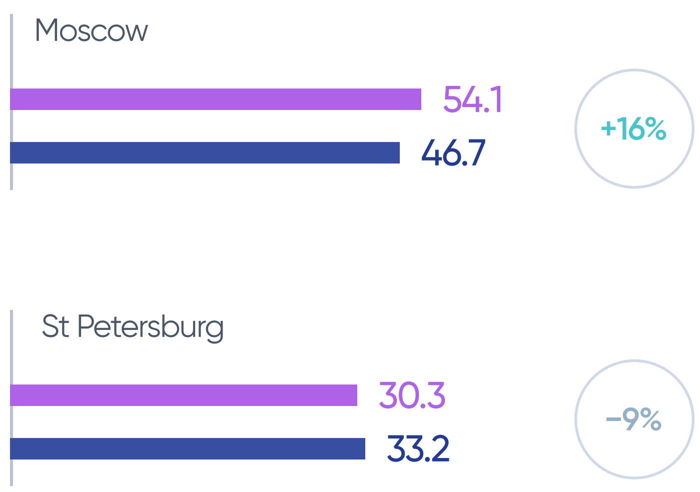


Share of contracts in sqm in St Petersburg,[1] %

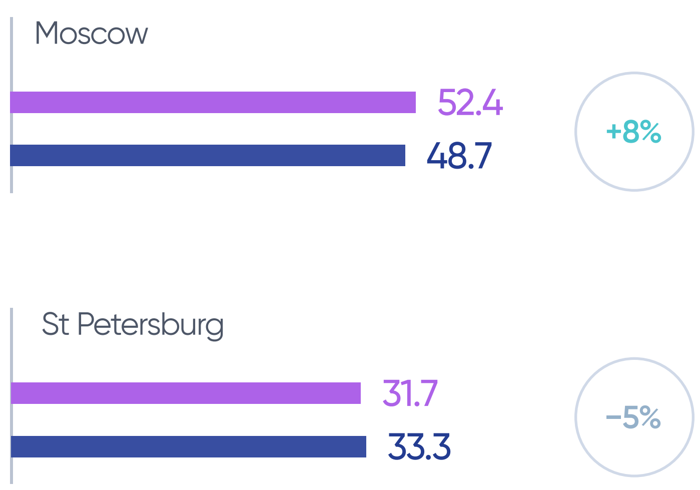


In terms of the geography of new projects, new contract sales and cash collections showed stronger gains in the Moscow Metropolitan Area.

New contract sales, RUB bln



Total cash collections, RUB bln



■ FY21 ■ FY20

[1] Total may not add up due to rounding.

Increase in average price across the entire sales portfolio

The advanced stage of completion at current projects coupled with the launch of new properties in the business-class segment drove an increase in the average selling price.

From the beginning of the year, the average price per sqm for apartments increased by 36% to over RUB 260 thousand; the average price per sqm for all types of real estate reached RUB 192.5 thousand (up 22% year-on-year).

Affordable mortgages

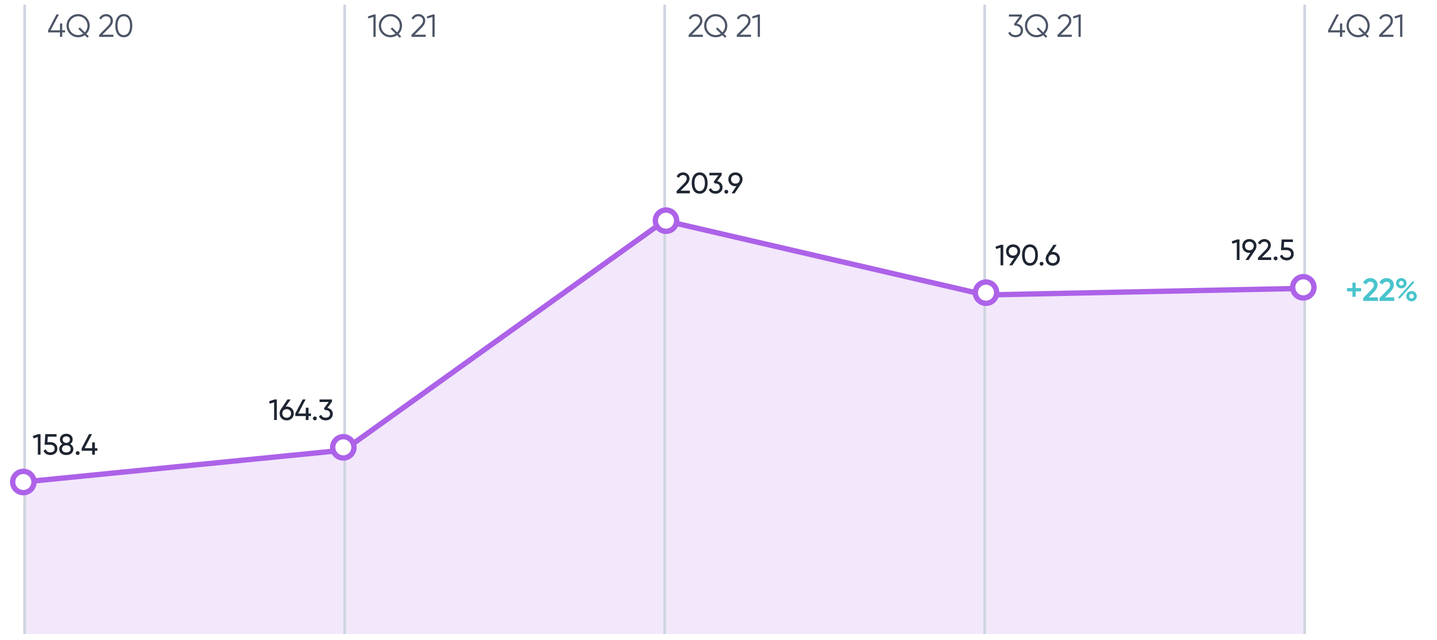
Despite the fact that the Bank of Russia increased the key rate to 8.5% at the end of 2021, the new terms available under the family mortgage programme along with collaboration with banks on mortgage products made it possible to keep mortgage rates at a comfortable level for Etalon Group customers.

In 4Q 2021, the share of new mortgage contracts reached 70%, the highest figure seen in the past two years. The increase in mortgage sales supported a high average down payment of 87%.

Average price, RUB ths/sqm

192.5 THS RUB

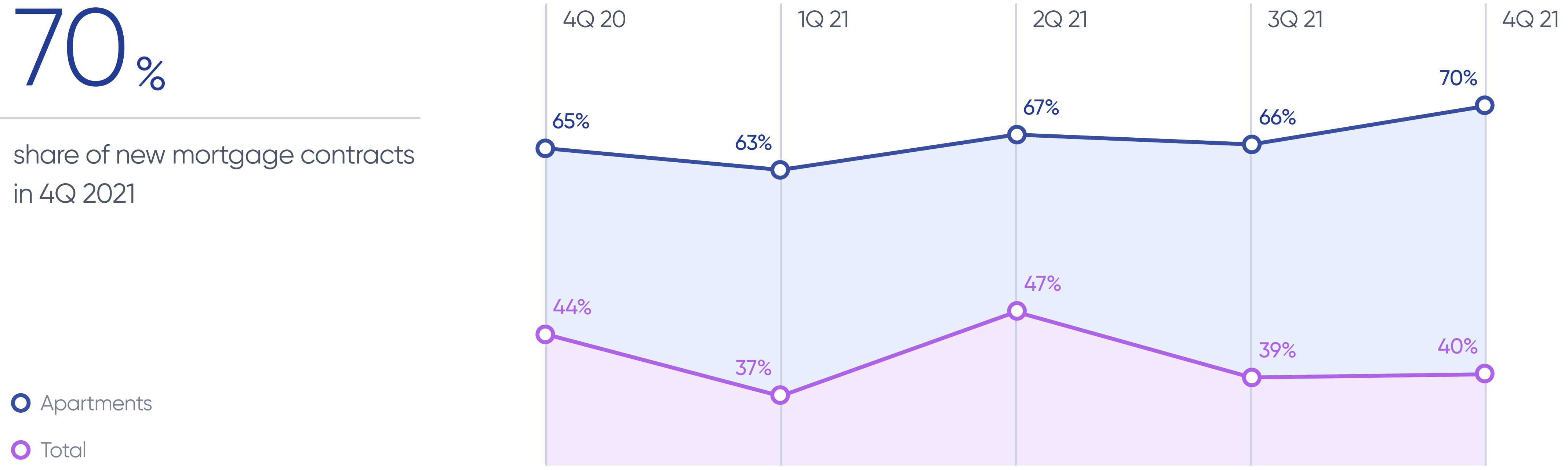
the average price per sqm for all types of real estate in 4Q 2021



Mortgage contracts, %

70 %

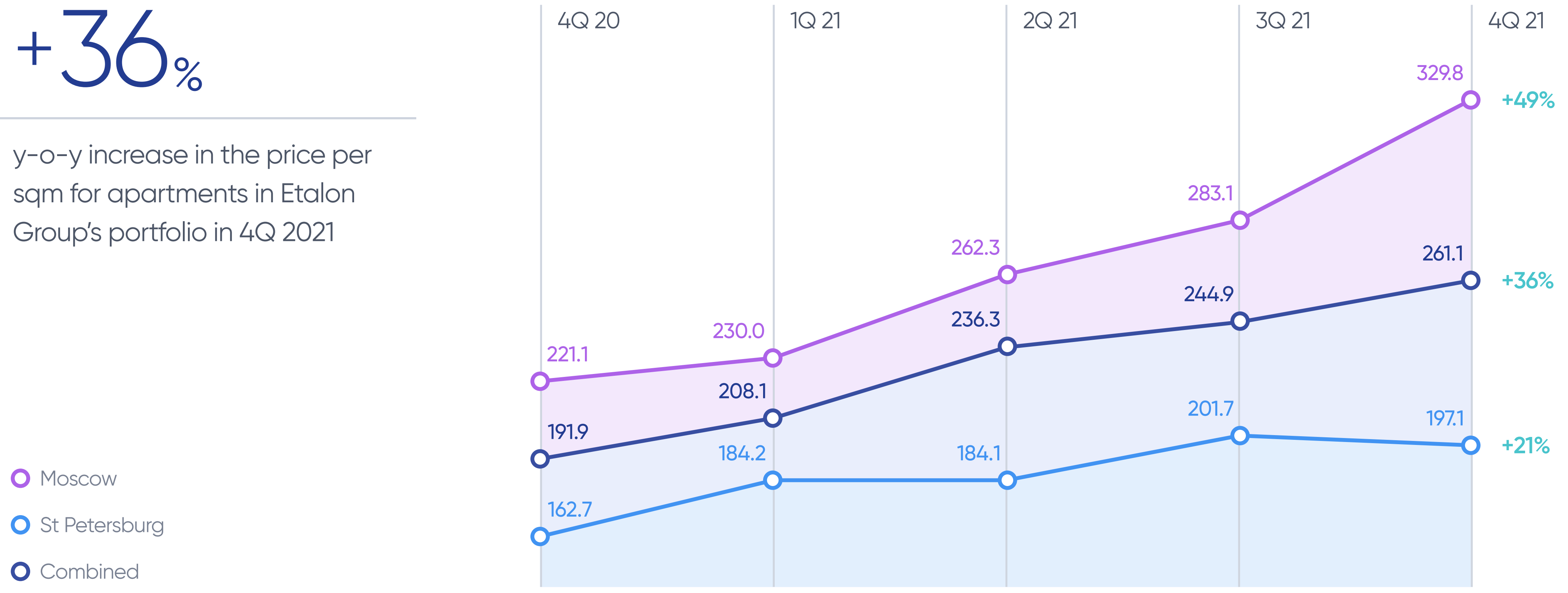
share of new mortgage contracts in 4Q 2021



Average apartment price, RUB ths/sqm

+36 %

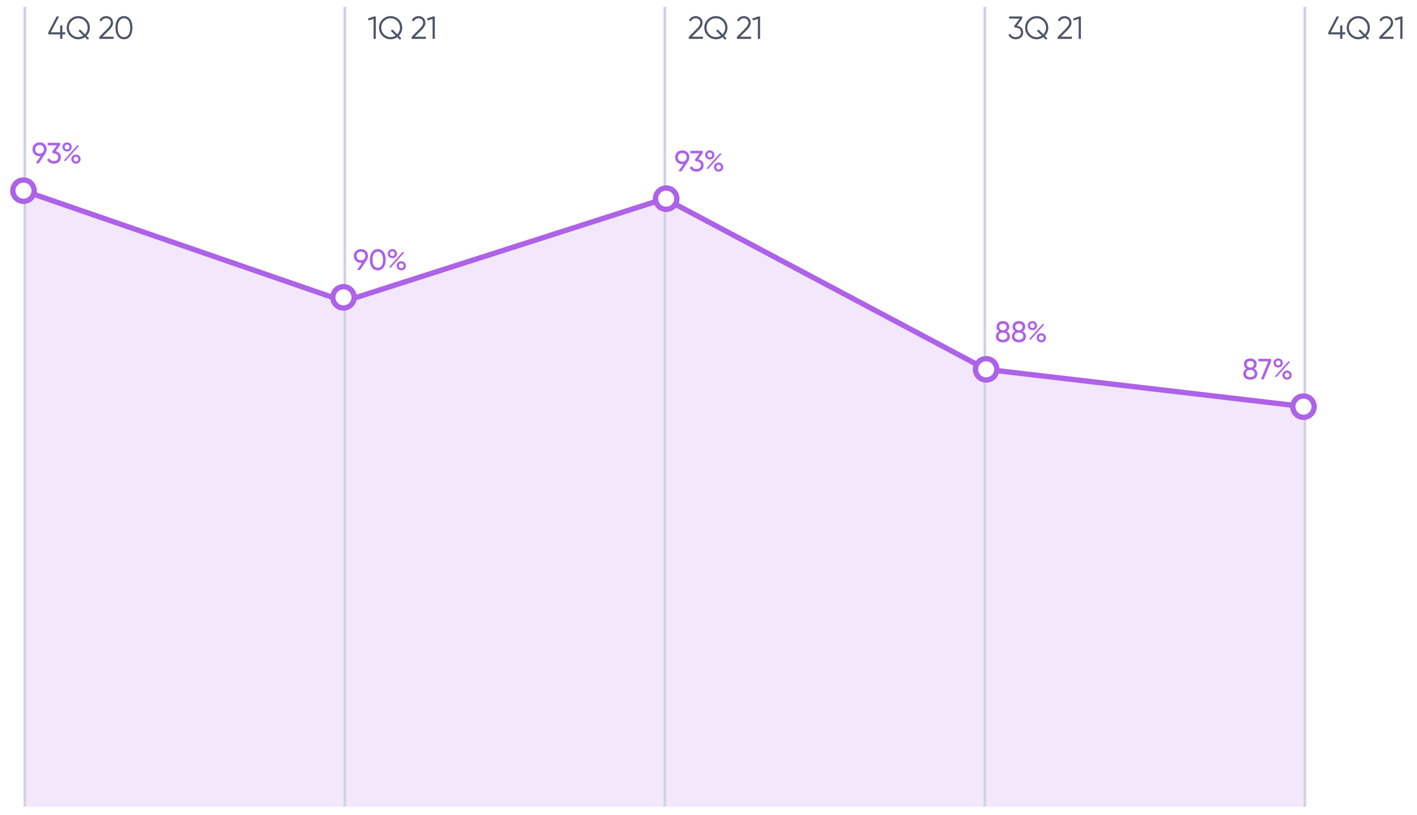
y-o-y increase in the price per sqm for apartments in Etalon Group's portfolio in 4Q 2021



Average down payment, %

87 %

a high average down payment supported by increased share in mortgage sales



Regional sales network

59	~30%	30.7%
cities in Russia in regional sales network	share of annual sales in regional network	share of regional buyers in 2021

Historically, Etalon Group's regional sales network, which includes offices and partner agencies in 59 Russian cities,[1] has helped drive sales. With the expansion of business beyond Moscow and St Petersburg, the sales network has become one of Etalon Group's competitive advantages, enabling the Company to analyse the market in terms of the potential to enter a particular region and launch new projects.

In addition, thanks to many years of experience selling property in St Petersburg and Moscow through the regional network, buyers from throughout Russia are already familiar with the Etalon brand and the quality of the product produced by the Company.

The regional network is responsible for about 30% of annual sales. In 2021, the share of regional buyers was 30.7%.

Etalon Group's regional sales geography[2]

Region	Share of total contracts
Leningrad region	2.7%
Yamalo-Nenets AD	1.5%
Krasnoyarsk Krai	1.4%
Krasnodar	1.0%
Khanty-Mansi AD	0.9%
Sakha (Yakutia)	0.9%
Khabarovsk Krai	0.8%
Omsk region	0.7%
Samara region	0.7%
Other Russian regions	19.6%
Foreigners	0.7%
TOTAL	30.7%

[1] As of 30 December 2020.
[2] Company data for FY 2021.

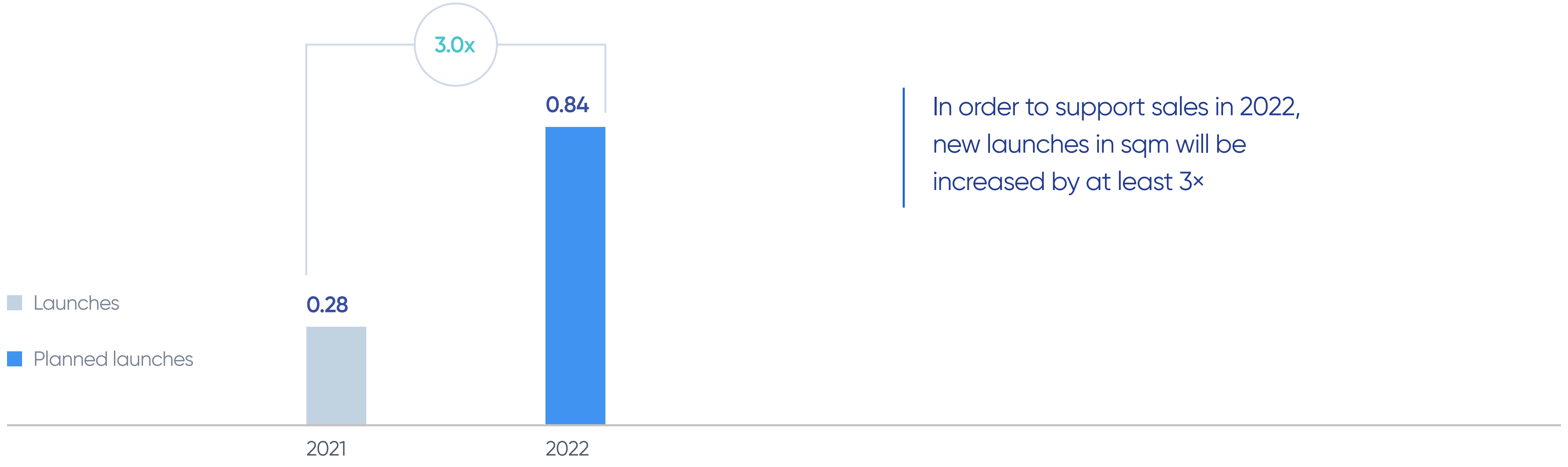
Forecast

In 2021, the Company acquired 1.9 mln sqm in its main regions of operations and new regional markets, with plans to acquire a further 3.5 mln sqm in 2022.

With these additions to its portfolio in 2022, Etalon Group plans to significantly increase the amount of NSA it puts on sale.[3] Its new offer will include:

- projects in key regions (including two new projects in St Petersburg)
- Etalon Group's first projects in regional markets: in Omsk and the Novosibirsk region

New launches, NSA,[4] mln sqm



In order to support sales in 2022, new launches in sqm will be increased by at least 3×

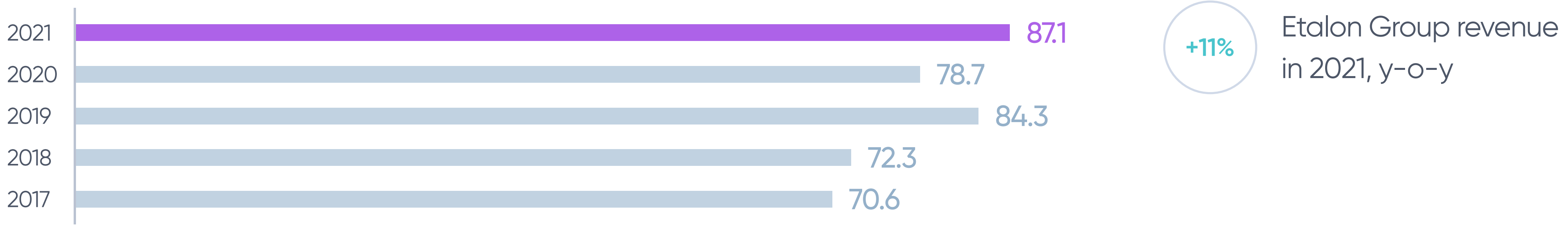
[3] For more information on portfolio additions and new projects in Etalon Group's traditional and new markets, see the "Project Portfolio" section on p. 35
[4] Net sellable area

Financial results

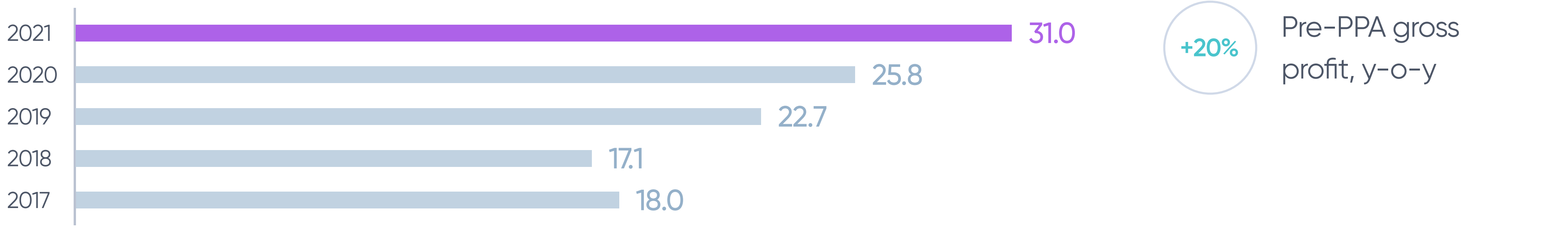
Financial results

Etalon Group demonstrated record financial results in 2021 on the back of excellent sales, strict cost controls and effective debt management.

Revenue, RUB bln



Pre-PPA gross profit, RUB bln



36 % ↑ +3 P.P. Y-O-Y

Pre-PPA gross profit margin

21.1 BLN RUB ↑ +28% Y-O-Y

Pre-PPA EBITDA

24 % ↑ +3 P.P. Y-O-Y

Pre-PPA EBITDA margin

2.6 BLN RUB ↓ -87% Y-O-Y

Net corporate debt

as of 31 December 2021

0.1x

Ratio of net corporate debt to pre-PPA EBITDA

compared with 1.2× in 2020

CONTENTS

Earnings and expenses

Etalon Group enjoyed record-setting revenue and gross profit in 2021. The Company's improved financial performance was driven by record sales in FY 2021 and its efforts to improve operational efficiency.

Revenue for the year increased at the consolidated level and in the Company's key segment of residential development in both regions where Etalon Group operates. Notably, revenue in the residential development segment in Moscow exceeded RUB 43 billion (up 9% year-on-year); in St Petersburg, it amounted to RUB 32 billion (up 4% year-on-year).

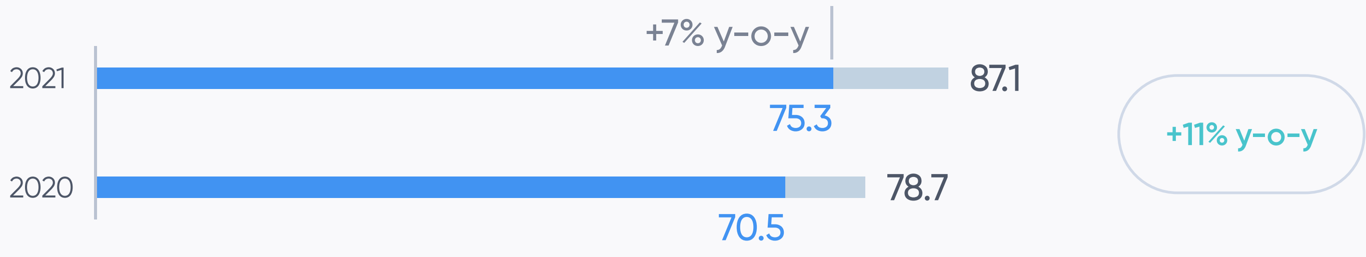
Gross profit also reached record levels: pre-PPA gross profit increased to RUB 31 billion (up 20% year-on-year), or to RUB 27.8 billion (up 27% year-on-year) when adjusted for PPA. This sharp increase was made possible by the Company's efforts to introduce strict cost controls.

Pre-PPA gross margin increased from 33% to 36%, with a target of 35% by 2024, which is an excellent result for the industry.

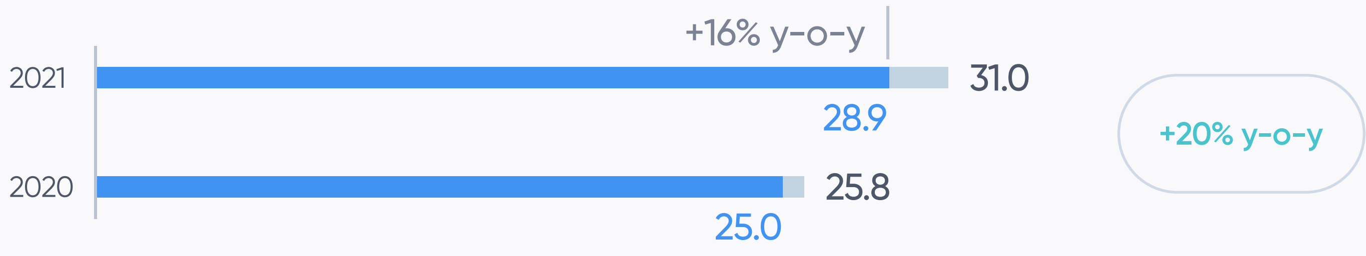
One of the Company's key priorities remains the further optimisation of SG&A costs, which came to 12% of revenue, down from 12.5% a year earlier, even taking into account record sales for FY 2021.

As a result of improved business efficiency and strict control of overhead costs, pre-PPA EBITDA for FY 2021 increased by 28%, and the pre-PPA EBITDA margin increased by 3 p.p. to 24%. EBITDA amounted to RUB 17.9 billion (up 42% year-on-year). Net profit also increased by 48% year-on-year to RUB 3 billion. At the same time, pre-PPA net profit amounted to RUB 6.5 billion.

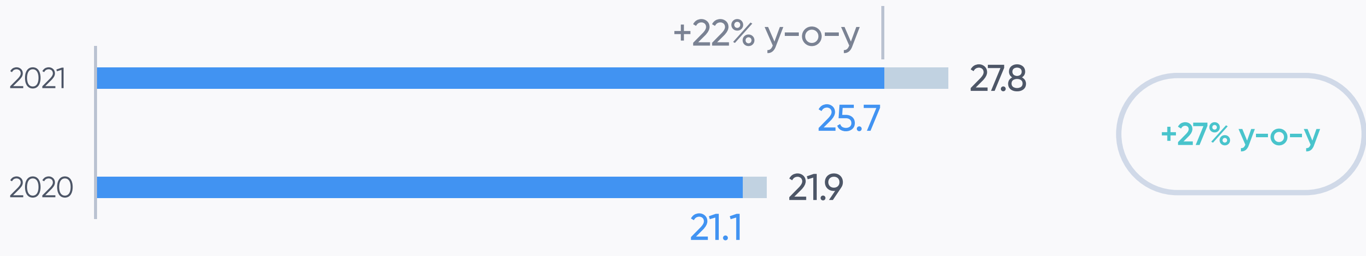
Revenue, RUB bln



Pre-PPA gross profit, RUB bln

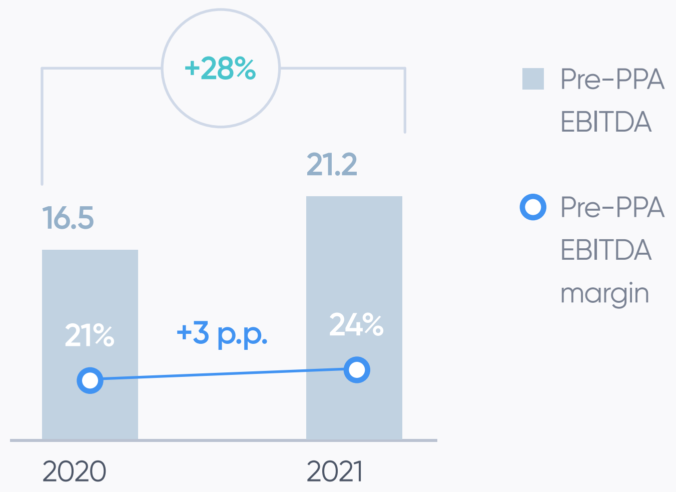


Gross profit, RUB bln

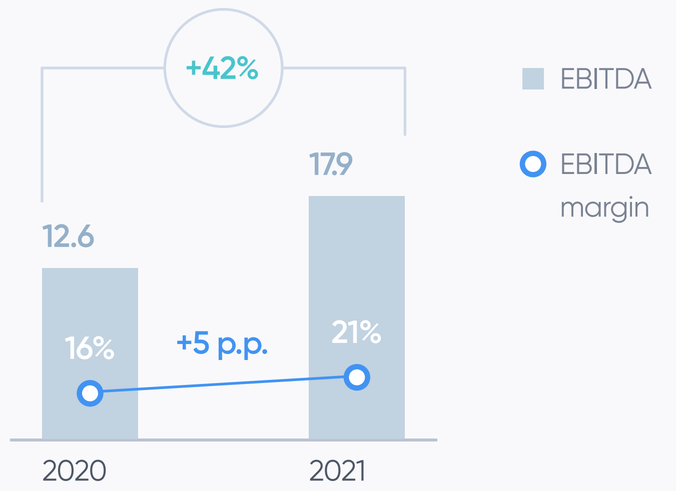


Residential development segment | Other segments

Pre-PPA EBITDA, RUB bln



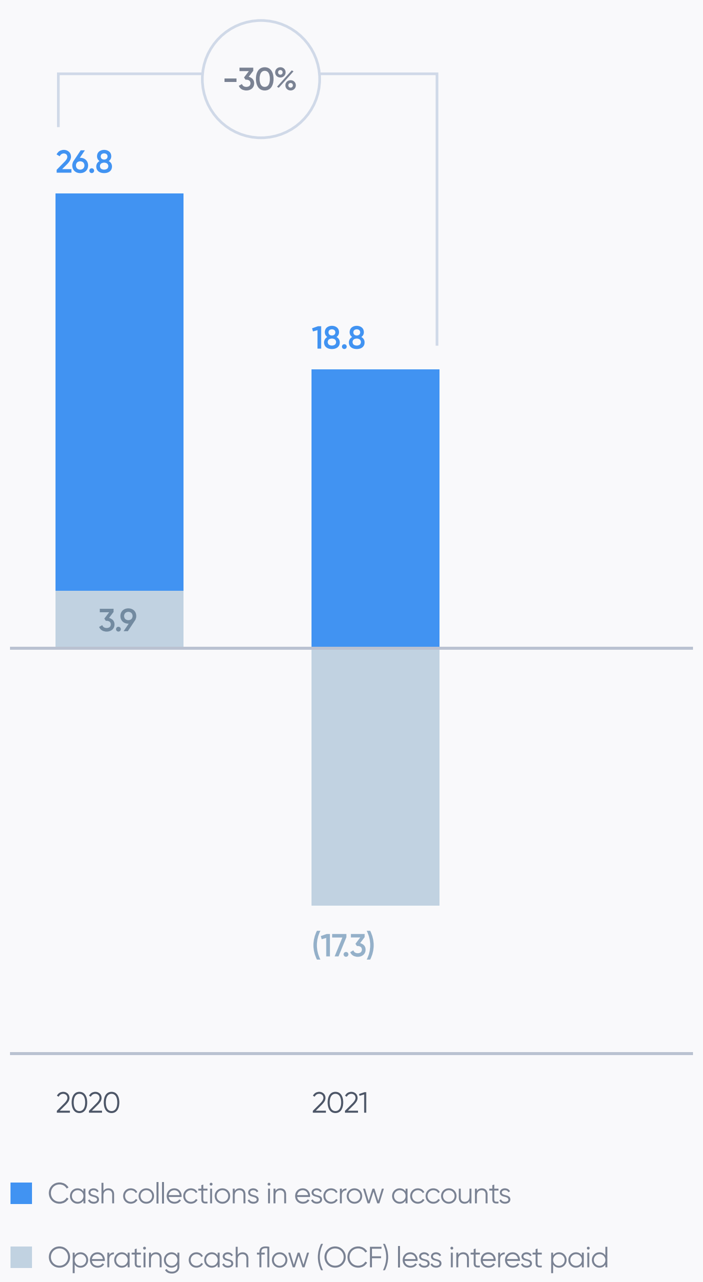
EBITDA, RUB bln



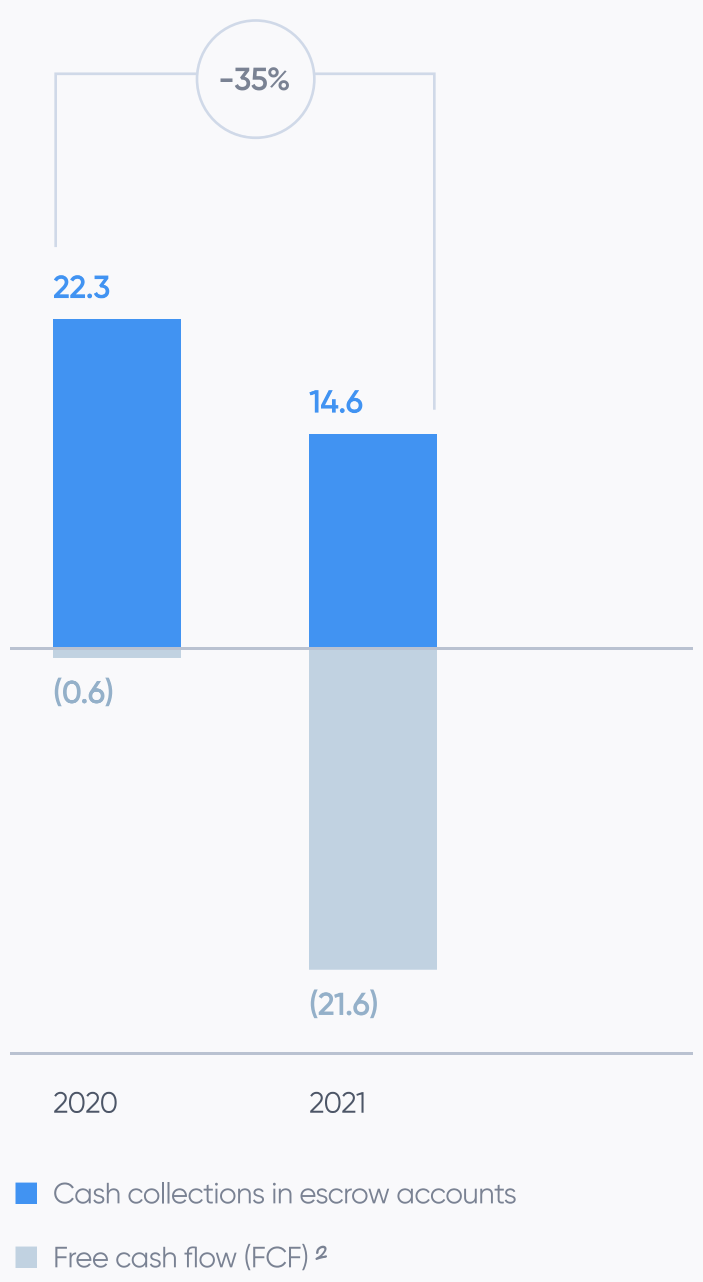
Cash flows

Despite the large-scale replenishment of its portfolio in the reporting year, the Company generated strong cash flows. In 2021, operating cash flow less interest paid, including cash collections in the corresponding period in escrow accounts, amounted to RUB 18.8 billion. Free cash flow, including cash collections in escrow, remained positive, at the level of RUB 14.6 billion. At the same time, it should be noted that the acquisitions made by the Company since the end of 2020 added a total of about 3.7 mln sqm of future NSA. Thus, in more than doubling its land bank, the Company continued to generate significant positive cash flows.

Operating cash flow,[1] RUB bln



Free cash flow,[1] RUB bln



[1] Incl. cash collections in escrow accounts.
[2] Free cash flow is calculated as net profit for the period adjusted for depreciation, share-based payments, impairments, interest, taxes, changes in working capital and changes in invested capital.

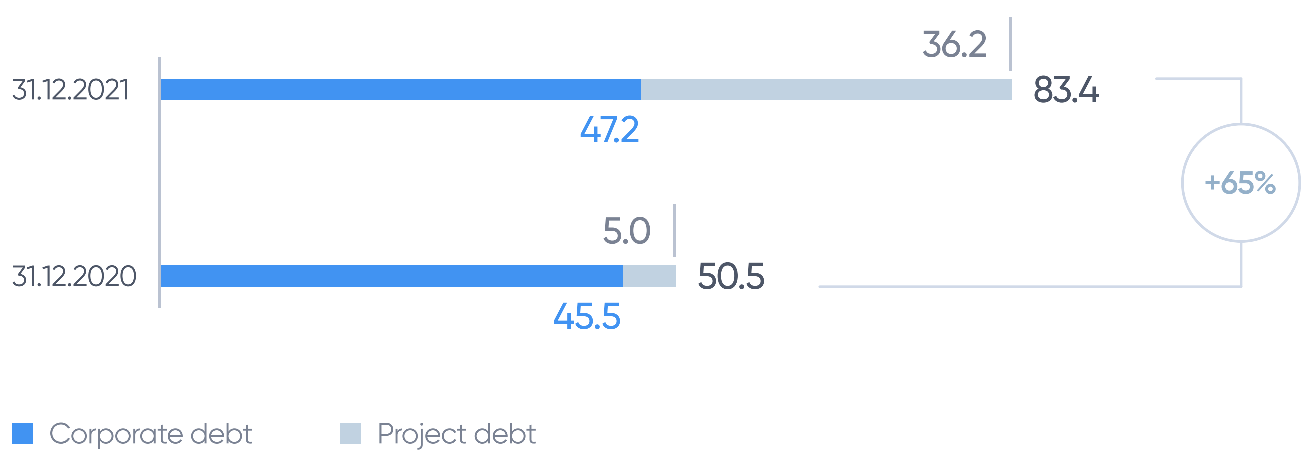
Balance sheet

The Company continued to improve its debt profile during the reporting year. Cash and cash equivalents reached RUB 104.4 billion and stayed ahead of gross debt in terms of the rate of increase. At the same time, funds in escrow amounted to RUB 59.8 billion, which enables the Company to borrow for project financing at a reduced rate of 3%–4% even in the face of a key rate increase by the Bank of Russia. The rates on the Company's loan portfolio also remained at a comfortable level during the reporting period. The weighted average cost to service our debt portfolio was 6.5%, down from 8.3% in 2020.

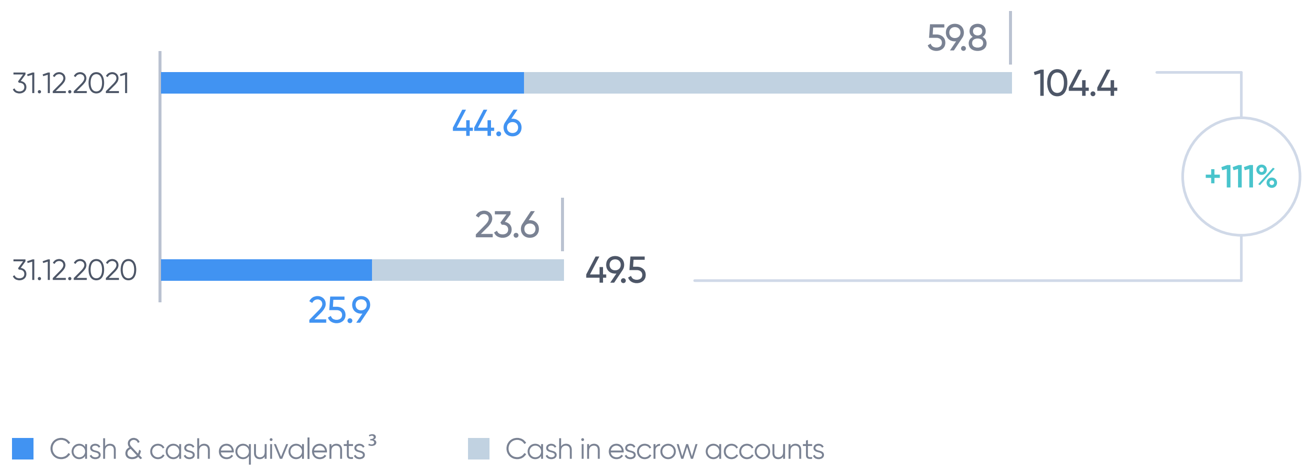
The ratio of net corporate debt to pre-PPA EBITDA decreased to near zero, reaching 0.1x. Net corporate debt for the year decreased by 87% and, as of 31 December 2021, amounted to RUB 2.6 billion.

Our debt obligations remain fully denominated in roubles, and owing to our sufficient liquidity reserves and the terms of our existing loan agreements, we are able, even in an environment of rising interest rates, to maintain a comfortable average rate on our loan portfolio, thereby ensuring the fulfilment of our obligations to our creditors, partners and customers. At the same time, we have a strong financial position that enables us to implement strategic programmes in key areas, thus ensuring that we are able to expand our business as planned both in our core regions and in our new regions of operations.

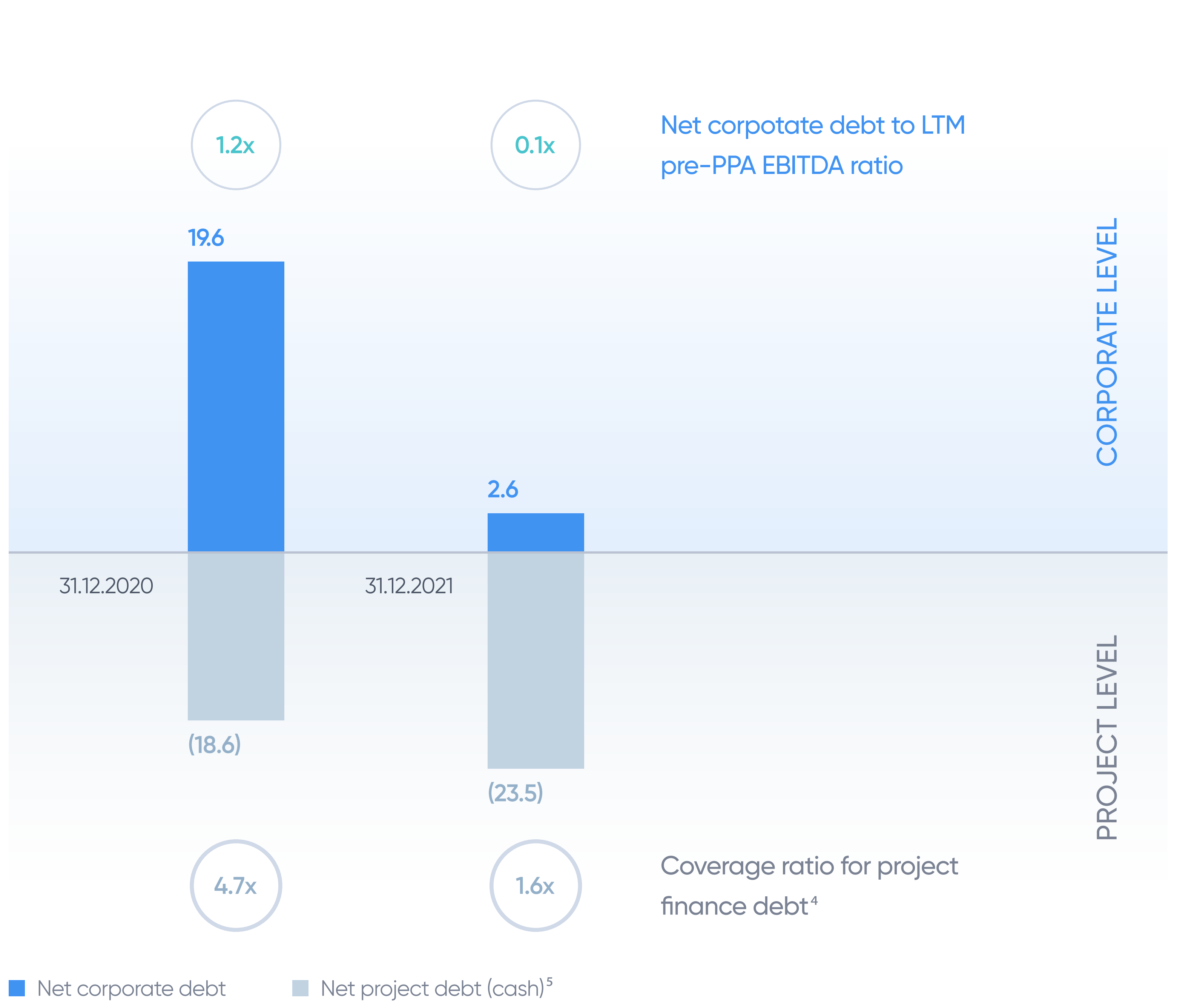
Total debt, RUB bln



Cash & cash equivalents, RUB bln



Net debt (cash), RUB bln



[3] Including bank deposits over three months; excluding cash collections in escrow accounts.
[4] Project debt used in calculating the coverage ratio includes escrow adjustments.
[5] Project finance debt less cash in escrow accounts.

Sustainability

69 .... INTRODUCTION
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83 .... ENVIRONMENT
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95 .... SOCIAL RESPONSIBILITY
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124 .... GRI INDEX

Introduction

Etalon Group's operations are based on the fundamental principles of sustainability for the benefit of our employees and customers, the industry, local communities and society as a whole. In our tireless efforts to ensure that urban development is sustainable, we incorporate advanced technologies and are committed to offering affordable and quality housing that meets the highest standards in terms of the living environment. We also develop public spaces, play a role in the development of urban-planning standards and initiatives, and carry out public-interest projects. Ethical, social and environmental considerations are deeply integrated into our daily activities and are at the heart of our corporate values.

Reporting principles and framework

Etalon Group's sustainability results for the reporting year are published as part of its integrated annual report. Given that the Company recently launched a regional expansion programme and that, as part of that programme, it had begun construction of its first regional project – the Green River residential complex in Omsk – at the time of the writing of the report (early 2022), the report mainly considers Etalon Group's results in its traditional regions: St Petersburg and the Moscow region. Data on regional markets is included in the report as part of the project portfolio overview and in terms of the implementation of the business development strategy to 2024. Key operational and financial metrics as of the end of 2021 do not include data on regional markets due to the timing of the regional expansion programme and the fact that regional projects are at an early stage of development.

The financial indicators included in this 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 that submitted by its subcontractors. Due to the update of the Company's organisational structure, aimed at ensuring more effective business development within the framework of Etalon Group's current strategic programme, and also due to changes in how investment and construction projects are managed, the accounting basis for a number of metrics regarding the use of resources changed in 2021, as did the method used to collect this information, which is discussed in the relevant sections of this report.

Our assessments and forward-looking statements are mainly based on our current expectations, estimates of future events and trends that affect Etalon Group's operations or that may affect them in the future. These forecasts are subjective in nature and may not take into account certain risk factors that could have a serious impact on the implementation of Etalon Group's strategy and results.

Reporting principles and framework

When making disclosures, we were guided by individual GRI standards that were part of the sole GRI reporting guideline prior to the publication of updated universal standards in October 2021 and that remain applicable until 2023. In line with our plans to further expand the scope of disclosures, we included, in the reporting year, additional data in the sustainability section, including on staff turnover, workplace injury rates and atmospheric emissions; we discuss separately and in detail our approach to the development of our supply chain, as well as the integration of new technologies to improve the quality and affordability of our product.

In addition to GRI standards, the report includes a number of data sets in line with the requirements of the SASB Real Estate and SASB Home Builders standards.

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

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 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 selected five key goals that are in line with the specific nature of our business and our ability to have a socially significant impact in a given area. The goals where we focus our efforts may change as we refine our strategy in the area of corporate and social responsibility and as specific measurable targets are established. The Company's current sustainability goals and plans to expand its ESG practices are listed in Etalon Group PLC's ESG Policy, which was approved in December 2021 and is available on the Company's website.

Etalon Groups key sustainable development goals under its current strategy

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.

01

Occupational safety

The Company's main priority is the life and health of its employees. To ensure the safety of its personnel, the Company takes a number of measures that go beyond the legal requirements, including additional procedures for occupational health and safety oversight as well as the ongoing improvement of the advanced system developed by Etalon Group specialists that uses BIM technologies to monitor occupational safety.

For more details, see "Occupational health and safety"

02

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, in its search for and use of safe resources and technologies, and in the development of new approaches that minimise its negative impact on the environment throughout the project life cycle.

For more details, see "Environment"

03

Impact on community development

The Company makes efforts to develop local communities and the regions where it operates: it undertakes redevelopment and integrated development projects; builds infrastructure; endeavours to raise the standards for the living environment; devotes attention to the preservation of historical and cultural heritage, including the reconstruction and restoration of historical sites; and participates in public-interest projects in the areas of education, support for healthy lifestyles and the provision of assistance to vulnerable groups. In addition, Etalon Group is committed to supporting economic growth in the cities where it operates by creating jobs, conducting joint educational programmes and maintaining high standards regarding its corporate culture.

For more details, see "Social responsibility", "Employees" and "Business conduct"

04

Equal opportunities for all

Equal opportunities for employees regardless of their gender, age, religious beliefs 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 equally available to all employees, 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 "Employees" and "Business conduct"

05

Innovation

Etalon Group, alone or in partnership with other companies, incorporates digital products and new housing construction technologies that enable the Company to operate more efficiently and, consequently, to improve the quality and affordability of the housing built by Etalon Group. In the long term, strategic initiatives aimed at the development of new technologies can facilitate the spread of best practices throughout the industry and contribute to its sustainability.

For more details, see "Strategy" and "Innovation"

06

Employee development and training

A balanced personnel management strategy is an important component of successful business development. Etalon Group implements programmes aimed at creating a talent pool and recruiting and retaining talented employees, including through further expansion of the Company's collaboration with universities, education programmes for staff, refinement of incentive systems and the creation of comfortable conditions for professional growth.

For more details, see "Employees"

07

Stakeholder engagement

Regular stakeholder engagement is an important part of the Company's successful development. 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 its strategic initiatives.

For more details, see "Stakeholder engagement"

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 and to 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 PLC ESG Policy
- Etalon Group Code of Corporate Ethics
- Etalon Group Anti-corruption Policy
- 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
- Etalon Group PLC Management Policy
- Etalon Group PLC Group-wide disclosure policy
- Regulation on the Corporate Secretary of Etalon Group PLC

Some of Etalon Group's standards and policies are publicly available on the Company's website.

Strategic issues related to sustainability come under the purview of Etalon Group's Board of Directors. In the context of systematising and improving the Company's sustainability-related efforts, Etalon Group's Board of Directors assigned responsibility for ESG issues to the Investor Relations and Information Disclosure Committee in September 2021, in response to a proposal from the Committee.

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. At the level of ESG-related operational processes, the coordinating body is the Corporate Investment and Strategy Division, which includes the Investor Relations and Sustainability Department. The implementation of policies and processes related to corporate social responsibility within Etalon Group and individual subsidiaries – including issues of monitoring compliance with anti-corruption legislation and internal policies, personnel management, procurement, environmental issues, etc. – fall under the purview of the responsible divisions and departments.

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 on the ESG agenda is available in the corresponding sections of this report.

Sustainable Development Goals and accomplishments in 2021

3 GOOD HEALTH AND WELL-BEING

COMPANY ACTIONS

- 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

RESULTS

- Zero fatalities and an increase in the safety index from 86% to 87% during the year (with a target of 75%); LTIFR of 0.43
- 2,560 employees insured under the life insurance programme, and 2,202 employees provided with private health insurance policies
- 137 employees completed occupational health and safety training (36 hours per person)

REPORT SECTION

Occupational health and safety | Employees

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

COMPANY ACTIONS

- 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

RESULTS

- Piloting of available prefabrication technologies and adapting them for subsequent use in combination with traditional cast-in-place technology (hybrid technology)
- Industry BIM Leader since 2014
- Launching and actively implementing projects for design automation, product standardisation and digital technical specifications
- Piloting the Digital Neighbourhood suite at the Silver Fountain project

REPORT SECTION

Strategy | Innovation

11 SUSTAINABLE CITIES AND COMMUNITIES

COMPANY ACTIONS

- 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

RESULTS

- In 2021, three preschools and one school for a total of 1,360 pupils were delivered
- RUB 2.5 million was invested in the development of local communities
- The Company took part in 28 charitable programmes/initiatives, providing RUB 53.9 million in charitable assistance
- A cooperation agreement was signed with the Russian Presidential Academy of National Economy and Public Administration and the St Petersburg Stieglitz State Academy of Art and Design

REPORT SECTION

Social responsibility | Employees

12 RESPONSIBLE CONSUMPTION AND PRODUCTION / 13 CLIMATE ACTION

COMPANY ACTIONS

- Carrying out a comprehensive environmental impact assessment and applying environmental measures at all stages of project implementation
- Recycling all construction waste capable of being processed
- 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

RESULTS

- ESG Policy approved
- The Company does not produce waste in hazard classes 1–3 (hazardous waste); most of its waste was sent for recycling (99.9%)
- Reduced atmospheric emissions by 50% compared with 2020
- The Company is developing measures to reduce its future environmental impact, including the 3D printing of materials from recycled plastic, rooftop gardening, and the creation of artificial waterbodies with aquatic plants, etc.

REPORT SECTION

Environment

Stakeholder engagement

Etalon Group, a publicly traded company with a diversified investor base, carries out projects in several regions of Russia, each of which is characterised by its own particular economic and social conditions. In light of this, maintaining an effective, honest dialogue between Etalon Group and stakeholders, involving stakeholders in decision-making, understanding the interests and expectations of various stakeholder groups and taking them into account in determining the Company's development strategy are the basis for building relationships founded on mutual trust, transparency and honesty. This approach enables us to create long-term value at every stage of operations.

The main principles of our engagement with stakeholders remain unchanged

1. Fair 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 complete information

Some stakeholders may have questions about the Company's plans – the goals, scope and scale, as well as the risks involved. The solution is to provide stakeholders with opportunities for discussion, and to 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 measured approach most stakeholders expect.

3. Prioritising stakeholder interests

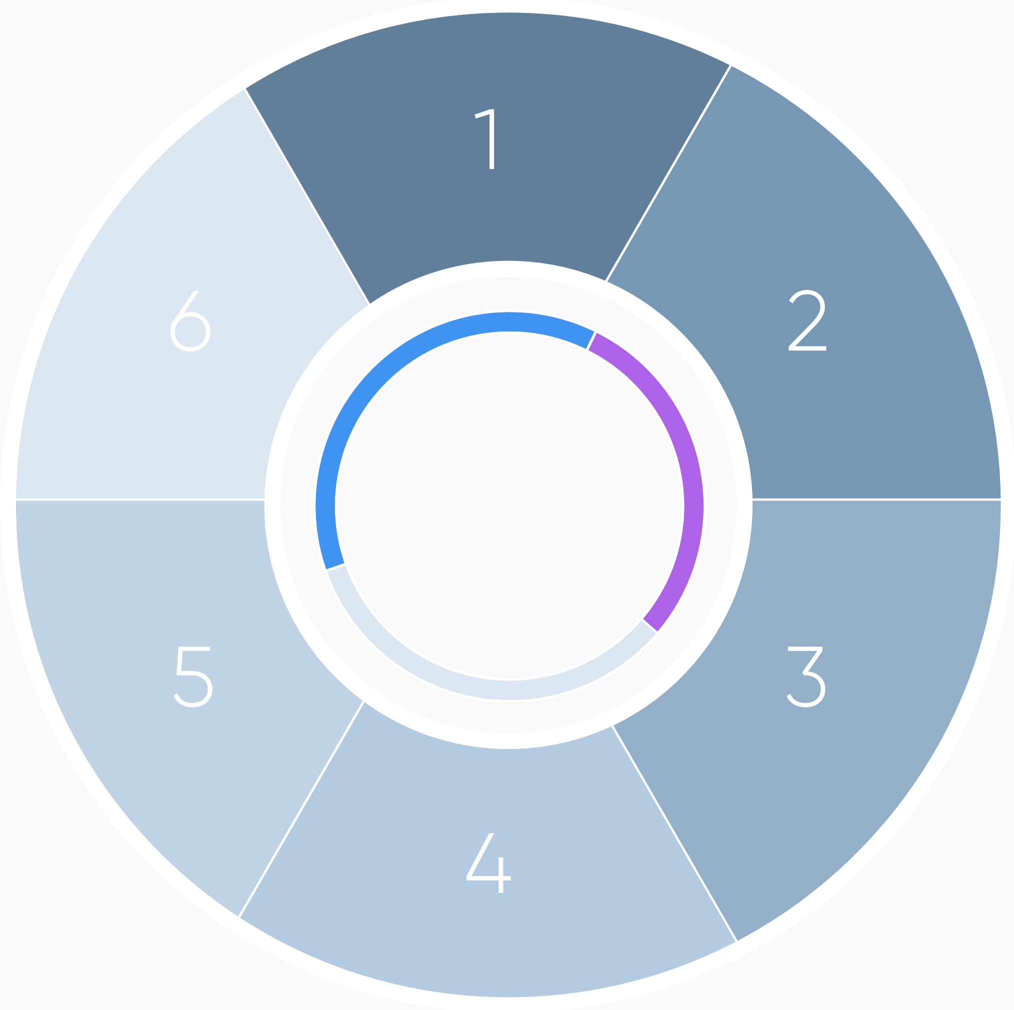
When making important decisions, Etalon Group is always guided by the interests of its stakeholders. This approach enables the Company to create additional value for stakeholders through strategic and operational efficiency.

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 are facing. This is why Etalon Group maintains a strong focus on ensuring mutual understanding and loyalty on the part of its customers, employees, investors, partners and society.

5. Improvement

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



- Improving
- Ensuring access to information and inculcating a culture of openness Building trusting relationships with stakeholders
- Honest dialogue and prioritisation

1. ANALYSIS AND PLANNING:

Keeping abreast of best practices and studying what stakeholders need and expect

2. PREPARING RESOURCES:

Building teams and developing resources, as well as the capacity for effective interactions

3. DEVELOPING AN APPROACH:

Determining the most effective approach, developing an interactive process

4. IMPLEMENTATION:

Implementing and refining plans on an ongoing basis

5. ASSESSMENT AND IMPROVEMENT:

Accruing feedback, carrying out an analysis, and planning and implementing improvements

6. CONSIDERING STRATEGY:

Identifying the stakeholders and defining the strategic goals and priorities

Etalon Group’s approach to engagement with various stakeholder groups

	Customers	Employees	Business partners	Institutional and retail investors, analysts	Society
Key issues and goals of engagement	• Dissemination of information about Etalon Group’s products • Ensuring customers can provide 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 and healthy working environment • Respect for human rights, equal opportunities and inclusion • Attracting, training and retaining competent professionals • Ensuring that employees are fully informed about the Company’s strategy and goals	• Mutually beneficial cooperation • Financial and operating performance • Responsible approach to conducting business • Innovation • Operational efficiency	• Etalon Group’s investment case • Company strategy • Financial and operating performance • Dividend payments • The Company’s activities in capital markets	• Environmental issues • Corporate social responsibility • Taxes • Creating jobs and improving living conditions wherever the Company operates • Building and maintaining a solid reputation
Forms of interaction	• Streamlining the communication policy, developing precise targeting tools and competencies in analysing 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 training students in subjects related to the construction industry, and recruiting such students • Adaptation programme for young professionals • Training programmes and workshops for employees • Competitive salaries, bonuses and non-monetary incentives • Employee satisfaction survey, performance feedback and career planning • Implementing an anti-discrimination policy and protecting human rights in accordance with Etalon Group’s Code of Corporate Ethics 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 the Regulation on Conducting Tenders • Incorporation of digital solutions to create platforms for engaging potential partners as well as to increase operational synergies • 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 monitoring deadlines throughout the entire project life cycle • Developing and implementing advanced industrial technologies for housing construction • Exchanging experiences and employing best practices	• Increasing transparency and information disclosure • Disclosing information on operating and financial results, important corporate events and stages of project implementation • Studying the perception of the Company among the investment community and analysing feedback from investors and analysts • 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 social infrastructure, restoring historical monuments, supporting and organising cultural and sporting events, as well as charitable programmes • Developing formalised approaches and policies to ensure sustainability and responsible business practices • Publishing press releases and interviews • Maintaining channels of communication with leading 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

Etalon Group's approach to engagement with various stakeholder groups

	Customers	Employees	Business partners	Institutional and retail investors, analysts	Society
Main activities and results of 2021	• Improved CJM: big data–based comprehensive analysis of points of interaction with customers at all stages of a transaction, identification and rectification of weaknesses, implementation of best practices, creation of a model customer journey • Product standardisation to improve product quality and make it more affordable • About 250 thousand calls were received during the year, with only 1.4% of calls lost • Repeat purchases accounted for 31% of total sales	• No fatal accidents • The safety index increased to 87% (up from 83% in 2019 and 86% in 2020) • The organisational and functional structure was transformed in order to increase the efficiency and transparency of decision-making; the incentivisation system was improved • 769 Company employees underwent training; the total duration of all training programmes was about 18.8 thousand hours — an average of 24 hours per person • 113 staff members participated in the onboarding programme • 230 employees received financial assistance from the Company; the total amount of payments amounted to RUB 11.7 million • 44 people received a corporate pension • Women accounted for 40% of the Company's management • Agreements were signed with the Russian Presidential Academy of National Economy and Public Administration and the St Petersburg Stieglitz State Academy of Art and Design on the development of joint educational and information projects	• The Etalon Partnership programme was launched • State-of-the-art modular construction technology that is fully ready for implementation was purchased; a site was selected to launch pilot production in 2022 • A new record was set in terms of new contract sales: RUB 84.4 billion • The Company expanded to new regional markets, including through joint ventures with major local players	• The dividend policy was updated in connection with recovery in profitability: the Company intends to pay dividends in the amount of 40%–70% of pre-PPA net profit under IFRS; the dates for recommending and paying out dividends have been set • More than 90 conference calls with investors and analysts were held; the Company participated in two conferences for retail investors; 41 releases were published on the regulator's website • Etalon Group conducted another perception study among investors and analysts • The Investor Relations and Disclosure Committee was enlarged, and ESG issues were added to its remit • Etalon Group's Regulation on Insider Information and a new version of the Company's Stock Trading Code were approved	• Etalon Group PLC's ESG Policy was approved • Public amenities covering a total area of about 30 ths sqm were delivered in Moscow and St Petersburg • Tax payments amounted to RUB 3.5 billion • More than 13 thousand mentions of Etalon Group in the media, 5% of which were publications about the Company's environmental and social projects • Etalon Group experts participated in approximately 80 industry and business events

Etalon Group's approach to engagement with various stakeholder groups

	Customers	Employees	Business partners	Institutional and retail investors, analysts	Society
Main topics of engagement in 2021[1]					
• Managing environmental impact	✓		✓	✓	✓
• Occupational health and safety		✓	✓		
• Equal opportunities, inclusion and working conditions		✓		✓	
• Human rights		✓		✓	
• Business transparency and responsibility			✓	✓	✓
• Sustainable supply chain			✓		
• Engagement with local communities / development programmes					✓
• Innovation and new technologies	✓		✓	✓	✓
• Increased profitability and business efficiency		✓		✓	
• Fair and transparent commercial policies	✓				
• Business development strategy		✓		✓	
• Improved product and services	✓	✓	✓		

The Company's strategic initiatives and day-to-day activities to achieve them are aimed at creating long-term benefits for all stakeholder groups that collaborate with the Company.

Etalon Group's lengthy experience in the real estate market and its excellence in implementing projects varying in scale and complexity is what makes the successful achievement of these goals possible.

Creating value for stakeholders at all stages of operations in the context of various areas of business development

Operational efficiency

- A balanced approach to securing debt financing and financial discipline
- Maintaining a high-quality product while reducing costs through standardisation, the application of new construction technologies and process automation
- Expanding the Company's geography of operations while maintaining an attractive level of profitability at new projects
- Synergies through partnerships

Business digitalisation

- Installation of end-to-end digital architecture
- Design robotisation
- Information modelling in the construction process and in monitoring safety at construction sites
- Automated big data analysis systems for acquisition planning and marketing strategy

Sustainability

- Establishing a clear ESG approach and policy
- Improving the quality and transparency of corporate governance
- Human rights, fighting corruption and discrimination
- Health, safety and environmental concerns

Long-term sustainable growth in terms of the scale and profitability of the business while improving the quality of the product, increasing the Company's contribution to the development of local communities and minimising its adverse environmental impact

[1] The topics most frequently raised in communications with relevant stakeholder groups in 2021.

Occupational health and safety

Protecting the health and safety of our employees is Etalon Group's top priority. The Company maintains high standards of workplace safety and prevents fatal accidents at its construction sites by paying special attention to occupational health and safety (OHS) issues, conducting regular monitoring, using advanced technologies and refining safety systems.

Occupational health and safety policy

Taking a proactive approach to workplace safety, the Company is committed to assessing and minimising the risk of injuries. In its operations, Etalon Group is guided by applicable laws and best practices, and it also adapts digital technologies to monitor workplace safety.

Etalon Group's approach to OHS issues and the measures it takes in relation to workplace safety are also regulated by the Company's by-laws and policies:

- The Regulations on the Occupational Safety Management System at Etalon Group set out the key principles for managing the OHS system as well as the rights and obligations of divisions and officials in the area of occupational health and safety; the regulations also describe how work is to be organised in order to ensure compliance with occupational health and safety standards at the Group's construction sites, preventative measures, actions to be taken in case of accidents, and personnel training and certification.

  In 2021, the Regulations on the Occupational Health and Safety Management System were revised and updated as a result of changes — including organisational changes — that took place within Etalon Group as the Company's new business development strategy was implemented.

- 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 that data.

  In the reporting year, a new version of the document was approved that includes a methodology for determining the fire safety index and the degree of risk at Etalon Group's construction sites.

- A separate Methodology for Monitoring Fire Safety at Temporary Construction Camps at Etalon Group Construction Sites and for Determining the Fire Safety Index was developed.

- In March 2021, a new version of the Procedure for the Authorisation and Monitoring of Contractors for the Performance of Construction and Installation works at Etalon Group Facilities was approved. The document outlines the requirements for companies and personnel performing construction and installation works, the procedure and conditions for the performance of works, and organisational and technical measures to ensure occupational health and safety as well as industrial, fire and environmental safety.

Etalon Group's OHS policy is based on the following:

- ensuring that the life and health of employees are a priority;
- strict compliance with applicable laws outlining the state requirements for occupational health and safety, and facilitating state oversight and monitoring of compliance with OHS requirements;
- carrying out measures for occupational health and safety as well as targeted monitoring and assessments of working conditions, including additional multi-stage monitoring of workplace safety;
- providing employees at construction sites with personal protective equipment and quality drinking water;
- arranging OHS training and medical examinations for employees working in hazardous and/or harmful working conditions;
- protecting the legitimate interests of employees injured in accidents at work as well as the interests of their family members.

Occupational health and safety system

1. Concept

development of a governing idea and approaches, theoretical development of the OHS management system

2. Organisation

arrangement of actions aimed at the creation, application and functioning of the OHS management system

3. Planning and application

development of goals and processes necessary to achieve results in line with the OHS concept

4. Assessment (oversight)

verification of OHS processes; monitoring, measuring and analysing indicators, as well as their compliance with OHS-related legislation, internal policies and approaches

5. Steps for improvement

introduction of changes to improve the performance of the OHS management system

Etalon Group's objectives in the area of occupational health and safety are to protect employees from the impact of hazardous and harmful production factors, to prevent workplace accidents and occupational diseases, and to improve the workplace culture and productivity.

Key elements of the OHS system:

- personal accountability on the part of managers at all levels for ensuring an adequate level of occupational health and safety in the divisions and companies they manage;
- organisation of the construction process in compliance with OHS requirements;
- regular independent monitoring of risks at Etalon Group properties;
- motivating individuals involved in the construction process to maintain the required level of occupational health and safety;
- systematic OHS training.

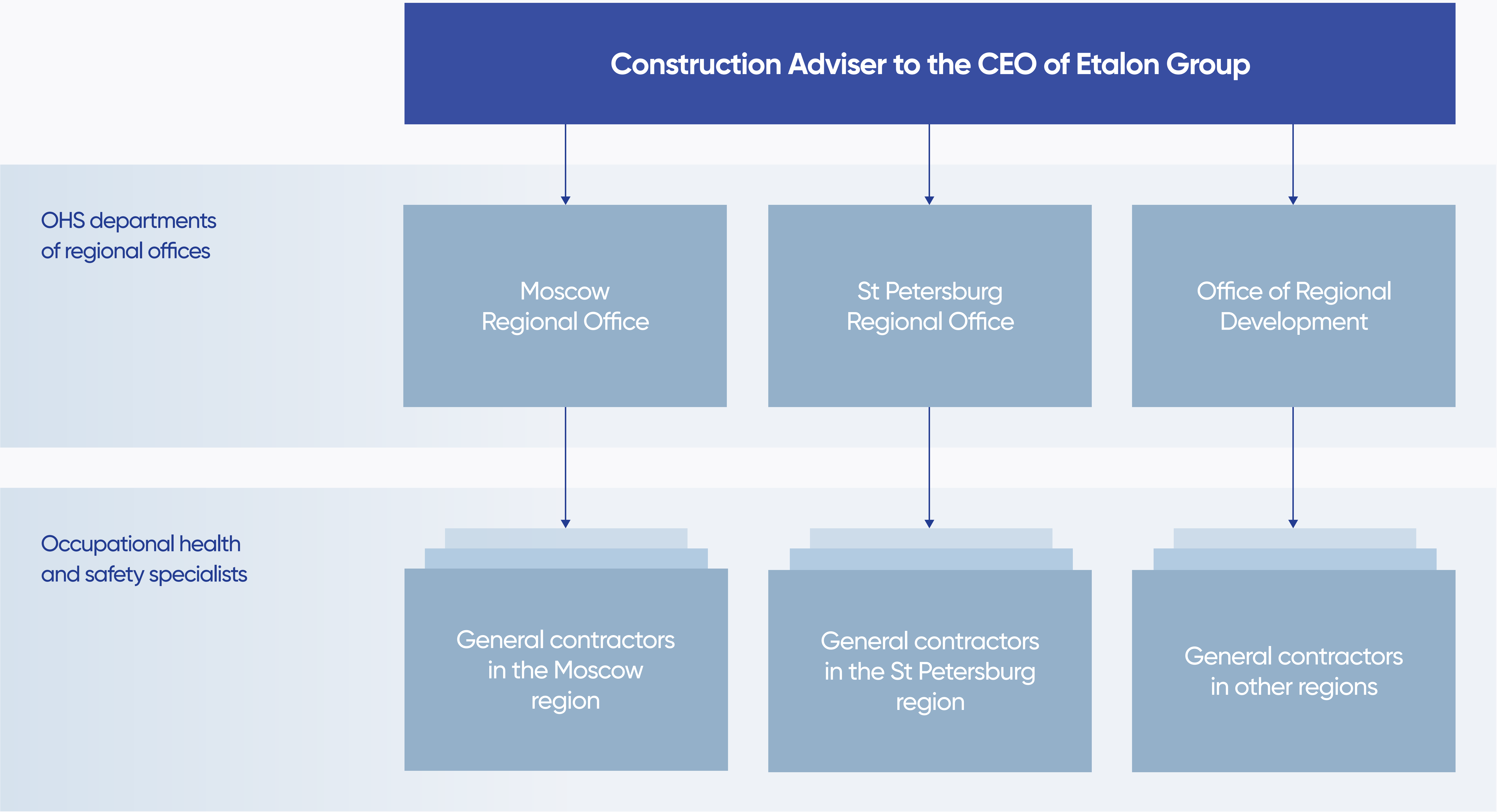
Criteria for assessing the effectiveness of the OHS system:

- the level of security and of occupational health and safety at construction sites, as expressed through the safety index and risk assessments (for more about the safety index, see p. 81);
- the accident rate at construction sites.

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 regional offices on the implementation of OHS rules and regulations and on the situation regarding workplace injuries. This practice helps to analyse incidents of OHS violations at the Group level, to identify patterns and weaknesses, and thus to identify key areas for improving the OHS system. This approach to organising the OHS system enables the Company to minimise safety violations, prevent risks and avoid serious and fatal injuries.

Organisation of the OHS service

To ensure that the OHS system performs as expected, Etalon Group developed a functional OHS hierarchy as a separate aspect of its oversight:



The functional hierarchy is headed by the CEO of Etalon Group, who oversees OHS issues with the aid of his construction adviser. The functional hierarchy for occupational health safety includes the following Etalon Group divisions and employees:

- adviser to the CEO of Etalon Group
- OHS departments within Etalon Group's regional divisions
- managers of all levels within Etalon Group companies
- OHS departments and OHS specialists at the level of Etalon Group companies

General contractors are responsible for coordinating the operations of contractors at Etalon Group construction sites in accordance with OHS regulatory requirements.

The main responsibilities of staff responsible for occupational health and safety are managing activities in order to prevent injuries and diseases caused by production factors and to comply with OHS requirements at construction sites; researching, incorporating and disseminating OHS-related best practices; conducting safety monitoring; and informing and advising employees on OHS issues.

All construction and installation works at Etalon Group construction sites are managed in strict accordance with the rules and regulations on construction in the Russian Federation, with project plans under development for the management of construction and the performance of works, and with process checklists.

A proactive approach and continuous improvement of the OHS system help ensure a high level of safety at our construction sites. In 2021, there were no fatal accidents at Etalon Group properties.

OHS activities 1/2

Risk identification and assessment

Etalon Group aims to identify hazards and assess risks, including before any change to or application of new working practices, materials, processes or equipment. The main risk groups are included in a unified register of the main hazards, sources and causes and are monitored in accordance with the methodologies for the safety index and fire safety index. Monitoring results are posted on the bulletin board at each construction site.

Before starting work at a construction site, a list of preventive and oversight measures is drawn up to ensure safe working conditions. In addition to regular monitoring, an additional mechanism for minimising risks is for employees to inform managers or OHS specialists about existing risks as they are discovered.

Equipment safety protocol

All equipment used by Etalon Group is certified in accordance with Russian legal requirements. The Company also conducts internal equipment inspections to ensure that it is installed correctly and serviced on a regular basis.

Preventing workplace injuries

The Company implements a range of measures to prevent injuries and OHS violations, including safe production systems, administrative measures to limit total time in contact with harmful and hazardous production elements, a preliminary risk analysis and subsequent regular safety monitoring.

Rate of workplace injuries

	2019	2020	2021
Number of fatal accidents	–	–	–
Number of employees of contractors (employed at Company properties) injured in work-related accidents	5	3	2
TRIR	0.21	0.11	0.09
LTIFR	1.05	0.56	0.43
Number of registered cases of occupational diseases	–	–	–
Number of registered deaths due to occupational diseases	–	–	–

Monitoring

The Company has strict rules in place regarding the technical features, installation, use and dismantling of enclosing structures, scaffolding and walkways; observance of hazardous-area boundaries; and the handling of flammable materials, garbage and waste. Safety fencing is tested for strength and resistance to variable force for uniformly distributed horizontal and vertical design loads.

In order to prevent injuries, the degree of risk — the quantitative degree of risk of a workplace accident at the monitored property, as calculated in accordance with the Fine–Kinney method — is determined at all construction sites. In accordance with the established risk level, the Company takes the necessary measures to eliminate or minimise risks.

To monitor and maintain a high level of construction safety, the Company developed and introduced a **safety index** — a workplace safety monitoring system based on BIM technologies — that it continues to refine every year. The Company regularly performs independent safety index assessments of individual properties and of all Etalon Group construction sites in general.

The safety index is also used to monitor the impact of the OHS system and the functional hierarchy for the management of OHS processes. The heads of our regional divisions are responsible for arranging regular independent monitoring of our properties using the safety index.

Etalon Group companies also undergo scheduled and spot inspections by regulatory authorities.

Etalon Group uses a three-stage system for monitoring compliance with OHS and fire safety requirements at its construction sites:

Stage I — indicators monitored on a daily basis: during workplace rounds throughout the day, the superintendent monitors compliance with OHS requirements; any discovered violations are immediately rectified.

Stage II — indicators monitored on a weekly basis: inspections are carried out by site supervisors in conjunction with superintendents; the results are logged, timelines are set for addressing any deficiencies, and the individuals responsible for doing so are appointed.

Stage III — indicators monitored on a monthly basis: inspections are carried out by a commission that includes the construction manager, the site manager and designated representatives of contractors. Following each inspection, a report is drawn up that is then sent to the OHS specialist at the relevant regional office.

In addition, managers working for the project owner have the right to monitor the general contractor's fulfilment of OHS rules and regulations as well as on-site regulations on occupational health and safety, industrial safety and fire safety.

At each construction site, at least two employees during every shift are responsible for continuous monitoring of the collective protection measures in use as well as the fencing around hazardous areas; they make sure there are no uncovered process-oriented openings, holes or open elevator shafts on every floor of the property.

The Company carries out strict oversight of compliance with OHS requirements on the part of contractors carrying out work at Etalon Group properties. For example, it conducts OHS assessments when holding tenders to select contractors and when deciding whether to add a contractor to, or remove one from, its register of companies accredited by Etalon Group. Contractors are granted access to sites based on the results of an assessment of the contractor's readiness to begin work, which includes, among other things, an assessment of its compliance with OHS and fire safety requirements.

Safety index

Since 2014, the Company has been using its safety index, a tool developed in-house, to determine the level of compliance with OHS regulations at construction sites. The index is calculated based on an objective assessment of compliance with OHS standards; the same indicators are used for the calculation at all Etalon Group construction sites. Using BIM technology, the index is based on data about a number of key parameters obtained during the monitoring of properties under construction: the ratio of the number of positive ratings to their total number of ratings at the control property. The measurement range is from 0% to 100%, while the target index for the Etalon Group is at least 75%.

The safety index makes it possible to conduct effective monitoring of OHS practices and equipment at Etalon Group's construction sites, to receive up-to-date information from monitored 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.

The current safety index is based on the results of regular monitoring of the OHS status at Etalon Group properties. The safety index score is updated at each Etalon Group property at least once every two weeks (twice a month). The main criterion for assessing the degree to which OHS standards are met is a construction site's compliance with national OHS standards and the Company's internal OHS regulations.

The managers of the general and other contractors that work for Etalon Group are required to ensure that the safety index score at Group properties does not fall below the minimum permissible score.[1] In the event of a serious or fatal accident, the safety index score at the construction site where the accident took place drops to zero.

Ensuring that the index score remains above the approved minimum may be one aspect of the incentivisation system for the staff of regional offices and general contractors.

Monitoring process using the safety index

When conducting inspections using the safety index, 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 is completed, 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 the relevant Etalon Group employees.

Improvement of the safety index in 2021:

- Starting in 2021, the safety index takes into account the probabilistic impact of risk on the life and health of employees by dividing the degree of risk into indirect and direct form. The new methodology for determining the index is an innovative way to identify and manage risks at Etalon Group construction sites.
- As part of the digitalisation of the processes involved in OHS monitoring, an information system called Fire Safety at Temporary Construction Camps was put into operation at construction sites. The system makes it possible to carry out online monitoring of construction camps and also to enter and analyse data on violations during operations.

Safety index

	2019	2020	2021
Average safety index for the year	83%	86%	87%

87% the average safety index score for 2021

75% the target safety index score

Spheres represent control points

[1] At the time of publication of this report, the minimum permissible safety index score was 75%.

OHS activities 2/2

Training

To ensure that employees are highly competent in terms of OHS issues, the Company arranges systematic training to upgrade their skills. Issues related to ensuring safe working conditions are a mandatory part of the curriculum; certification is provided upon the completion of training. In addition, the Company conducts subject-based classes, training courses and seminars.

The Company has approved a training programme on occupational health and safety, and commissions have been established to verify employees' knowledge of OHS requirements. Staff complete their training at specialised training centres – where they also write exams – operated by Rostekhnadzor, Energonadzor, etc.

The head of every Etalon Group company whose job function involves being at construction sites (including infrequent visits, checks, inspections, etc.) must be OHS-certified in accordance with the procedure established by the applicable laws.

4,960 HOURS

of OHS training was conducted in 2021 for 137 Etalon Group employees

OHS training in 2021

	Number of people trained	Number of hours	
		Total	Per person
MOSCOW REGION			
Management	28	1,120	40
Line employees	6	240	40
ST PETERSBURG			
Management	7	280	40
Line employees	96	3,320	35
TOTAL	137	4,960	36

Environment

In order to implement its Sustainability Policy, Etalon Group is optimising its business processes to reduce its negative impact on the environment. The Company's priority is the responsible use of resources at all stages of project implementation. Compliance with the requirements of Russian environmental laws is strictly observed and, beyond legislative requirements, additional steps are being taken to improve measures aimed at environmental protection.

Etalon Group's approach to environmental management

In the context of the architectural and urban-planning concept for each of its projects, the Company endeavours to take into account both international experience and major trends in construction, while also analysing design solutions for environmental remediation and the construction of sustainable infrastructure, especially at former industrial sites. This approach enables the Company to calculate potential risks during the construction and operation phases and to minimise the possibility of adverse environmental impacts.

The design phase includes measures to reduce the anthropogenic impact on the environment, such as land restoration, preventing the loss of natural resources and preventing the release of harmful emissions into the soil and atmosphere.

At the stage of construction works, Etalon Group carries out comprehensive oversight of compliance with its design and working documentation, pursuant to all technical regulations. Monitoring the implementation of, and compliance with, its construction schedule enables the Company to carry out measures to protect the environment from any possible negative impact. As part of its implementation of integrated development projects, the Company takes steps to restore the natural area surrounding construction sites, improve the environmental situation, protect air and water resources, combat noise pollution and form a sustainable natural ecosystem.

Environmental management system

Etalon Group uses BIM technologies extensively in designing its residential complexes. Information modelling is based on unitised design, which makes it possible to automate as many manual processes as possible. At the same time, the digital copy of a building contains a large amount of data:

- 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
- The Land Code of the Russian Federation
- The Water Code of the Russian Federation
- Federal Law No. 96-FZ on the Protection of the Ambient Air
- SanPiN 2.2.1 / 2.1.1.1200-03 on Controlled-Access Zones and Sanitary Classification of Enterprises, Structures and Other Facilities,

as well as internal policies and job descriptions

Since Etalon Group's restructuring in 2021, environmental oversight has been carried out by technical departments in every region of operations. Specialists and environmental engineers carry out expert reviews of project documentation, support project assessments, play a role in solving problems related to environmental protection arising in the course of the Company's operations, provide informational and technical support to the Company's business units, and monitor and analyse construction works.

In order to improve the quality of environmental oversight, Etalon Group created a Quality Control Department, which implements measures aimed at protecting and preserving the environment, among other things. The Department's main objective is to identify and register criteria for the safe conduct of construction works.

The Company carries out its own environmental monitoring at various stages of project implementation in all regions of operations. Strict internal environmental oversight at Etalon Group properties enables the Company to minimise its negative impact on the environment; this is corroborated by external inspections conducted by regulatory authorities.

Responsible supply chain

In the implementation of its projects, Etalon Group endeavours to work with responsible suppliers and to use environmentally friendly materials and equipment. Notably, in order to make sure such an approach was taken, a contractor was engaged for the Zil-Yug project to develop recommendations for the use of environmentally friendly materials that are suitable for use in Russia and taking into account their life cycle. In addition, all materials and equipment comply with the applicable SanPiN regulations (products have certificates of conformity, sanitary and epidemiological inspection reports, quality certificates, fire safety certificates, etc.) and the specifics of each project.

The Company strictly adheres to its internal regulation on the selection of suppliers and contractors, which stipulates the formalised procedure for conducting tenders (for more detail, please see the "Business conduct" section). Etalon Group has extensive experience using an internal oversight system for the selection of responsible suppliers of products and services, which has resulted in a pool of reliable partners involved in the implementation of the Group's projects. The Company's vertically integrated management system provides for a unified approach to the oversight of general contractors in all regions of operations, which enables effective monitoring of compliance on the part of general contractors with legal standards and requirements in relation to natural resources, noise levels, air protection, etc., enshrined in the project documentation.

Environmental protection efforts

Protection of soils, vegetation and wildlife

Etalon Group is committed to creating sustainable ecosystems at all stages of project implementation, and the Company analyses the past, current and prospective condition of future development sites. For example, at one of its largest redevelopment projects, Zil-Yug, work was carried out to develop a concept for the environmental remediation of the site and to ensure a healthy environment as part of the development of environmentally friendly infrastructure on the grounds of the project.

In addition, efforts are under way to develop and design standard nature-based solutions aimed at solving environmental problems and reducing risks to public health and the environment based on an analysis of global experience regarding environmental remediation and sustainability at former industrial sites and their integration into the surrounding urban green space and bodies of water. The design and construction stages of all Company projects involve strict compliance with the full slate of environmental protection measures, including terrain and environmental site analysis based on environmental surveys and comprehensive field studies using the latest analytical techniques, while also identifying key issues and potential risks to public health and the environment.

Water resources[1]

Etalon Group manages water resources efficiently and in full compliance with applicable laws, while also closely monitoring the use of water at all stages of its projects. At the operational stage, individual meters that have been integrated into automated systems for the commercial metering of water, heat and energy consumption are installed for residents at all Etalon Group projects.

This approach enables our customers to consume resources responsibly, which reduces the negative impact on the environment.

Water usage in 2019–2020[2]

Indicator	2019	2020
Total water sourced, ths m^3	1,159	1,275
Total waste water discharged, ths m^3	801	845

Water usage in 2021[3]

Indicator	St Petersburg[4]	Moscow	Total
Total water sourced, ths m^3	591	283	874
Total waste water discharged, ths m^3	864	283	1,148

All Etalon Group residents use individual meters in their apartments to calculate water consumption[5]

Indicator	2019	2020	2021
Residential floor space in the current portfolio with individual meters, sqm	525,736	493,968	147,488
Total residential floor space in the current portfolio, sqm	525,736	493,968	147,488

Recycled and reused water[6]

Indicator	2019	2020	2021
Recycled and reused water, ths m^3	1	2.5	1.5
Proportion of recycled and reused water, %	0.10	0.22	0.22

[1] As a result of measures to improve the efficiency of its operations, Etalon Group updated its organisational structure in the spring of 2021. Previous reporting periods covered the companies that were liquidated in the process of establishing Etalon Group's new organisational model. The processes involved in managing investment and construction projects and in collecting data have also changed.
[2] For the period 2019–2020, data for the production unit in accordance with disclosures in the annual reports for previous years.
[3] For 2021, data on Etalon Group's St Petersburg and Moscow businesses for the following companies and projects: JSC Etalon LenSpetsSMU, LLC SZ Etalon, LLC SZ Etalon Galactica, LLC SZ Etalon Pushkin, LLC SZ Etalon Development; deliveries and phases begun at the following projects: Summer Garden, Normandy, Emerald Hills, Silver Fountain, Nagatino i-Land, Schastye na Semyonovskoy, Zil-Yug, Voxhall, Wings, Schastye na Lomonosovskom (hereinafter, data for Etalon Group according to the updated organisational structure).
[4] The excess volume of water discharged in comparison with the volume of water sourced in St Petersburg is due to the methodology established by Vodokanal Sankt Peterburg, the state enterprise responsible for the collection and treatment of waste water, for calculating storm water drainage based on the area of a site and with allowances made for storm run-off.
[5] Data for Etalon Group according to the updated organisational structure, NSA.
[6] Data for Etalon Group according to the updated organisational structure.

Environmental protection efforts

Waste management[1]

Etalon Group assesses the risks involved in the handling of construction waste at the construction stage and closely monitors the activities of general contractors. During the construction process, we do not produce waste in classes 1 to 3. All waste to be reused is sent for recycling; the remaining waste is sent to a landfill in accordance with all applicable requirements and regulations in every region where the Company operates. In 2021, 99.9% of the Company's waste – 707.7 thousand tonnes – was sent for recycling.

Thanks to the Company's strict oversight, there were no significant spills of pollutants during the reporting year.

Waste management[2]

Indicator	2019	2020	2021
Construction materials used, tonnes	1,000,315	1,056,250	1,664,144
Waste generated, tonnes	202,537	167,938	708,599
Hazardous waste (class 1–3)	–	–	–
Non-hazardous waste (class 4–5)	202,537	167,938	708,599

Energy consumption and efficiency

Etalon Group is committed to reducing energy consumption by improving the efficiency of its supply chains and using electricity from municipal grids in the construction process, which also reduces emissions of nitrogen oxide and fine particles of soot into the atmosphere. The Company is committed to ensuring the energy efficiency of functional building systems, including utility systems, and to using durable, environmentally friendly materials with low thermal conductivity and hygroscopic coefficients.

Energy purchased for consumption, by type[3]

Indicator	2019	2020	2021
Electricity, mln kW·h	23.6	23.3	39.1
Heat energy in hot water and steam, Gcal	33,107	41,902	25,893

Energy sold to third-party consumers, by type[3]

Indicator	2019	2020	2021
Electricity, mln kW·h	5.1	4.1	7.8
Heat energy, Gcal	1,806	2,613	200

Energy-efficiency classes of properties as of the end of 2021[4]

Properties by energy-efficiency class, sqm	A	B+	B	C
Completed	–	–	231,185	112,975
Under construction	491,804	473,864	357,038	168,154

[1] As a result of measures to improve the efficiency of its operations, Etalon Group updated its organisational structure in the spring of 2021. Previous reporting periods covered the companies that were liquidated in the process of establishing Etalon Group's new organisational model. The processes involved in managing investment and construction projects and in collecting data have also changed.

[2] For the period 2019–2020, data for the production unit; for 2021, data for Etalon Group after its organisational structure was updated.

[3] Data for Etalon Group according to the updated organisational structure.

[4] Data for Etalon Group according to the updated organisational structure, gross building area.

Measures to reduce carbon footprint and environmental impact

Etalon Group is committed to following a development pathway characterised by a reduction in its carbon footprint and resilience to climate change, which is one of the three main goals of the Paris Agreement.[1] In implementing our projects, we aim to take into account every possible factor involved in reducing our carbon footprint.

At the initial stages of project design at a number of our projects, we apply three-dimensional computational fluid dynamics (CFD) computerised modelling technology, which enables us to predict the main parameters necessary to ensure the comfort of residents inside our residential complexes and to create environmentally friendly and energy-efficient rooms with the most comfortable microclimate possible. We also use BIM technologies, which the Company has been improving since 2012, at all project stages. These technologies enable our designers to improve energy efficiency and to optimise emissions, the use of raw materials and performance in other areas, especially during the construction and operation phases.

The Company already has two properties in its portfolio that have received a Green Zoom certificate. At its Botanica project in St Petersburg, which was awarded a gold certificate, the Company analysed a number of parameters: the criteria for choosing building materials, the design features of the indoor environment, the selection of innovative solutions, water and energy efficiency, noise insulation and the level of harmful emissions. Energy modelling showed that the incorporated solutions increased the energy efficiency of buildings by 43% compared with similar properties that were designed without environmental concerns in mind.

The Silver Fountain business-class project in Moscow received a platinum Green Zoom certificate. This property uses advanced 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 Silver Fountain site has been allocated for green space, including an alley of lime trees that the Company has been careful to protect during construction.

In its implementation of measures to reduce its carbon footprint, Etalon Group is working on solutions to reduce its environmental impact at its Zil-Yug integrated development project. Solutions include the 3D printing of materials for beautification from high-quality recycled plastic as well as the use of small outdoor architectural forms (play areas and pedestrian zones) with panels made from recycled oceanic debris. These solutions draw attention to the problem of waste disposal (especially plastic), recycling as well as the rational use of resources, resulting in a reduction in the negative environmental impact. The central park of the Zil-Yug project will see the creation of a network of artificial waterbodies, part of which will be used to grow aquatic plants, thus increasing biodiversity. In turn, the surface of the water will cool the surrounding terrain and improve the microclimate.

The Company is working on design solutions for its integrated development projects that involve green roofs with extensive landscaping and the use of light paint, which improves air quality and reduces the overall temperature both at the residential project and within the city. At the societal level, the Company is drawing attention to the problem of biodiversity.

Solutions are being developed at all new Etalon Group projects to increase the use of natural surfaces made of granular materials (sand, wood chips, pebbles, shells) for playgrounds and sports venues. Such materials allow the soil to breathe, are beneficial to humans and require the consumption of very little energy for their procurement. In fire lanes and parking lots, projects use hard surfaces on grass pavers, which allows the soil to breathe and creates a green surface.

Types of atmospheric emissions

Type of emissions, tonnes	2019	2020	2021
NOx	23.3	44.7	30.5
SOx	2.3	6.1	2.6
Volatile organic compounds (VOCs)	7.6	13.1	8.3
Particulate matter (PM)	3.5	7.9	5.0
Other standard categories of atmospheric emissions used in relevant regulations	16.5	49.1	13.1

[1] The Paris Agreement is an agreement under the United Nations Framework Convention on Climate Change regulating measures to reduce the amount of carbon dioxide in the atmosphere.

CONTENTS

Employees

4,606

Total Etalon Group headcount in 2020[1]

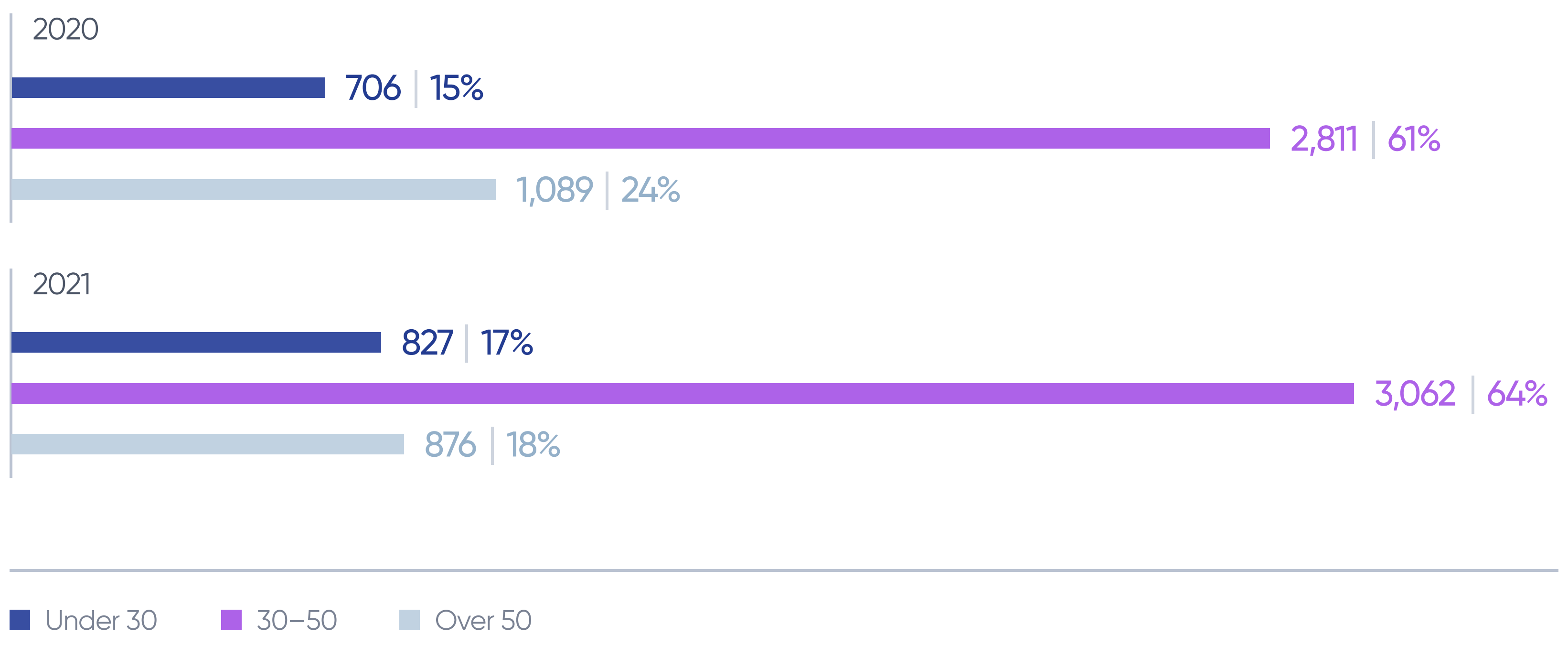
4,765

Total Etalon Group headcount in 2021[2]

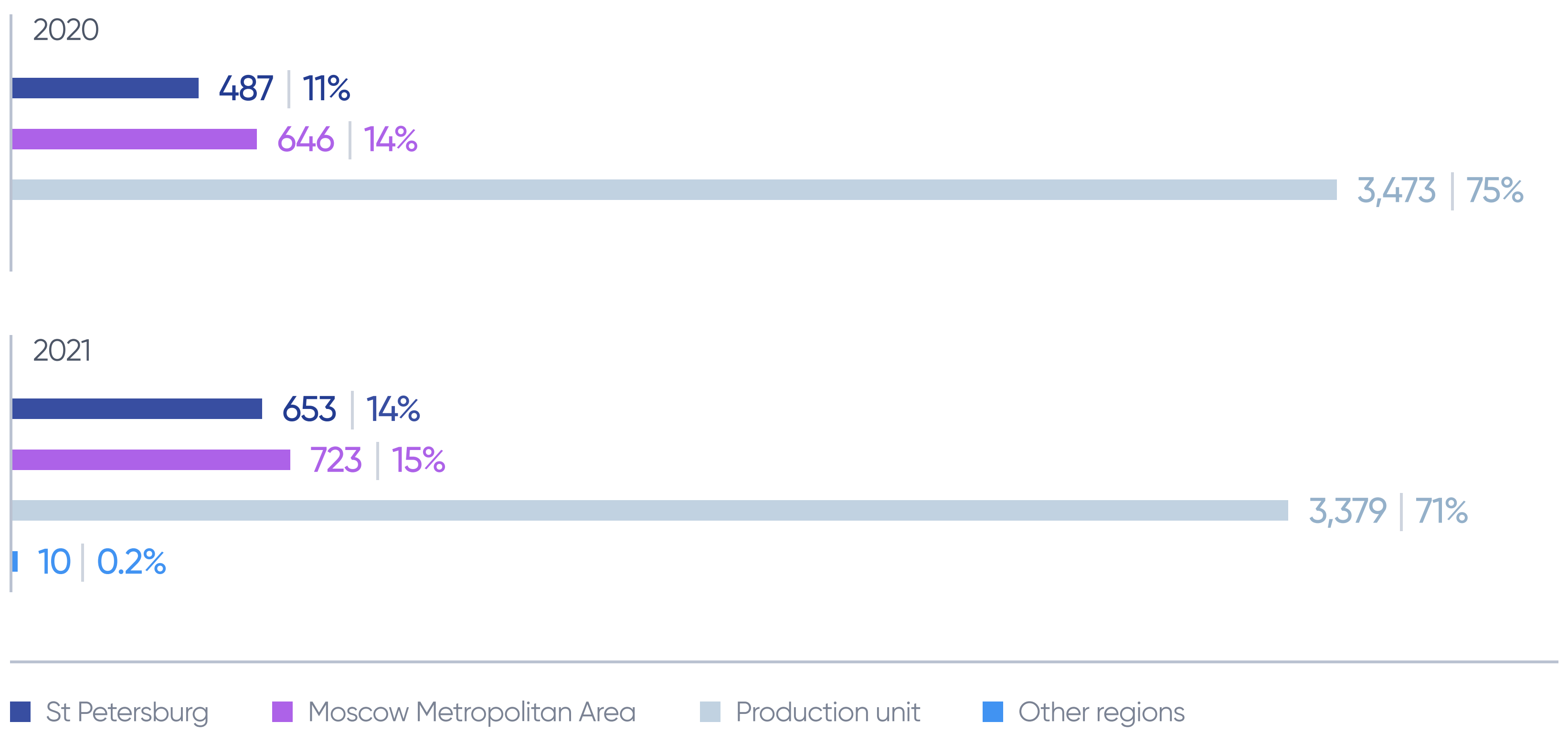
99.4%

The majority of employees had a permanent contract in 2021; only 28 staff members worked on a fixed-term contract

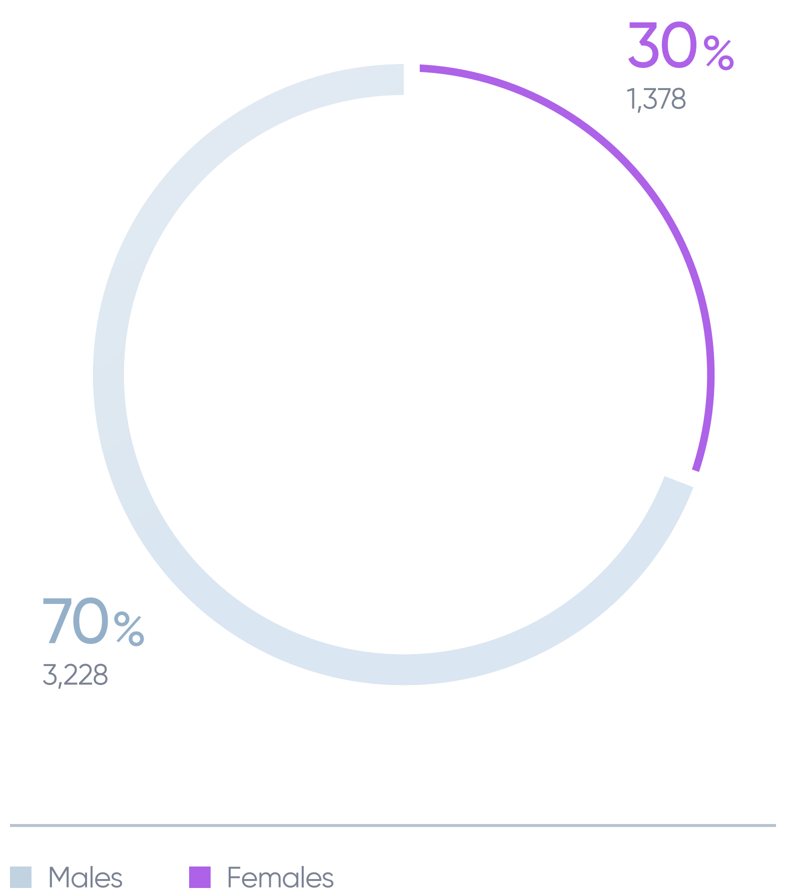
Workforce and breakdown of employees by age



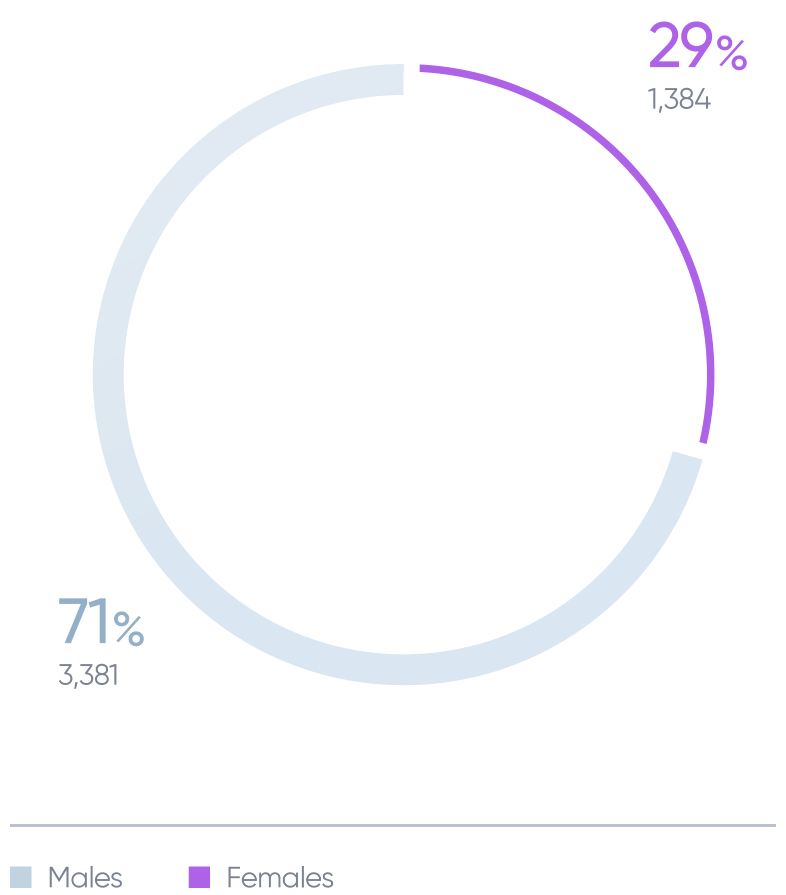
Number and percentages of employees by region[2]



Number and percentages of men and women in 2020, %



Number and percentages of men and women in 2021, %



Number and percentages of employees by contract type in 2021

	St Petersburg	Moscow region	Other regions	Production unit	COMPANY TOTAL
Permanent contract, total:	647 (14%)	718 (15%)	10 (0.2%)	3,362 (71%)	4,737
men	255	331	4	2,766	3,356
women	392	387	6	596	1,381
Fixed-term contract, total:	6 (21%)	5 (18%)	–	17 (61%)	28
men	5	5	–	15	25
women	1	–	–	2	3

In terms of employment status, all employees worked full-time in 2021, but some of them worked remotely or according to a personalised schedule.

[1] As of 31 December of the year indicated.

[2] The redistribution of percentages between regions is associated with the centralisation of a number of management company functions as part of organisational improvements made in 2021. A separate territorial division was also added in 2021 that is responsible for regional development (referred to as the "regions unit"). Production and service companies, regardless of where they are located, are part of the production unit.

Approach to personnel management

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

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

Etalon Group's human resources management system includes Etalon Group's Personnel Management Division, headed by the Management Board member responsible for personnel issues, as well as the personnel services at the Company's subsidiaries.

At the level of the management company, the focus is on developing and implementing Company-wide HR management processes, personnel policies and automation.

The Management Board member responsible for personnel issues oversees the work of the Department of Labour Relations, Compensation and Benefits; the Department of Organisational Development and Recruitment; the Documentation Support Department; and the Administrative Support Department. Department heads are responsible for establishing policies for their business functions and for compliance with those policies on the part of Group subsidiaries.

At the subsidiary level, personnel management is carried out by the heads of HR departments. Managers are responsible for HR management, recruitment, onboarding, training and compliance with the Group's HR policies and procedures.

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

- maintaining an effective incentive system;
- developing human resources; promoting and developing the Company's HR employer brand;
- 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.

Notably, the Company completed work in 2021 on a new HR brandbook for the creation of an employee value proposition (EVP).

This approach enables the Company to expand incentives for employees and to make Etalon Group more appealing as an employer.

In 2021, Etalon Group was included in the Forbes ranking of top employers. Companies were evaluated based on three key parameters: employees and society, the environment, and corporate governance. The "employees and society" section included eight metrics: salary levels, employee benefits, training, turnover, workplace injuries, job creation, charity and infrastructure development, and whether or not there are systemic measures in place to regulate relations with employees and stakeholders.

In addition, the Company was included, at the end of 2021, in HeadHunter's annual ranking of top employers. Etalon Group was among the top 10 in the Construction, Real Estate and Architecture category, and it ranked 57th overall among Russian companies with 1,001 to 5,000 employees. The ranking included an assessment of the performance of HR departments: this involved an internal assessment based on the opinion of employees and an external assessment based on the opinion of job seekers.

TOP 10

Etalon Group was included in HeadHunter's annual ranking of top employers

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 Material, Technical and Information Support* 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 training and development for employees.

Etalon Group's Personnel Management Division is responsible for implementing and monitoring the HR policy for the entire Company.

The key principles of corporate ethics, including a policy of avoiding conflicts of interest as well as a policy on combating corruption and fraud, are reflected in Etalon Group's Code of Corporate Ethics, Anti-Corruption Policy, and in the Regulation on Etalon Group's Fraud, Corruption and Theft Prevention Hotline. Those 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:

1 competitive salaries and career planning

2 performance-based financial awards

3 training and continuing education programmes

The Company invests in training its employees either through third-party educational platforms or through the development of in-house training programmes. Training is offered in various fields, including:

- financial management;
- marketing strategies and promotion;
- IT, UI design;
- accounting and taxation, IFRS;
- financing investment and construction projects;
- design and construction of buildings, other structures and utility systems;
- procurement management;
- information, data and economic security;
- fire safety and occupational health and safety;
- construction oversight;
- Autodesk Revit, BIM management.

As an additional incentive for employees to undertake professional development and expand their skill set, the Company often covers some or all of the costs of training that employees themselves choose in order to increase their value as professionals: in 2021, Etalon Group thus financed the training of 149 employees.

Workshops and programmes on occupational health and safety (OHS) are an important part of training. In 2021, 137 Etalon Group employees took part in OHS programmes and workshops covering a total 4,960 hours. These training courses are discussed in more detail in the "Occupational health and safety" section.

Due to the epidemiological situation, the Company continues to make use of, in addition to in-person training, distance education programmes, which were essential in 2019 in the context of the COVID-19 pandemic, as they proved to be convenient and effective. In early 2022, for example, the Company launched its own training platform for employees called Etalon4Upgrade, which provides access to beneficial courses and materials in a variety of subject areas: courses to help employees improve their Microsoft Office skills, materials related to construction technologies and sales techniques, a distance course for new employees, as well as webinars on various topics and an electronic library of business literature.

4,960

hours of OHS programmes and workshops in 2021

Staff training

	2020			2021		
	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	769	18,790	24
Management	172	5,870	34	153	5,185	34
Line employees	332	10,280	31	616	13,605	22
GENDER						
Women	184	4,433	24	245	4,135	17
Men	320	11,717	37	524	14,655	28

Developing our workforce capacity 1/2

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, and the Company also develops programmes and events for students in partnership with specialised universities.

Recruitment services are used for the placement of vacancies as well as the selection of candidates.

Partnership with universities

Etalon Group cooperates with leading specialised universities, including St Petersburg State University, Peter the Great St Petersburg Polytechnic University, St Petersburg State University of Architecture and Civil Engineering (GASU), the Higher School of Economics National Research University and Moscow State University of Civil Engineering. The Company hosts guest lectures, job fairs and other events at university campuses, and also provides students with an opportunity to take part in Etalon Group internships. In 2021, Etalon Group accepted more than 30 students for its internship programme from universities such as GASU, St Petersburg State University and the Higher School of Economics National Research University in St Petersburg; internships were also arranged at Etalon Group properties for students from the St Petersburg regional branch of Russian Student Teams, a nationwide non-governmental organisation for young people.

As part of Etalon Group's expanded partnership with universities, the Company signed an agreement in June 2021 with the Russian Presidential Academy of National Economy and Public Administration, and it signed an agreement in November with the St Petersburg Stieglitz State Academy of Art and Design. Our collaboration will be aimed at exchanging experience and improving performance in terms of training qualified personnel to work in the development sector. Notably, our partnership with the Stieglitz Academy involves projects aimed at addressing challenges related to interior design, developing promising design solutions for beautification of the architectural environment and hosting joint scientific, practical, creative and educational events on topical issues related to architecture and construction.

At the initiative of Etalon Group and with the support of design, construction and development companies, relevant government agencies, the Government of St Petersburg, the professional community and leading industry experts, the first-ever BIMSkills competition was held in 2021, for architectural and design works using information modelling technologies (IMT). Students from more than 100 specialised universities as well as secondary vocational institutions in various regions of the Russian Federation were invited to participate. According to the organisers, about 500 future specialists participated in the first stage of the academic competition. The tasks involved in the competition could be completed either individually or as part of a team with no more than three members. The 10 teams with the highest score after the first stage moved on to the final. The competition jury included representatives of development companies that use BIM technologies in their work. The experts evaluated both the design solutions component by component and the quality and content of the IMT models. The main prize for the participants in BIMSkills 2021 was paid internships at some of the largest design and development companies, with the possibility of subsequent employment. The winners also received valuable prizes and an opportunity to receive free training provided by top experts.

Partnership programmes with educational institutions, educational events and competitions help disseminate best practices and ensure that future professionals get feedback from the professional community. Etalon Group, in turn, has an opportunity to participate in the creation of training programmes that are in line with industry trends and needs, as well as to create a candidate pool.

Team-building

Etalon Group is committed to maintaining a highly skilled professional workforce. For this purpose, the Company creates comfortable working conditions and career opportunities for existing employees, while also recruiting talented new professionals.

New employees and turnover in 2021

	18–24	25–30	31–40	41–50	Above 50	TOTAL
Percentage of new hires in terms of the average annual headcount	72%	43%	23%	17%	17%	25%
Personnel turnover[1]	23%	14%	11%	10%	9%	17%

	Women	Men
Percentage of new hires in terms of the average annual headcount	27%	24%
Personnel turnover[1]	11%	22%

We aim not only to ensure our employees' professional development but also to establish a healthy workplace atmosphere and a close-knit team. Etalon Group runs an orientation programme for new employees that helps them integrate into their new team and acquire the skills they need, while also learning 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.

Orientation programme for new employees

	2019	2020	2021
Number of employees taking part in the orientation programme	315	344	113

[1] The percentage of the number of dismissed employees in terms of the average annual headcount in the relevant category.

Developing our workforce capacity 2/2

In 2021, the Company launched a business expansion programme in new regions and acquired a number of projects beyond Moscow and St Petersburg. In January 2022, employees of Etalon Group's St Petersburg regional division hosted their new colleagues from Omsk. This was the first cross-regional team formed from different Group divisions. The Omsk employees used VR technology to complete a virtual tour of the Petrovskiy Landmark and the Project on Chernigovskaya Street in St Petersburg, and they also visited the Company's ongoing construction projects in the region in person. As a fitting conclusion to their trip, they visited the Russian Railways Museum, which Etalon Group built over a period of just two years, from 2014 to 2016. Visits by new employees from the Company's regions of operations are an important part of the onboarding process.

As part of its team-building efforts, Etalon Group arranges a variety of contests, events and sporting competitions for employees. In addition to in-person events, to mark its 35th anniversary in 2022, the Company launched a project called "Etalon Team" – an online space for various activities, including interpersonal communication, competitions and quizzes. Using this in-house social platform, employees can write words of gratitude to one other; participate in competitions, events and Company-related quests; and take part in surveys. For playing an active role in our events, employees receive gold Etalon tokens that can be exchanged in the Etalon Market for branded products, including hoodies, T-shirts, bags, mugs, plush toys, etc.

In understanding the value of its team and the special importance of communicating directly with the Company's CEO, Etalon Group launched another project, called "Dialogue with the CEO", which gives all staff members an opportunity to submit questions to the CEO through the HR service, which consolidates the questions and then arranges a video interview with the CEO to discuss important topics of interest to the Company's employees. The first such interview took place in December 2021.

The Company participates in athletic competitions and other corporate events and contests held within the Sistema ecosystem, in local team sporting events and in volunteer events. In 2021, the Company participated in two volunteer events. In April, employees took part in the #ZaLes race as part of the fifth ZaBeg.rf Russia-wide half-marathon and also in Sistema's new environmental programme to reduce its carbon footprint. In addition, an Etalon Group team has been taking part in the Fontanka-SUP international paddle board festival over the past several years, as well as in an athletic competition for construction workers called "For Labour and Longevity". During the 19th Spartakiad athletic competition, Etalon Group won the team swimming events for young men and young women.

Several Company employees have a band called Etalon Group.

Etalon Group social policy

Taking care of the health and safety of employees

Creating a safe working environment and preventing workplace injuries are among the priorities of Etalon Group's HR strategy (for more on safety in the workplace, see "Occupational health and safety"). Also, in the context of the complex epidemiological situation, the Company focused on preventing COVID-19 and protecting the health of its employees both in its offices and at its construction sites: it provided employees and their families with an opportunity to receive free vaccines and booster shots at the Group's offices in Moscow and St Petersburg, and it also arranged fluorographic examinations for employees, conducted by mobile teams or at a private medical centre. During periods of high case counts, the Company enabled line employees to work from home and also introduced additional safety measures: whenever there was a suspected case of COVID-19 during the reporting year, the employees involved worked from home until receiving a negative PCR test result.

In 2021, as in previous years, Etalon Group continued to offer life and health insurance programmes for employees, covering more than 2,500 people. As part of its benefits package, Etalon Group continued to offer additional private health insurance to employees.

>2,500 PEOPLE

participated in life and health insurance programmes for employees

Employee life and health insurance

Number of employees taking part in the life and health insurance programme	2021	2020	2019
St Petersburg	642	483	506
Moscow	708	602	683
Other regions	10	–	–
Production unit	1,200	1,500	1,500
TOTAL	2,560	2,585	2,689

Health insurance programmes

Number of employees taking part in health insurance programmes	2021	2020	2019
St Petersburg	642	483	506
Moscow	708	602	683
Other regions	10	–	–
Production unit	842	944	1,200
TOTAL	2,202	2,029	2,389

Concern for employees' quality of life

Through partnership programmes, discounts are available to Company employees for insurance services, medical services, fitness club memberships and educational programmes. 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 and provides financial assistance to employees who retire from the Company as well as to existing employees when they have a child. In 2021, 230 Company employees received financial support, with the total amount of payments coming to more than RUB 11.7 million (compared with 184 employees and RUB 9 million in 2020). Employees who spend a long time working for Etalon Group and who make a notable contribution to its development receive a corporate pension. Forty-four former staff members have been receiving such a pension over the past four years.

Financial assistance provided to employees in 2021

	Amount of assistance, RUB mln	Number of employees receiving assistance
TOTAL AMOUNT OF FINANCIAL ASSISTANCE PAID OUT:		
for the death of a close relative	5.2	115
for the birth of a child	3.3	81
for other purposes	3.2	34
TOTAL	11.7	230

Employee evaluation and remuneration policy

Etalon Group adheres to the principle of providing decent wages that are based solely on each employee's value to the Company and that provide an incentive for the achievement of the Company's business goals:

1. provides employees with clear and fair remuneration that contributes to the achievement of Etalon Group's goals;
2. applies a unified, systematic approach to the remuneration of all employees in all Etalon Group companies;
3. determines remuneration based on the achievement of Etalon Group's operational and strategic goals and the specific results of the work of each employee;
4. 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. The salary of all employees exceeds the minimum wage; the average salary for the Company as a whole is 5.4x the minimum wage. On average, managers earn 117% more than line personnel. 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.

Equal opportunities

The Company has a zero-tolerance policy in place for discrimination and ensures that career opportunities depend solely on each employee's personal and professional qualifications. We believe that special career programmes that are available only to certain non-vulnerable categories of employees limit the rights of all other staff members. Therefore, all opportunities for career development and salary increases at Etalon Group are available on equal terms to women and men regardless of their age, skin colour, ethnicity, religion, etc.

Despite the specific nature of the industry, women accounted for 29% of all Company staff as of the end of 2021. The percentage of women in managerial positions increased by 10 percentage points last year, from 30% in 2020 to 40% in 2021. As of March 2022, Etalon Group's 10-member Board of Directors included two women.

Etalon Group management[1]

Number of managers at all levels	2020		2021	
	Number	Percentage	Number	Percentage
AGE				
Under 30	78	8%	89	8%
30–50	752	72%	823	73%
Over 50	208	20%	223	20%
GENDER				
Women	326	31%	454	40%
Men	712	69%	681	60%
TOTAL	1,038		1,135	

Percentage of women among Etalon Group employees in 2021

	St Petersburg		Moscow		Other regions		Production unit		TOTAL	PERCENTAGE
MANAGERS										
Women	122	47%	106	42%	–	–	226	36%	454	40%
Men	137	53%	146	58%	3	100%	395	64%	681	60%
LINE EMPLOYEES										
Women	271	71%	277	61%	6	86%	207	32%	761	51%
Men	112	29%	179	39%	1	14%	444	68%	736	49%
BLUE-COLLAR WORKERS										
Women							169	8%	169	8%
Men							1,964	92%	1,964	92%

40%

of the Company's managers were women in 2021

51%

of the Company's line employees were women in 2021

Work–life balance

Etalon Group is committed to arranging work so that employees can live a full life, successfully combining work responsibilities, family matters, hobbies and recreation or downtime. As a rule, this is possible when the Company is operating normally. In cases where it is necessary and where doing so will not harm operations, the Company enables employees to work according to a different schedule. In 2021, 65 Group employees (42 women and 23 men) worked according to a personalised schedule or remotely (regardless of the epidemiological situation).

Etalon Group is respectful of the families of employees, understands the importance of spending time with family, tries through its efforts to take care of employees and through its educational activities to encourage loyalty to the Company and support interest on the part of children in their parents' profession, and the Company also promotes work dynasties. Etalon Group employees are free to exercise their right to maternity leave. In 2021, 75 staff members, including four men, took advantage of this right (compared with 93 employees, including five men, in 2020). In addition to those benefits that are required by law, the Company makes additional support payments to employees who have recently become parents in order to help them financially in the first months after the birth of their child. Following parental leave, most staff members enjoy a successful return to the workplace. In 2021, 28 employees, including one man, returned from parental leave (compared with 34 employees, including three men, in 2020).

65 EMPLOYEES

worked according to a personalised schedule or remotely in 2021

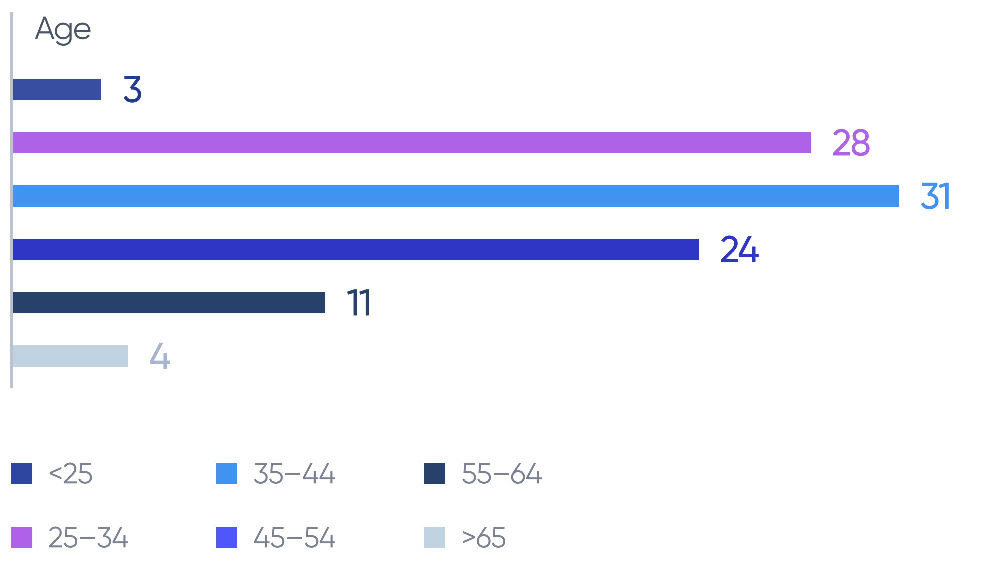
[1] Total amounts may not equal 100% due to rounding.

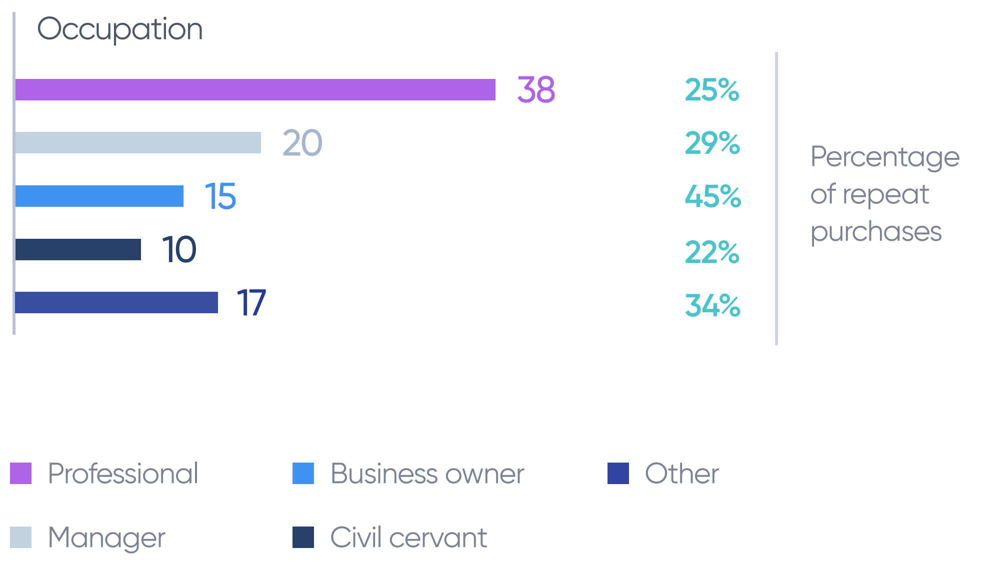
Customers

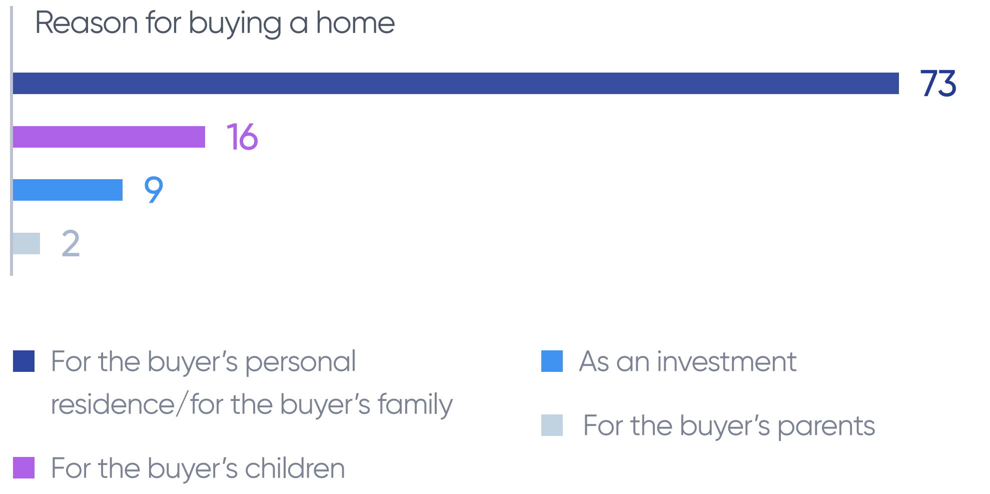
Most of our customers are professionals or managers aged 35–45 who are purchasing a home for themselves and their families.

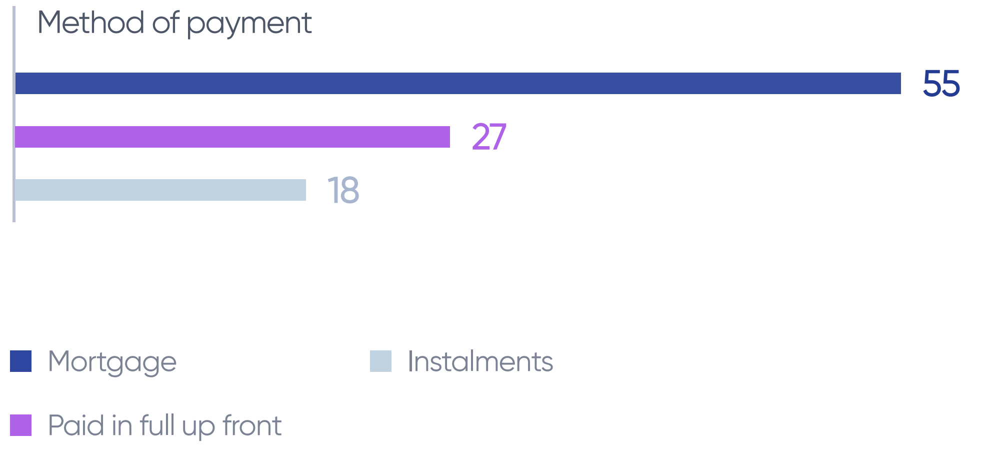
Customer profile[1]

St Petersburg, %







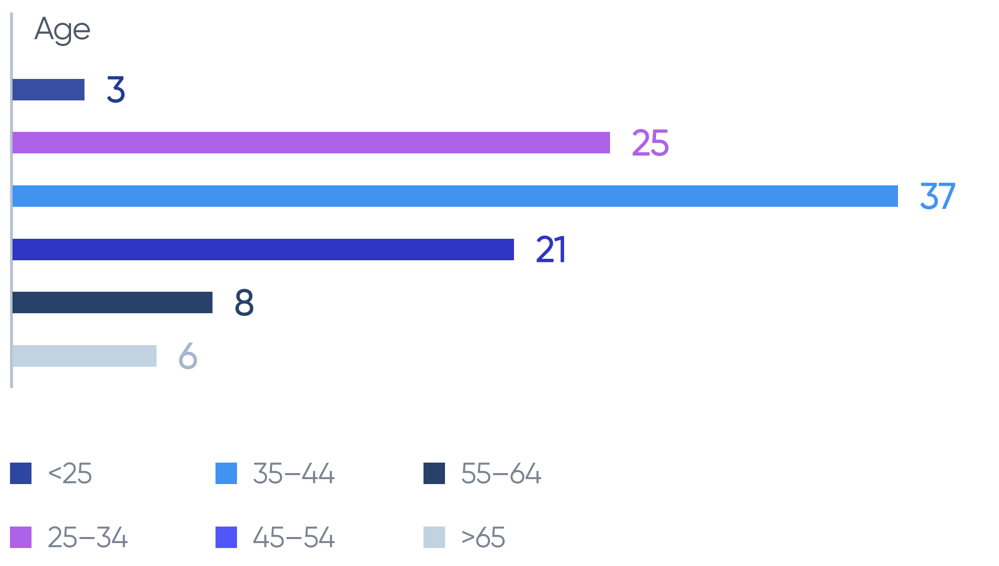


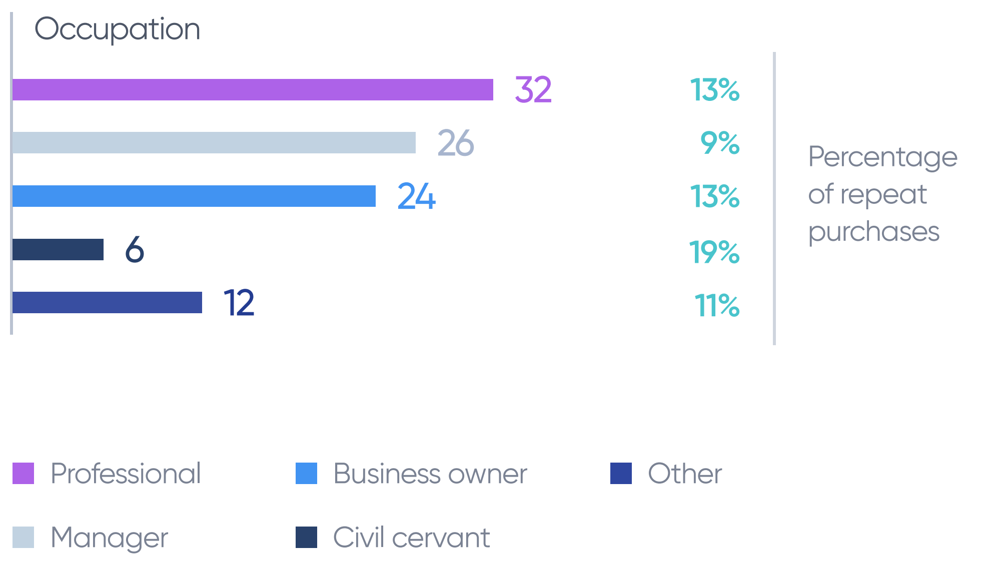
12.3 MLN RUB
Average budget

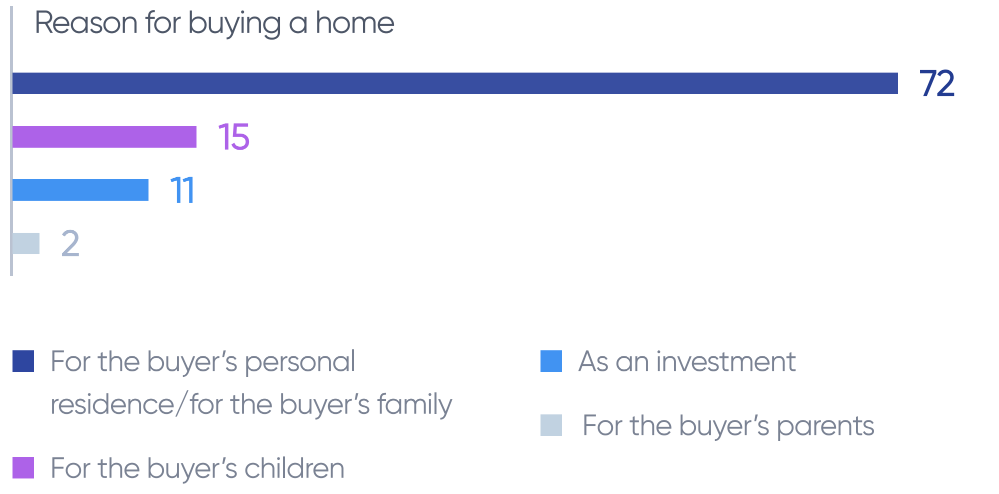
61.3 SQM
Average area of purchased apartment

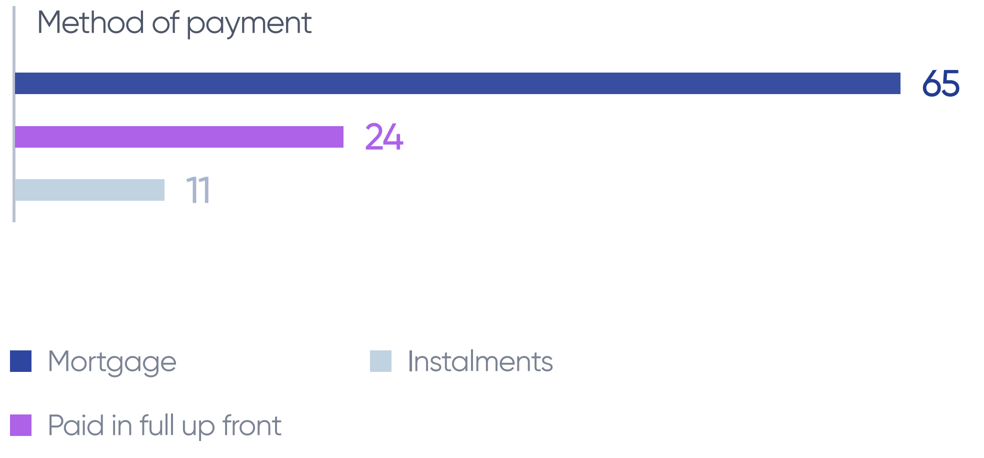
47 %
Average percentage of repeat purchases

Moscow, %









17.2 MLN RUB
Average budget

61.8 SQM
Average area of purchased apartment

18 %
Average percentage of repeat purchases

[1] According to customer surveys conducted by Etalon Group in 2021.

Social responsibility

As a major developer, Etalon Group is committed to making an important contribution to the development of the regions where it operates. We create modern, high-quality living environments and invest in the development of local communities: in addition to carrying out multifunctional projects, we also build social and commercial infrastructure, preserve and re-create historical monuments, take part in charitable programmes, and organise cultural and sporting events.

Development of social infrastructure 1/2

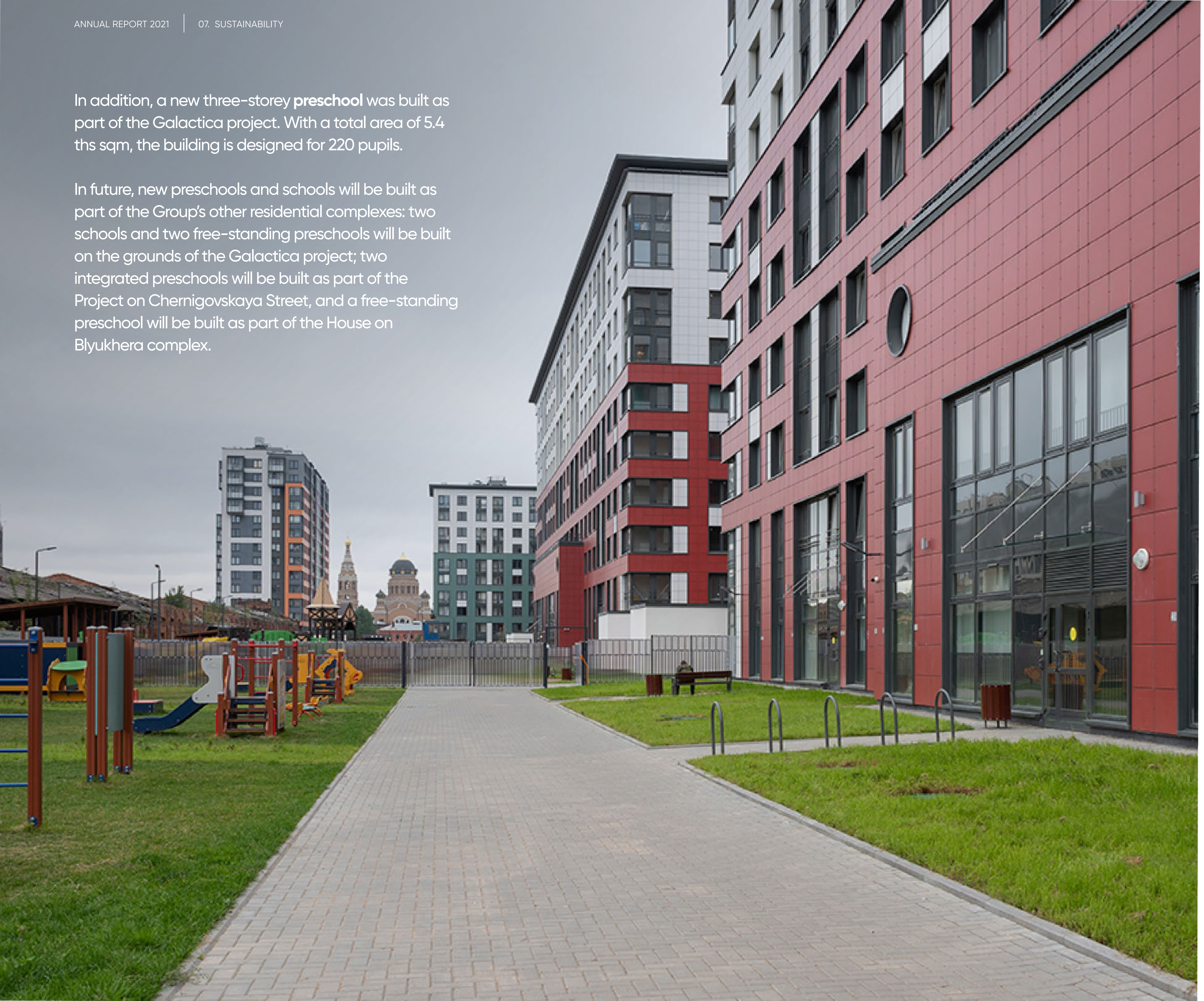
ST PETERSBURG

In 2021, Etalon Group built a **school for 825 pupils** as part of its Moscow Gates residential complex in St Petersburg; the building has a total area of 18.3 ths sqm. To commemorate the Vagonmash carriage works, previously located on the grounds of the complex, Etalon Group re-created elements of the facades of the plant on the school building.

In late 2021, the Company also completed the construction of **a preschool** as part of its Petrovskiy Landmark residential complex. The three-storey preschool, with a total area of about 3 ths sqm, is designed for 90 pupils. It houses a swimming pool, a music room and a gymnasium, playrooms and sleeping areas, a medical station, a curriculum office and much more. The grounds surrounding the preschool will be equipped and fenced in.

In addition, a new three-storey **preschool** was built as part of the Galactica project. With a total area of 5.4 ths sqm, the building is designed for 220 pupils.

In future, new preschools and schools will be built as part of the Group's other residential complexes: two schools and two free-standing preschools will be built on the grounds of the Galactica project; two integrated preschools will be built as part of the Project on Chernigovskaya Street, and a free-standing preschool will be built as part of the House on Blyukhera complex.



Development of social infrastructure 2/2

MOSCOW

In the reporting year, a **preschool for 225 children** was completed at the Etalon City residential complex in Moscow. Covering an area of 3 ths sqm, the new preschool will be able to accommodate nine groups of 25 pupils. The building is equipped with playrooms and sleeping areas, a canteen, a gymnasium and a music room, a carpentry workshop and medical facilities.

In addition, the construction of a **school for 625 pupils** at the Etalon City residential complex is ongoing. In addition to classrooms, the four-storey building will house, in an area covering 10.8 ths sqm, 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. 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.

1,360 PUPILS

Etalon Group delivered children's educational institutions for 1,360 pupils in 2021

29.6 THS SQM

total area of the new schools and preschools

Preservation of cultural heritage 1/2

One of the fundamental principles of Etalon Group's philosophy is to take a respectful approach to the history of the locations where contemporary development is taking place.

The site of the former Alekseevskaya water-lifting station in Moscow, built in 1892 under the direction of the architect Max Geppener as part of an even larger project for the renewal of the Mytishchi water pipeline, is part of the cultural and historical heritage of the capital. Already at the end of the 19th century, the Mytishchi water pipeline was one of Moscow's technical masterpieces and supplied water to hundreds of thousands of Moscow residents, with a throughput capacity of up to 1.5 million buckets of water per day.

Now Etalon Group is developing a residential complex on the site of the Alekseevskaya water-lifting station that will be just as innovative and ahead of its time as its predecessor; in addition, the Company is also carrying out restoration work in order to preserve Moscow's architectural heritage. The Company preserved the historical buildings, which, after restoration, will be used to develop the infrastructure of the residential complex, and it also restored the legendary Wallace Fountain, the only one in Moscow, which gave the residential complex its name. On the enclosed grounds surrounding the complex can be found a century-old alley of almost 150 linden trees – an example of park design from the early 20th century. Work was carried out in 2021 to reconstruct a fence made of brick with forged gates on the grounds of the historical group of buildings that make up the 19th-century Alekseevskaya water-lifting station.

Preservation of cultural heritage 2/2

Over its 35 years of operations, the Company has installed and reconstructed a number of monuments in commemoration of the Great Patriotic War (World War II). Etalon Group pays its compliments to veterans every year, looks after monuments in cooperation with local residents and hosts commemorative events.

In January, Etalon Group took part in several events just before the day marking the lifting of the blockade of Leningrad. In Utkina Zavod, Etalon Group employees and students from school No. 690 laid flowers at a memorial to the heroic defenders of Leningrad located next to the Swallow's Nest residential complex. The Company erected the memorial in 2013; ever since, students from the school and Etalon Group employees have taken part in annual commemorative events and also taken care of the memorial.

On the same day, employees took part in organising events for veterans, home-front workers and residents of Leningrad during the siege. Due to the current epidemiological situation, the tradition of paying compliments to veterans at the Russian Red Cross was postponed, but gifts and flowers were given to veterans personally.

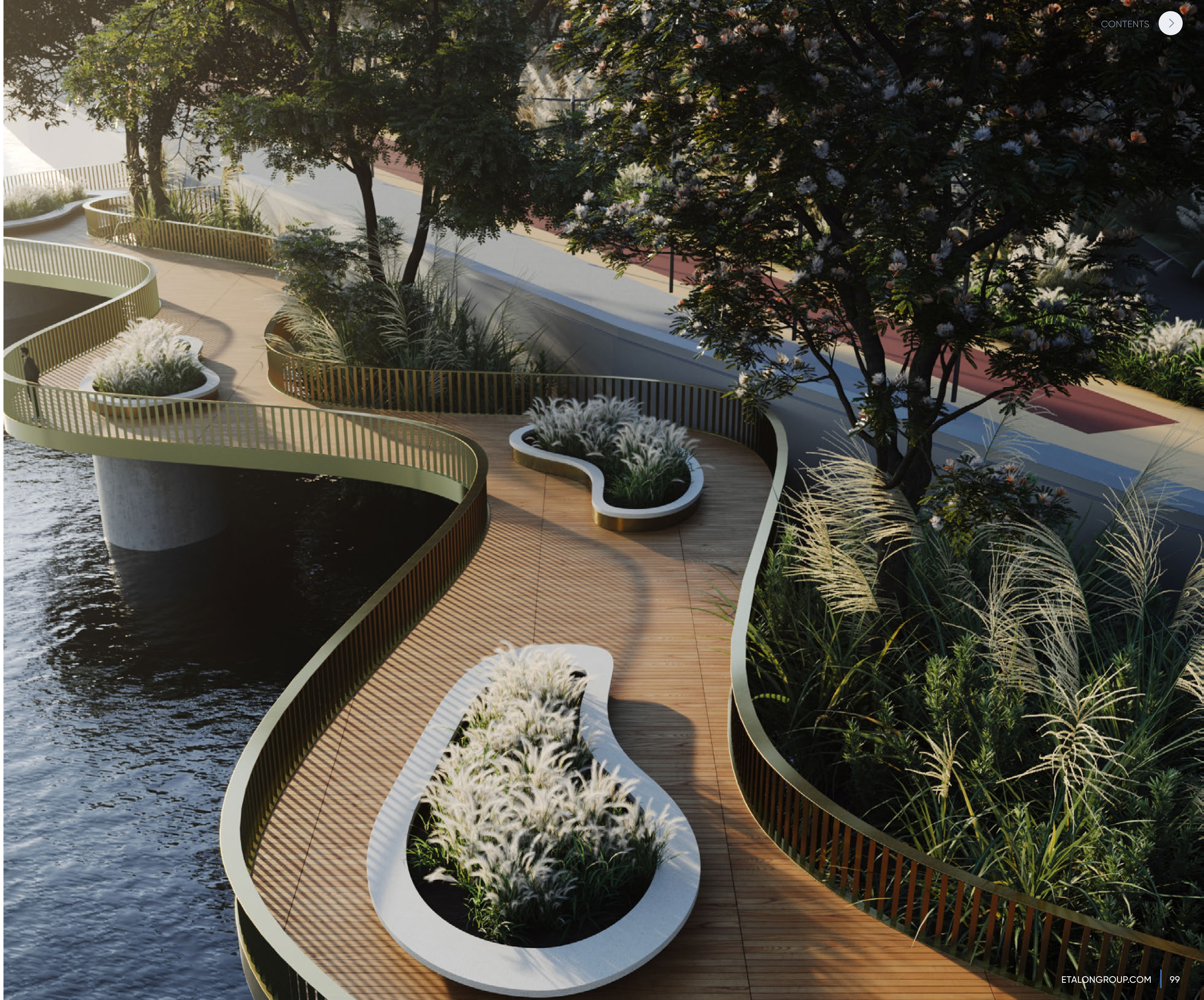
Developing local communities 1/2

Creating comfortable surroundings

When designing new residential complexes, Etalon Group focuses on the needs of future residents and advanced solutions in urban planning: developing an abundance of infrastructure and ensuring that key amenities are within walking distance, making sure that projects are environmentally friendly, and linking residential and commercial functions within new projects. The Company is committed to creating not just housing but a comfortable ecosystem where residents can live, work and spend their free time.

One approach that can change the perception of the urban environment is the development of projects based on the 15-minute principle, which ensures that all points of interest to residents within a development can be reached within 15 minutes. For example, the Zil-Yug project, which Etalon Group is building in the south of Moscow, is based on a unique integrated development concept: the variety of housing types and architectural solutions, the well-planned social and transport infrastructure within walking distance from anywhere in the project, the visual permeability of the grounds, the separation of pedestrian and transport routes, and the abundance of landscaped green areas for recreation and walking will ensure a comfortable environment for future residents.

In addition, Etalon Group takes advantage of new smart solutions that simplify the management of services and improve their efficiency for residents and for the operating company. At the Silver Fountain residential complex in Moscow, for example, the Company is implementing a pilot "digital neighbourhoods" project that links up the utilities infrastructure of residential buildings with the business processes of the developer and the service company.



Every year, Etalon Group holds events at its properties to celebrate the New Year, Knowledge Day, Cosmonautics Day, Victory Day and Maslenitsa, and it also organises sporting events.

Developing local communities 2/2

Events and initiatives to strengthen communities

As a result of the ongoing pandemic, a number of events were held online in 2021 – for example, a remote workshop on decorating gingerbread cookies for the New Year. As usual, Etalon Group hosted large-scale events at its Moscow properties to celebrate Maslenitsa, with refreshments and entertainment provided. In conjunction with the Krasnogorsk City Administration, a municipal holiday was held at the Emerald Hills residential complex to mark Cosmonautics Day. Under the auspices of Etalon Group, festivities were also held at St. Petersburg schools No. 690 and No. 525, which were built by the Company. Etalon Group held festive events at a number of schools in Moscow, the Moscow region and St Petersburg to mark the first day of the school year.

In cooperation with the Moskovskaya Usadba Deda Moroza amusement park, Etalon Group organised contests prior to New Year's Eve in which residents could win tickets to the park. Chess tournaments were held at a number of residential complexes in St Petersburg.

In the spring and summer, the Company has traditionally undertaken landscaping and beautification work on the grounds adjacent to its residential complexes. In conjunction with the City of Moscow's Department of Environmental Management and Protection, a subbotnik was held at the Normandy residential complex in May 2021 during which greenery was planted on the grounds of the property.

	2019	2020	2021
COMMUNITY DEVELOPMENT PROGRAMMES			
Number of events/programmes	2	17	19
Amount invested in the development of local communities, RUB ths	871	3,821	2,500

2.5 MLN RUB

was invested by the Company in the development of local communities in 2021

Charity

In 2021, the Company supported the Wind of Change charitable foundation and organised a New Year's celebration for children living at the neuropsychiatric orphanage No. 6 in St Petersburg. The Company also provided assistance to the Sistema Charitable Foundation.

Etalon Group participated in the "Spacesuit" charity art project, which is run by the UNITY Foundation. The idea behind the project is to give cancer patients an opportunity to depict their dreams on fabric, which they then use to make a protective cover for the spacesuit, which is sent to the International Space Station, and the space station crew members write a message to the project participants to encourage the children in their recovery. With the Company's support, the "Victory" spacesuit made it back in time for Cosmonautics Day. The suit spent 136 days in space, and since returning to Earth it has been exhibited at the space museum at school No. 18 in Krasnogorsk, part of the Emerald Hills residential complex.

	2019	2020	2021
CHARITABLE PROGRAMMES			
Number of charity events/programmes	17	14	28
Amount of charitable assistance provided, RUB ths	42,495	46,301	53,900

53.9 MLN RUB

was spent by Etalon Group on charitable activities in 2021

Every year, Etalon Group provides charitable assistance for various social infrastructure facilities, finances sports and recreational events, and supports charitable foundations.

ETALON

Innovation

The development and integration of new technologies is one of Etalon Group's key strategic initiatives. Digital architecture for business processes and new industrial housing construction technologies help not only to improve the quality and appeal of Etalon Group's product but also to keep housing affordable for consumers through existing state support programmes and at the same time to get maximum value from the land bank.

The Company's main goal at its current stage of development is to continue expanding its business, which will be driven by improvements in efficiency and flexibility as well as shorter construction timelines thanks to product standardisation, the development of a digital platform for business management and the assimilation of new technologies for prefabricated housing construction as part of the work of Etalon Group's R&D division.

The Company's key goals and objectives to 2024 are described in detail in the "Strategy" section (including the development of the software platform in general as well as prefabrication technologies). In addition, individual projects involved in the development of the software platform and related digital technologies are discussed in more detail below:

BIM technologies: digital modelling of buildings at the design and operation stages, development of CONTRUST—a unified platform for construction coordination and oversight

BIM (building information modelling) technology creates a 3D digital prototype of a planned new building. The technology makes it possible to create technical drawings and reports, carry out project analysis, model work schedules and create electronic documentation for the property, which creates an excellent environment for making optimal technical decisions. BIM covers all stages of the construction life cycle: planning, design and analysis, preparation of working documentation, construction, operation, maintenance and reconstruction.

Industry leader

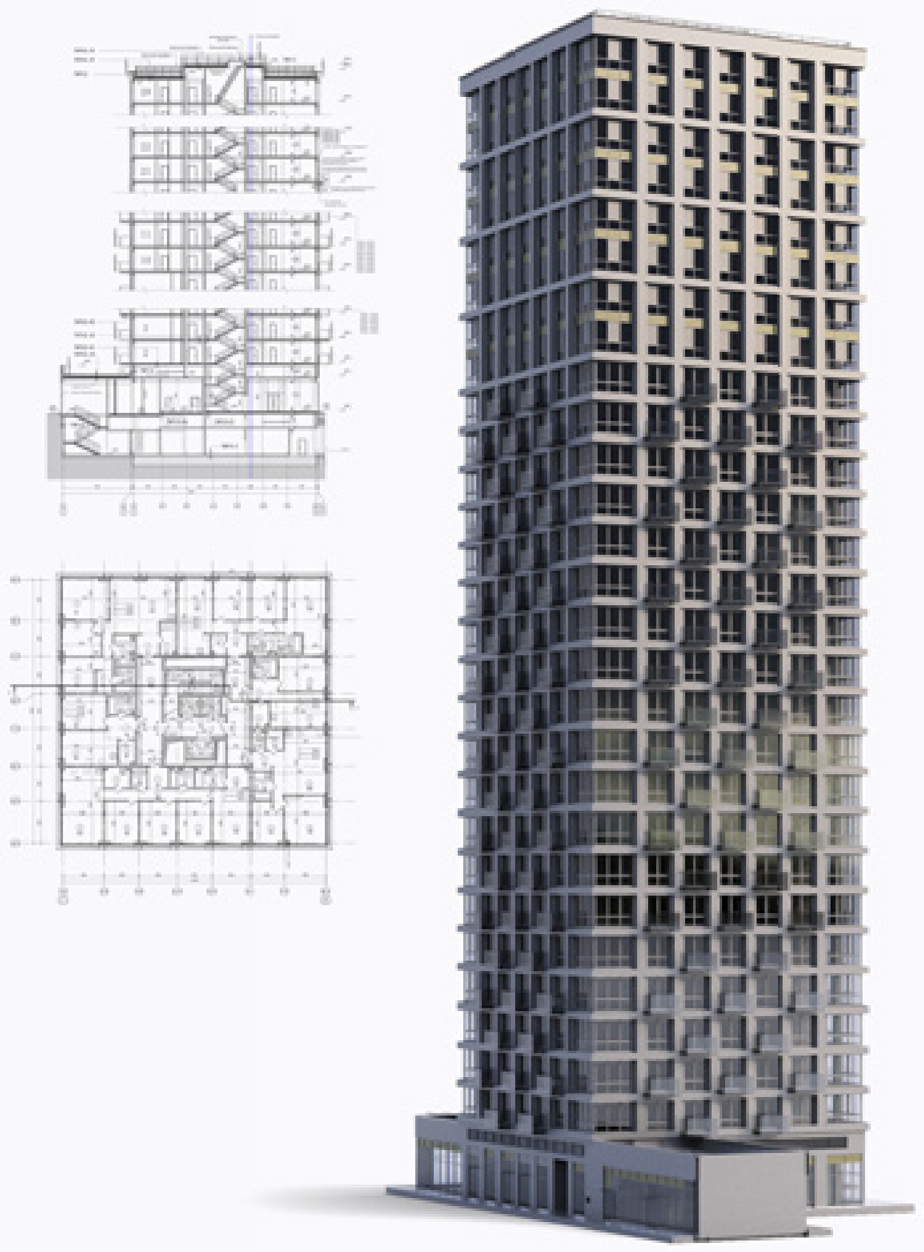
Back in 2012, Etalon Group became one of the first companies to begin using BIM technology for the design and construction of residential complexes. With its extensive background in using technology and the development of its own BIM standard, the Company was able to take its project quality to a new level. Today, Etalon Group makes utmost use of this tool at all stages of the life cycle of its properties in St Petersburg and Moscow. Several of the Company's projects created using BIM technologies were included in a promotional video for Autodesk, a global supplier of software for industrial and civil engineering.

Autodesk Russia has recognised Etalon Group as a BIM leader every year since 2014. BIM leaders are architectural and construction companies and experts who have achieved outstanding results in their work using BIM technology and who are ready to share their knowledge and expertise with other members of the architectural and construction community. BIM leaders become members of the BIM Leaders Club, created at the initiative of Autodesk, whose activities are aimed at developing the use of BIM technologies in Russia.

Using BIM technologies

Etalon Group uses BIM technologies extensively in designing its residential complexes. Information modelling is based on unitised design, which makes it possible to automate as many manual processes as possible. At the same time, the digital copy of a building contains a large amount of data:

- spatial-planning and structural solutions for the building;
- a single information space for designers, builders and operations;
- aggregate data on the amount of materials and resources used;
- spatial representation of the project;
- clash detection;
- preparation of models for construction project management systems.



With their expansive information capacity and flexibility, BIM models make it possible to establish effective joint working arrangements for a project, to save and reuse successful solutions and to consider versatile strategies for construction and the use of resources, thus minimising the risk of human error. At the same time, digital modelling make it possible to go beyond the boundaries of design: digital models can also be used to supervise workplace safety, automate acceptance procedures on the part of buyers, oversee investments and carry out scheduling.

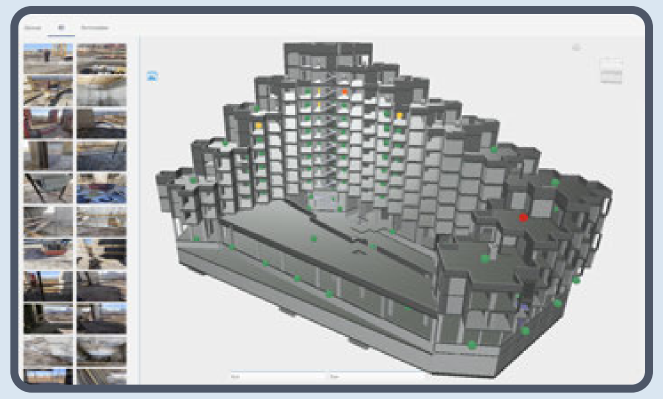
Notably, the Company has developed and patented a unique occupational health and safety monitoring system (a safety index) that is used at all Etalon Group construction sites. The methodology for determining the safety index score is based on information modelling technology, Russian laws on occupational health and safety, and a risk assessment methodology. The safety index system is constantly being refined: in 2021, the Fire Safety at Temporary Construction Camps information system was put into commercial operation, and a methodology for predicting the probability of an accident at a construction site (injury index) is being developed. For more information about the safety index, see the "Occupational health and safety" section of this report.

Construction oversight using BIM technology

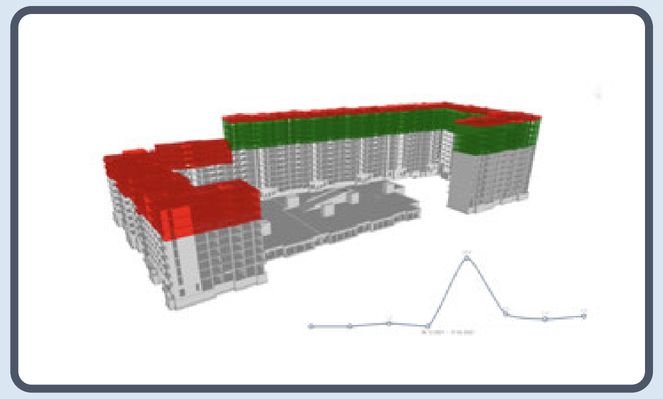
Construction scheduling oversight
Target/implementation analysis

Fulfilment supervision
Dynamics and efficiency

Oversight of construction safety and occupational health and safety



BIM model for monitoring safety



Reports

The Company remains a BIM leader in the Russian Federation. In 2020, we became the first company in Russia to undergo a completely electronic state expert review of a project, and we also developed our own instrument for project document management using BIM technology in a web-based format (the Etalon Projects common data environment) as well as a classification system for construction-related information.

Throughout 2022, we are planning to arrange CONTRUST - a unified platform for construction coordination and oversight. Through the use of digital tools, the system will enable real-time management of the timing, cost and quality of in-progress investment and construction projects. The Company has developed proprietary information systems that customers can use to receive daily updates and information on project changes, to leave comments and to monitor progress in terms of document approval.

Contribution to the development of BIM technologies

01

Etalon Group, together with the Moscow Department of Urban Development Policy, the Moscow Foundation for the Renovation of Residential Buildings, the City Development research and design centre, JSC Vneshstroyimport and NOTIM, is a member of a working group involved in the implementation of a pilot project analysing the use of BIM technologies in construction. Etalon Group's role in this project is to act as a consultant on the organisation of business processes when implementing investment and construction projects using BIM technologies.

02

The Company is working with the St Petersburg municipal construction committee to develop a project on electronic as-built documentation in construction. The project will make it possible to produce, approve and save construction-related as-built documentation in a web-based environment. The project complies with the current requirements of the State Architecture and Construction Inspectorate in terms of signing documents with an enhanced digital signature and will be closely linked with the BIM Technology Oversight project.

03

In collaboration with leading universities that prepare specialists for the construction industry, such as ITMO University, Peter the Great St Petersburg Polytechnic University and St Petersburg State University of Architecture and Civil Engineering, Etalon Group develops training programmes related to BIM technologies, conducts excursions for English- and Russian-speaking students, conducts lectures and seminars, and takes part in scientific and technical conferences. In 2021, Etalon Group participated in the development of an advanced training course on project management in construction that covered everything from planning to oversight using BIM technologies as well as risk management. The course was organised by the University of the Ministry of Construction, Housing and Utilities National Research Institute for Building Construction of the Russian Academy of Architectural and Construction Sciences in cooperation with the Management Institute of the Government of the Yamal-Nenets Autonomous District.

04

In 2021, Russia's first national-level BIM skills competition for students of universities and technical colleges was launched. Etalon Group initiated and organised the competition. The winners have been offered internships at leading construction companies and have been added to Etalon Group's recruitment list.

CONTENTS

Standardisation, design automation and digital technical specifications

The development of design solutions and product standards is among the most important processes in the property development sector since they determine the product's cost and consumer appeal. Etalon Group has launched three major interrelated projects to manage design and its product:

01 Product standardisation

02 Design automation

03 Digital technical specifications

Design automation

Design automation makes it possible to standardise and to create algorithms for a large amount of designer data and processes. This approach ensures:

- development of agreed standards and methodologies that optimise coordination between the building owner and the designer;
- automation of the designer's immediate tasks, which increases the precision and speed of the work as well as the amount of information available in the BIM model.

The Company is currently developing object prototypes for various programme modules on the basis of an agreed methodology as well as technical parameters for each element (data set). Following pilot testing, these modules will be used on-site for the development of individual project sections. In parallel with the creation of object prototypes, the Company is also working on their seamless integration into the Company's corporate information systems and geographic information systems (GIS).

The Company plans to complete its design automation project in 2Q 2023.

The full-scale integration of the new software will greatly increase design efficiency:

- modelling a larger number of scenarios for land plots;
- increasing the precision and speed of site assessments;
- accelerating the development of various project phases (the conceptual stage and so-called stage P, when a project's urban-planning, environmental, technological and architectural solutions are determined).

Product standardisation

The goal of product standardisation is inextricably linked with the design automation project: at the stage of prototyping the design automation programme, libraries of standard product solutions will have to be added that will form the basis for the assembly and modelling of specific projects.

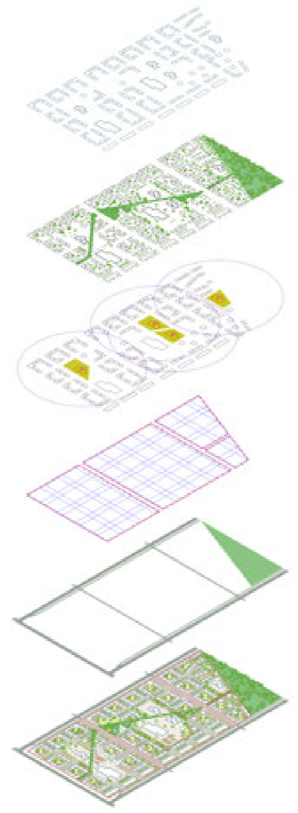
The Company plans to complete work on the standardisation of its standard- and comfort-class products in 3Q 2022. Despite the large number of tasks associated with product standardisation, project implementation will enable the Company to create a high-quality product while reducing production cost. Separately, it should be noted that the standard product will undergo dual verification, first at the stage of its creation and then when it is applied in a real project. This two-step approach makes it possible to carefully study all product use cases and choose only the best solutions, thereby improving the product's consumer appeal and reducing the risk of human error.

The Company has already created solution libraries for apartment buildings: libraries of apartments, staircase and lift units, sections, and families of objects that share common features. These libraries include the most popular and most efficient layouts; at the same time, filling the libraries with a lot of content enables the Company to create a final product with a large variety of solutions from the available options that is designed for customers with different lifestyles, family types, preferences, etc. For example, the existing libraries contain more than 600 apartment layouts, 28 staircase and lift units, and 9 section variants. Once the standardisation of its apartment buildings is completed, Etalon Group plans to focus on standardised infrastructure and public amenities, standardisation in the low-rise housing segment and the integration of the standardised elements into the Company's modular construction project.

In use. Example of the use of automated design and product standardisation in creating a master plan:

1 Determination of the level where the design is to be carried out (main urban planning units)

2 Layer-by-layer development (on the example of a microdistrict)



Using different consruction morphotypes to ensure diversity

Creating green surroundings (an urban forest, green squares)

Providing all the nessesary infrastructure based on the concepts of polycentricity and accessibility

Zoning and differentiation of neighbourhoods

Road network

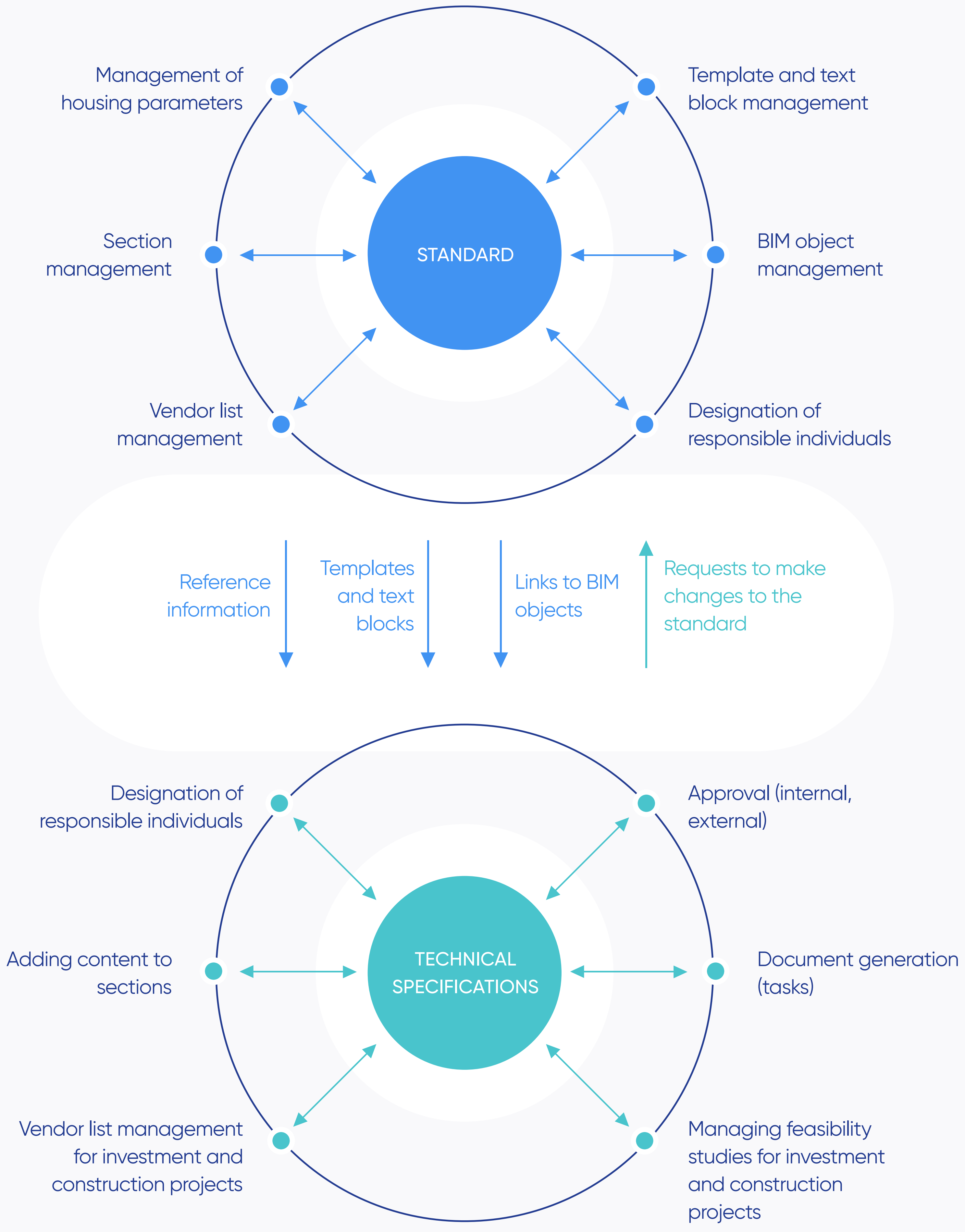
Overall master plan

The development of housing groups takes place in several iterative stages based on an analysis of variability, which includes not only typical performance indicators, such as the territorial utilisation rate, but also environmental features. Initially, the total volume of the residential building is determined, which is then modelled with allowances made for insolation and unique environmental benefits. A unique morphotype is thus created, and the volumes of the individual sections are established. The final stage is the creation of the facades, which takes a grid-based, modular approach.

Digital technical specifications

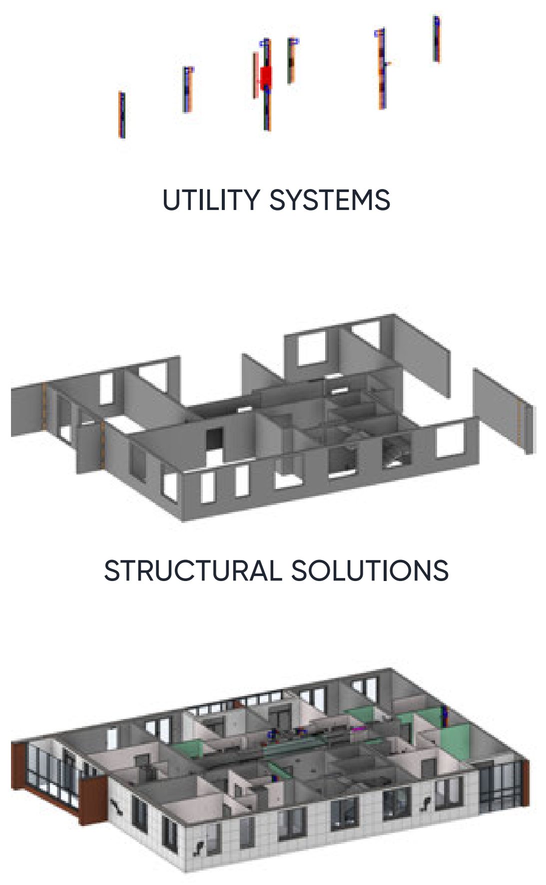
Digital technical specifications make it possible to combine information from different sources in a single structure.

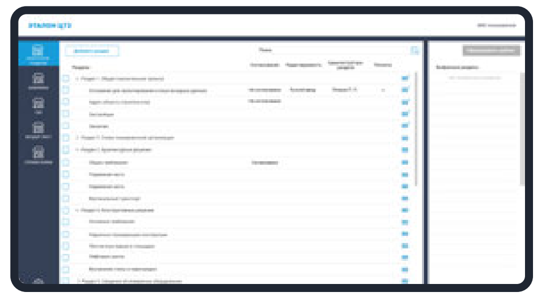
STANDARD MANAGEMENT



PROJECT MANAGEMENT

The technical specifications designer develops the requirements for the building's architectural and structural solutions as well as its utility systems:

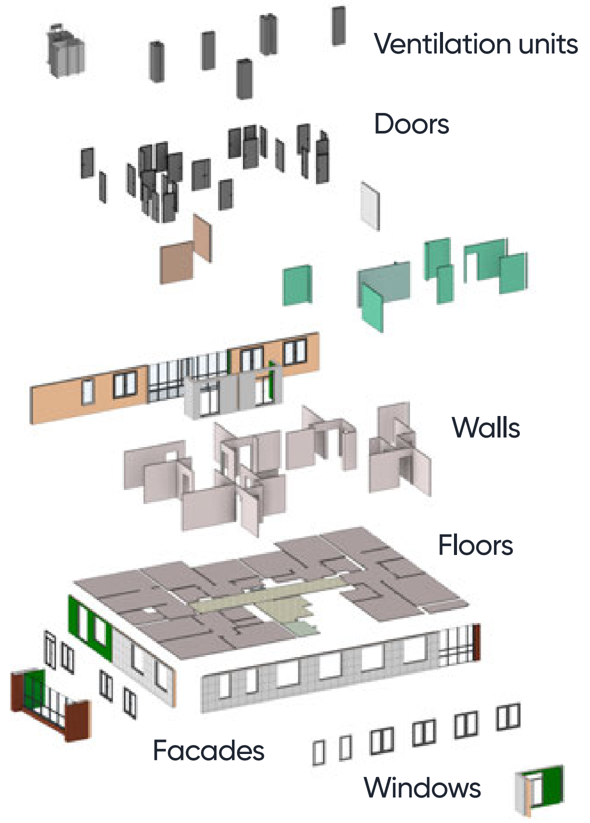


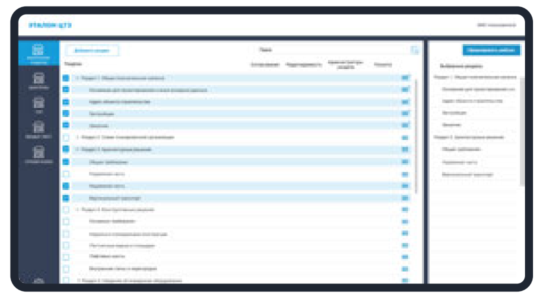


Digital interface for technical specifications

- Unified document structure
- Detailed requirements for sections
- Designation of responsible individuals for sections
- Version history
- Work templates

Detailed requirements for all elements are worked out for each section:

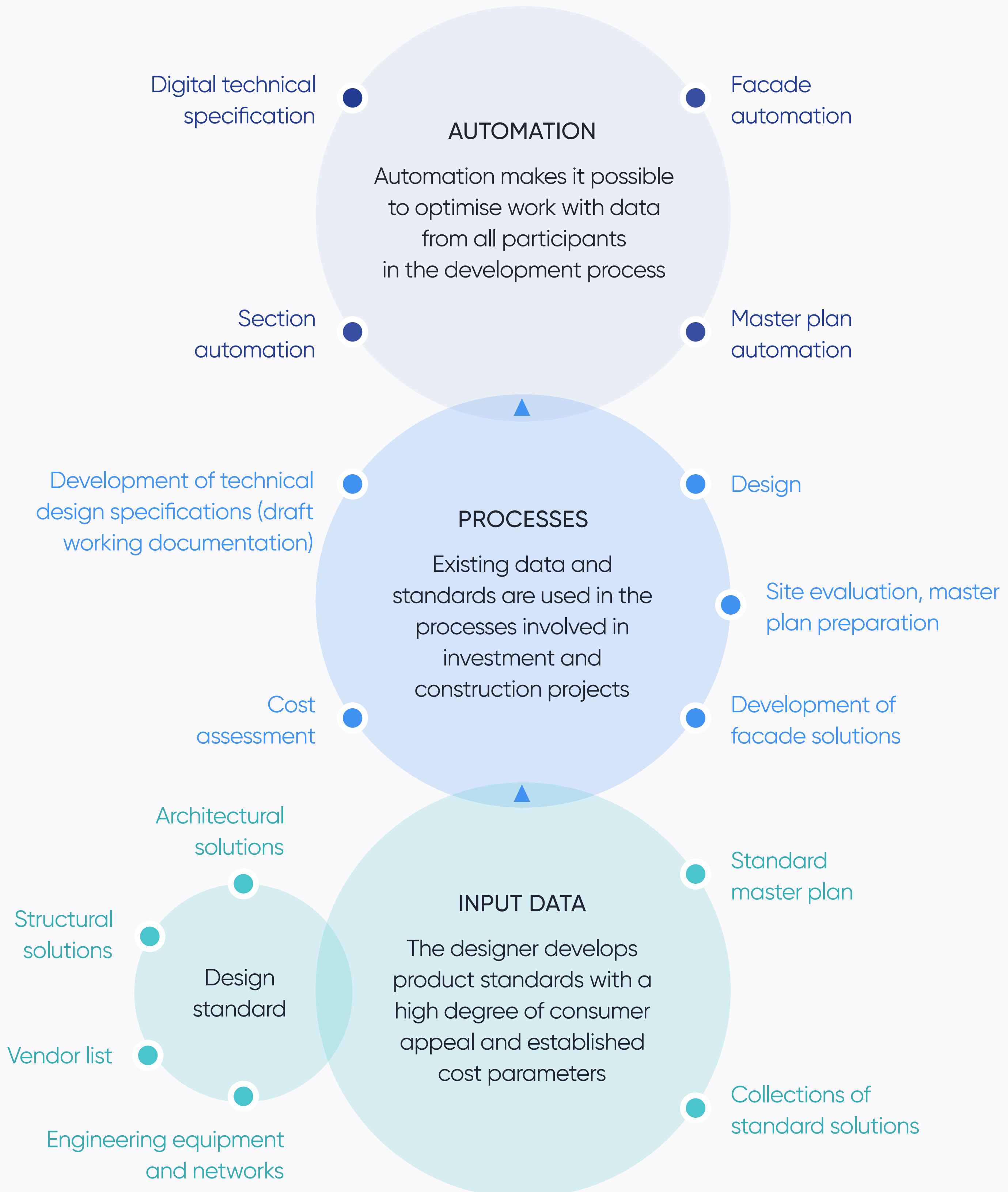




Digital interface for technical specifications

In addition to the text part, the digital technical specifications include a library of components that form the basis for the development of a BIM model of the building.

LEVELS OF THE DIGITAL TECHNICAL SPECIFICATIONS SYSTEM



The integration of a standardised product, design automation and digital technical specifications make it possible to develop a single automated chain that links data and processes at all stages of product creation, thereby ensuring the digitalisation of key operations in the development chain for investment and construction projects.

Digital-building system

In addition to the above-mentioned projects, the Company, together with a strategic partner, is developing a project related to the integration of digital systems in order to offer residents greater comfort and convenience and to improve service efficiency.

Projects

The Company, in partnership with MTS, is developing projects aimed at digitalising the processes involved in the construction and operation of residential complexes as well as the incorporation of new technologies and products.

The partners are developing a suite of software and hardware called Digital Neighbourhood. The project involves the creation of residential neighbourhoods focused on minimising their impact on the environment and incorporating digital technologies to simplify residents' day-to-day tasks: contactless entry from the shared entrance hall and access to the parking area by car without requiring any action on the part of the driver, automatic transmission of meter readings, using an app to call the freight elevator, a marketplace, controlling smart home systems, etc.

In early 2022, the Company implemented elements of the Digital Neighbourhood suite at its Silver Fountain, Zil-Yug and Nagatino i-Land projects in Moscow as well as at the Project on Chernigovskaya Street in St Petersburg. The issue of incorporating the system into other projects, including at regional sites, is being considered.

Notably, pilot implementation of the Digital Neighbourhood suite at the Silver Fountain project includes:

- using a mobile phone with BLE and NFC technologies to enter the project grounds and the residential complex;
- IP-based home intercom: call forwarding to a mobile phone and access management through a single mobile app;
- images from CCTV cameras can be viewed in the app;
- a service has been introduced that shows where there are free parking spaces in the parking lots adjacent to the residential complex;
- automatically calling the elevator to the ground floor and ascending to a pre-programmed floor;
- booking entry passes for guests, cars and taxis through the mobile app;
- data from electricity, cold water, hot water and heating meters is automatically submitted to the management company;
- submission of any available applications to the management company through the single mobile app;
- payment through the mobile app.

As part of the implementation of its unified approach to the digitalisation of residential complexes (Etalon Group's so-called digitalisation standard), the Company developed a technical project for an automated building management system as part of stage P. Its purpose is to create a single digital ecosystem for a residential complex that integrates the property's utility and technical infrastructure into the information systems and business processes of the developer and the management company. This synergy will make it possible to manage the property in a centralised and efficient way through integrated interfaces, such as a single mobile app for residents or automated workstations for operations staff. The automated building management system project includes:

- a description of and requirements for connected, low-voltage utility systems to be included in the technical specifications for design;
- requirements and a vendor list for equipment to ensure that the required functionality is provided;
- a description of scenarios for interaction between connected, low-voltage utility systems in order to provide owners with digital services;
- a description of the property to be digitalised, equipment operation algorithms, structural and functional diagrams, as well as data flow diagrams;
- a description and visualisation of the dashboards in the mobile app and at the automated workstations for management company staff.

The requirements for the described digital ecosystem have been taken into account in the design of the first and second phases of the Zil-Yug project.

Contribution to technology development for the industry

- Etalon Group is part of the working group of the Ministry of Digital Development, Communications and Mass Media that is developing a "smart apartment building" standard in collaboration with the Ministry of Construction, Housing and Utilities, the Ministry of Industry and Trade, telecom operators and leading Russian software and hardware developers.
- The Company is also part of a Ministry of Construction, Housing and Utilities working group for the launch and implementation of the Smart City departmental project for the digitalisation of municipal services.

Business conduct

The Company's corporate culture and policies reflect its commitment to high ethical standards and principles of fair competition as well as zero tolerance for human rights violations, corruption and discrimination.

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, the Regulations on Conducting Tenders and the Anti-corruption policy adopted in 2021.

In addition to these documents, the Company has adopted Regulations on the Hotline for Countering Fraud, Corruption and Embezzlement. The Regulations specify the main goals, objectives and principles of the hotline, its operating procedures and the distribution of tasks and responsibilities between Etalon Group and its subsidiaries.

Respect for human rights

Etalon Group's core principle is to develop its business in accordance with existing laws and high ethical standards. In line with this principle, the Company strictly complies with – and closely monitors its partners' compliance with – fundamental human rights enshrined at the Russian and international levels:

- in the Constitution of the Russian Federation, the Labour Code of the Russian Federation and other Russian laws
- in the Universal Declaration of Human Rights
- in the principles of the United Nations Global Compact
- in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- in the UN Guiding Principles on Business and Human Rights

These rights include the rights to life, liberty, health and security, equal opportunities and freedom from discrimination of any kind, freedom to work and the prohibition on all forms of child and forced labour, just and favourable working conditions, equal pay for work of equal value, social security and an adequate standard of living, a favourable environment, protection of families and mothers, rest and leisure, education and participation in cultural life.

The Company recognises the importance of issues related to the observance of fundamental human rights and freedoms both in relation to its own employees and in relation to other stakeholders affected by Etalon Group's operations. With this in mind, human rights principles are integrated into Etalon Group processes throughout the value chain.

Employees and contractors must familiarise themselves with Etalon Group's main policies regarding corporate ethics and anti-corruption, including human rights provisions. In addition, contractors and suppliers are screened by the Company's Security Division to confirm that they are financially sound, have an impeccable reputation and operate in line with fair business practices.

Etalon Group's main impacts in the area of human rights

The Company's role	Human rights issues	Main groups potentially impacted	Measures taken by the Company	Internal mechanisms for advice and for reporting violations[1]
Employer	• Prohibition on child and forced labour • Ensuring decent working conditions • Countering discrimination and harassment • Ensuring work–life balance	Employees	• Strict compliance with legal regulations, including the Labour Code of the Russian Federation • Decent pay, career development programmes, training programmes • Ensuring equal conditions for career development and wage increases regardless of gender, age, religion, skin colour or other factors • Flexible/individualised schedules, social benefits for maternity and parental leave, additional payments for employees on account of childbirth or difficult life circumstances	• Contacting the Company's specialised services: HR, security, etc. • Etalon Group hotline (anonymous reporting available) • Contacting the Corporate Ethics Officer
Developer and service company	• A safe environment • Social security and improved living standards	Customers and local communities	• Compliance with environmental laws, including environmental impact assessments and measures to limit the environmental impact at all stages of project implementation • Resource-efficient equipment, eco-friendly materials and technologies • Cooperation with leading experts and local residents for optimal project development (for example, the generation Zil platform for open discussion of the Zil-Yug project) • Construction of commercial and public amenities, including schools and preschools • Providing a wide range of convenient, high-quality services	• Etalon Group hotline (anonymous reporting available) • Contacting the service company directly through the call centre
Contractor	• Occupational safety • A safe environment	Partners and local communities	• Observance of high standards of occupational health and safety as well as environmental safety • Compliance with and constant monitoring of the sustainability of the supply chain (a high degree of environmental, social and financial responsibility on the part of partners, as well as their compliance with legal requirements), including through the competitive selection of partners and a formal verification system	• Etalon Group hotline (anonymous reporting available)

[1] More information on each mechanism can be found in the relevant thematic sections of this report, including later in this chapter.

The Company has developed a variety of internal policies and standards that reflect Etalon Group's basic understanding and approach to the incorporation of ethical and social values, including in relation to human rights. The main provisions and policies in question as well as the mechanisms for their implementation are listed below in the relevant sections of this chapter (see "Code of Corporate Ethics", "Anti-discrimination policy", "Anti-corruption policy" and "Responsible supply chain") as well as in other chapters of the report (see "Employees", "Occupational health and safety", Environment" and "Social responsibility").

> No human rights violations were identified within Etalon Group in 2021.

Respect for and observance of human rights is a cross-cutting issue that is addressed elsewhere in this report:

- Code of Corporate Ethics, p. 109
- Anti-corruption Policy, p. 110
- Responsible Supply Chain, p. 112
- Employees, p. 87
- Occupational Health and Safety, p. 77
- Environment, p. 83
- Social Responsibility, p. 95

Code of Corporate Ethics

Handling matters of corporate ethics

Issues related to the interpretation and enforcement of the Code of Corporate Ethics are the responsibility of Company management and the Corporate Ethics Officer.

Advice and whistle-blowing

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 the 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.

Monitoring

Etalon Group carries out ethics reviews, the purpose of which is to verify employees' compliance with the Company's key requirements and principles in the area of corporate ethics. When undergoing a review, the employee completes a Declaration on Ethics and Conflicts of Interest in the form of a questionnaire. Ethics reviews are carried out, for example, when hiring new employees and 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.

Anti-discrimination policy

The Company has a zero-tolerance policy for discrimination based on gender, age, ethnicity, religion or any other grounds. The main regulatory documents in this area, in addition to Russian laws, are Etalon Group's internal policies, including the Code of Corporate Ethics and the Regulations on Conducting Tenders.

In 2021, no cases of discrimination were identified within the Company.

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.
- 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 ethnicity, gender, age, etc. are prohibited.
- Cases of discrimination can be reported to the Corporate Ethics Officer through official channels. The Company guarantees anonymity and that there will not be any negative repercussions for the career of employees who contact the Corporate Ethics Officers.

Anti-corruption policy 1/2

Regulatory framework

The main guidelines and regulations that guide Etalon Group in countering corruption are set out in the applicable laws of the Russian Federation, including the Criminal Code of the Russian Federation, the Code of Administrative Offences of the Russian Federation and the federal Anti-corruption Law as well as Etalon Group's internal policies: the Code of Corporate Ethics and the Anti-corruption policy adopted by JSC Etalon Group's[1] Board of Directors in 2021.

The above-mentioned internal policies reflect the fact that Etalon Group is committed to and guided by high ethical standards in conducting open and fair business in order to improve its corporate culture, adhere to best corporate governance practices and maintain its business reputation at an appropriate level. Strict compliance with the principles and requirements of the Code of Corporate Ethics and the anti-corruption policy is mandatory for all Etalon Group employees, regardless of their position; these documents also apply to third parties acting on behalf of or in the interests of the Company where the respective obligations are enshrined in contracts with them or directly stipulated by law.

Etalon Group welcomes and encourages compliance with the requirements of its anti-corruption policy on the part of counterparties and other third parties, and also strives to advance a culture of anti-corruption within the Company and in society. Notably, the Company conducts its anti-corruption efforts in cooperation with state and regulatory authorities as well as with companies and associations, partners and counterparties.

[1] The Group company responsible for overall management and strategic development, performance oversight and policy implementation across Etalon Group.

Anti-corruption management system

Management principles

Etalon Group has enshrined a principle of zero tolerance for corruption in all its forms and manifestations in conducting its day-to-day operations and in implementing strategic projects, including in cooperation with partners, subsidiaries and affiliates, investors, state and local authorities and other participants.

In fighting corruption, Etalon Group aims

- to minimise the risk of involving Etalon Group itself or members of its Board of Directors, its CEO or its employees in corrupt activities, including by:
  - clarifying the provisions of anti-corruption laws and Company by-laws,
  - establishing an obligation to comply with them,
  - developing adequate procedures to prevent corrupt practices;
- to establish a uniform understanding of Etalon Group's zero-tolerance policy for corruption in all its forms and manifestations among Etalon Group shareholders, the investment community, counterparties, members of management bodies, employees and others.

In accordance with internal policies, Etalon Group's Board of Directors, CEO, Management Board and senior executives are developing an ethical standard that involves an uncompromising approach to any forms and manifestations of corruption at any level and setting an example through their own actions. In addition, the CEO of Etalon Group is responsible for orchestrating all measures aimed at living up to the principles and requirements of the anti-corruption policy, including the appointment of individuals responsible for the development, implementation and oversight of anti-corruption procedures.

According to Etalon Group's Anti-corruption Policy, corrupt actions include giving or receiving bribes; facilitating the giving or receiving of bribes; abuse of office or authority; commercial bribery; facilitation payments; the illegal use of a position to obtain benefits in the form of cash, valuables, other property, services or any form of rights for oneself or for others; or the unlawful granting of benefits to any person.

Members of the Board of Directors and of Board committees as well as all Etalon Group employees, regardless of their position, are personally responsible for compliance with the principles and requirements of the anti-corruption policy as well as for actions or omissions on the part of their subordinates that violate these principles and requirements.

Monitoring and risk assessment

Etalon Group identifies and periodically updates its industry-specific corruption risk indicators as well as potentially vulnerable business processes. The Company develops and puts in place adequate procedures to prevent corruption that are appropriate for the identified risks, monitors compliance with said procedures and refines them if necessary.

Working with counterparties

Etalon Group tries to minimise the risk of business relations with counterparties that may be involved in corrupt activities; for this reason, it assesses counterparties' tolerance for bribery, including by verifying whether they have their own anti-corruption procedures or policies, and their readiness to comply with the requirements of Etalon Group's Anti-corruption Policy, to include anti-corruption clauses in contracts and to provide mutual assistance aimed at ensuring ethical business conduct and preventing corruption.

The Company undertakes efforts to ensure that the fundamental anti-corruption principles and requirements included in Etalon Group's internal policies are observed in the joint ventures, companies and associations that the Company participates in as well as by its counterparties. When participating in a joint venture, Etalon Group analyses information on the reputation of potential partners and participants, which includes verifying intermediaries, partners, agents, joint ventures and other individuals and entities to prevent or identify violations and, ultimately, to minimise and curb the risks of Etalon Group's involvement in corrupt activities. The Company also informs potential partners about its anti-corruption principles and regulations and advocates the adoption of similar anti-corruption policies in joint ventures, companies and associations.

Informing contractors about the Anti-corruption Policy in 2021

Number of contractors informed about the Company's anti-corruption policies and procedures	Moscow region	St Petersburg	Regional operations	Total
Number of suppliers	979	917	18	1,914
Number of contractors	1,608	1,038	11	2,657

All suppliers and contractors that the Company collaborates with are familiar with Etalon Group's anti-corruption policy.

Anti-corruption policy 2/2

Participation in charitable activities and sponsorship

Etalon Group does not finance charitable or sponsorship projects in order to obtain commercial benefits in specific Company projects.

Social and political activities and dealings with government officials

Etalon Group does not participate in the activities of political or religious organisations and does not finance their activities.

The Company does not make facilitation payments (administrative, bureaucratic or otherwise) to authorities, public officials or others, and also refrains from covering any expenses for or on behalf of government officials or their close relatives or in order to obtain commercial benefits for Etalon Group projects.

In combating corruption, Etalon Group cooperates with state and regulatory bodies as well as with companies and associations, partners and contractors.

Effecting payments

Etalon Group does not solicit its representatives or other third parties to perform any actions that contravene its anti-corruption policy or applicable anti-corruption laws, and it also does not effect payments if there is reason to believe that all or part of said payments will be used for corrupt purposes.

Information sharing and training

The Company openly declares its stance against corruption; welcomes and encourages compliance with the principles and requirements of its anti-corruption policy on the part of all contractors, its employees and other individuals and entities; and promotes advancements in anti-corruption culture through information sharing and training. In order to develop an advanced anti-corruption culture, introductory training is conducted for new employees, and periodic information seminars are held in person or remotely for existing employees.

Since 2020, the Company has been operating 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 involved in corrupt behaviour, violations of business ethics or of Etalon Group policies and procedures, violations of applicable laws, 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 this information. Anyone who contacts the hotline can count on qualified assistance, verification of the information specified in the message, advice on resolving difficult situations, as well as feedback, including through the feedback forms on the websites of Etalon Group. When processing information, the confidentiality of the identity of the applicant and of the information submitted is ensured, as is the anonymity of applicants who do not wish to disclose their personal data. Any measures of influence against the person who provided the information are prohibited.

In 2021, Etalon Group's hotline received and settled five submissions regarding abuse of power and complaints about the quality of services. At the same time, no cases of corruption were identified.

> The Company operates a hotline for combating fraud, corruption and embezzlement. Based on the claims received in 2021, there were no confirmed cases of corruption within Etalon Group.

Responsibility for compliance with the Anti-corruption Policy

According to Etalon Group's Anti-corruption Policy, an internal investigation is initiated in response to any reasonably justified suspicion or established fact of corruption. Employees found guilty of violating anti-corruption laws or the Company's anti-corruption policy may be subject to disciplinary action as well as other forms of punishment in accordance with applicable law.

Audit, control and reporting

Etalon Group regularly conducts internal and external audits of its financial and economic activities, as well as audits to determine that its accounting records are complete, accurate and in compliance with the requirements of applicable laws and Company by-laws, including the principles of Etalon Group's Anti-corruption Policy. As part of the Company's internal control procedures, checks are carried out to confirm the implementation of key business processes, including selective audits of the legality of payments made as well as their economic rationale, and the appropriateness of expenses, including for the purposes of confirmation by primary accounting documents and compliance with anti-corruption requirements.

Etalon Group's management reviews annual management reports on the results of efforts to ensure compliance on the part of the Company and its employees with the principles and requirements of the Anti-corruption Policy and anti-corruption laws.

Responsible supply chain

Etalon Group selects contractors and suppliers on a competitive basis and in such a way that the Group's procurement operations are aimed at ensuring an uninterrupted supply of high-quality materials, works and services with due regard to economic and operational efficiency.

Etalon Group's key procurement principles are as follows:

- ensuring fair competition
- transparent procurement procedures
- information accessibility
- unambiguous indicators for counterparty evaluations
- equal treatment of and a unified approach to all procurement participants
- professionalism and accountability on the part of those initiating procurement

Procurement management

Issues related to Etalon Group's procurement activities are managed by the tender and procurement department of the management company JSC Etalon Group. The department provides regional tender services as well as a procurement analytics unit. The department's functions include developing and approving a methodology as well as initiating and implementing procurement procedures within Etalon Group. The Group's subsidiaries also have procurement divisions. In addition, JSC Etalon Group's tender and procurement department also provides methodological support to all Etalon Group companies and business divisions.

Regulatory framework and approach to procurement

Etalon Group selects its suppliers and contractors on a competitive basis. The main principle behind the selection process is to ensure fair competition. In matters of cooperation with counterparties and procurement of necessary materials, Etalon Group is guided by the applicable regulations of Russian legislation.

The procedure for conducting tender procedures is also governed by Etalon Group's Regulations on Holding Tenders, which is aimed at preventing violations of antitrust law and cases of unfair competition as well as oversight of the actions involved in selecting suppliers of materials, works and services:

1

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 a contract.

2

The Regulations also outline the requirements for companies participating in procurement procedures to ensure due diligence.

3

All candidates for participation in tender procedures undergo a standard check and, if all requirements are met, are included in Etalon Group's Register of Accredited Counterparties and Suppliers. 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 Etalon Group.

4

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.

5

In 2021, a new version of the Regulations on Holding Tenders was approved and entered into force that enshrines additional parameters and requirements for the assessment of counterparties, a procedure for the Board of Directors to select and approve Etalon Group's strategic partners, regulations on centralised supplies, as well as the possibility of conducting procurement procedures through electronic trading platforms. Companies that do not fulfil these requirements may not be included in the Company's Register of Accredited Counterparties and Suppliers and are not eligible to participate in tenders for the performance of works or to supply materials for 12 months.

6

Etalon Group prepares a quarterly tender schedule for the purposes of procurement planning. Posting the schedule in the public domain ensures that the Group's procurement procedures are transparent and accessible to all market participants.

Procedure for screening suppliers and contractors

The verification and selection of counterparties are carried out in several stages:

AN INITIAL REVIEW OF THE SUPPLIER

on the basis of a questionnaire and also on the basis of open and accessible information about the counterparty

THE STANDARD REVIEW BY THE ECONOMIC SECURITY DEPARTMENT

is aimed at identifying risks and confirming trustworthiness in the context of counterparties' financial and economic activities, as well as confirming that a counterparty has the necessary experience, permits and special-purpose authorisations

THE ACCREDITATION OF COUNTERPARTIES

is aimed at populating and updating Etalon Group's Register of Accredited Counterparties and Suppliers, and it provides an accredited company with an opportunity to participate in Etalon Group tenders worth RUB 3 million or more. Decisions to add counterparties to or remove them from the register is taken by the standing Accreditation Committee.

In 2021, 635 companies were added to Etalon Group's Register of Accredited Counterparties and Suppliers, and 382 companies were removed.

QUARTERLY REVIEWS OF COUNTERPARTIES

are carried out according to key criteria such as quality, compliance with deadlines, safety, fulfilment of contractual obligations, and whether or not they have any outstanding accounts receivable owing to Etalon Group companies

To ensure that procurement is competitive, Etalon Group establishes additional criteria for assessing counterparties in terms of their technical and functional capabilities as well as financial and economic requirements.

Companies from the Register of Accredited Counterparties and Suppliers that have enjoyed long-term, mutually beneficial partnerships with the Group may be considered for inclusion in the Group's Register of Strategic Partners. The decision to add a company to or remove it from the Register of Strategic Partners is made by the Board of Directors of JSC Etalon Group.

Etalon Group's list of potential suppliers for 2021 included more than 5 thousand counterparties, 1.3 thousand of which were included in the Register of Accredited Counterparties and Suppliers and thus entitled to participate in Group tenders worth RUB 3 million or more.

Minimisation of ESG risks in the supply chain

Etalon Group pays special attention to monitoring compliance on the part of suppliers and contractors with the established requirements concerning fire and industrial safety, occupational health and safety, waste and natural resources management, and public health. Etalon Group fines violators in accordance with existing contracts.

The Company purchases materials from environmentally responsible suppliers. Equipment and materials used at Etalon Group facilities comply with requirements in terms of hygiene and ergonomics as well as applicable public health regulations: products have certificates of conformity, health and safety certificates, quality certificates, fire safety certificates, etc.

In addition, Etalon Group has developed and implemented a standard for the safety of construction sites that, in accordance with procedures, determines facilities' safety level and also establishes additional requirements in terms of safe working practices and environmental protection.

Supply structure

All Etalon Group procurements are classified either as centralised procurements, carried out by the tender and procurement department, or local procurements, carried out by the tender divisions of Etalon Group companies. The Group's procurement activities are structured in such a way that communication with counterparties is carried out without intermediaries.

In 2021, a number of by-laws aimed at centralising the procurement of construction materials were developed and approved. As a result, up to 80% of the Company's core construction materials is procured centrally through the Group's integrated procurement and logistics centre.

Supply chain

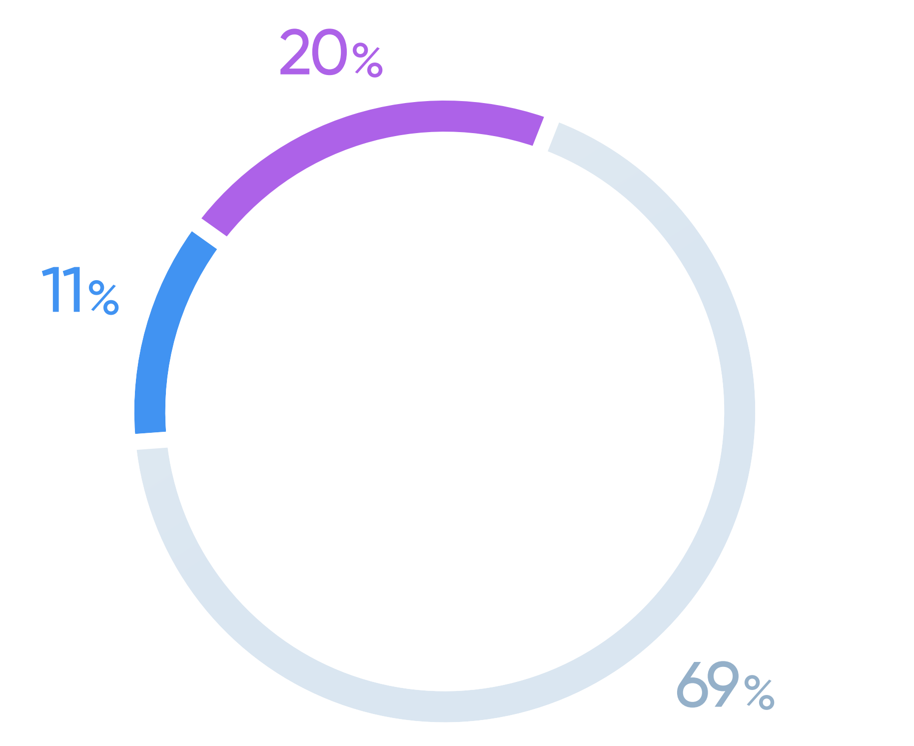
Suppliers	2019	2020	2021
Moscow			
Number of local suppliers	428	495	644
Number of other suppliers	7	26	41
St Petersburg			
Number of local suppliers	577	537	637
Number of other suppliers	46	67	56
Group total			
Local suppliers	1,005	1,032	1,281
Other suppliers	53	93	97
Procurement volume, RUB mln	29,548	31,836	38,204

Procurement volume

Procurement, RUB mln	2019	2020	2021
Procurement volume, RUB mln	29,548	31,836	38,204
including the volume of procurement from small and medium-sized enterprises (SMEs),[1] RUB mln	22,404	25,955	31,146
Number of SME suppliers	751	731	923

Etalon Group's procurement expenses in 2021 increased by 20% year-on-year, mainly due to the development of centralised procurement.

Procurement structure in 2021



At present, direct imports account for 10%–15% of Etalon Group's construction materials. These materials include facade cladding, heating devices, and elements and components for utilities systems. At the same time, indirect imports account for 15%–20%. This category includes deliveries of raw materials to plants producing materials for Etalon Group properties. Thus, the Company's dependence on imports – mainly from Europe – remains low.

At the same time, Etalon Group is actively carrying out an import substitution programme and is considering analogues available in the Russian market and in markets beyond Europe. To reduce supply chain risks, a lot of work is being done to build new supply chains that guarantee the timely delivery of materials.

Procurement automation

One of the Company's priorities is to automate and digitalise its procurement activities. In order to automate the centralised procurement of materials, the tender and procurement department together with Etalon Group's IT divisions began using Synteka software in 2021, which enables the Company to process applications for the purchase and delivery of materials in all regions of operations in a digital environment.

In addition, framework contracts were concluded with providers of electronic trading platforms to enable the placement of procurement requisitions on the platforms.

Plans for 2022

In June 2021, the Company decided to transform its procurement activities by developing the automation and digitalisation of the business processes involved in procurement and tenders. A working group was created to develop a new Etalon Group procurement regulation that will take into account best practices as well as move the bulk of the Group's procurement procedures into a digital ecosystem, including pilot procurement on electronic trading platforms.

As part of the regulation, which is expected to be approved and implemented in 2022, strategies for category-based procurement are being developed that will make it possible to take into account the specifics involved in the procurement of items in various categories.

In 2022, work will continue to increase the share of centralised deliveries of construction materials through an integrated logistics centre in order to receive the best offers from suppliers in terms of price and quality. Special attention will be paid to increasing the number of counterparties.

[1] Enterprises with up to 100 employees.

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 ensures 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.

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 of the event. 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.

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 a 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.

Risks

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.

Due to the current geopolitical situation and the sanctions imposed on Russia after the reporting period, a number of risks – mainly macroeconomic but also operational and financial – were realised. In terms of the negative scenarios that have occurred and the high probability that operating conditions will worsen for every company, including developers, Etalon Group is developing additional measures to prevent or limit the negative impact, including approaches to project financing, changes to supply chains, efforts to reduce construction costs, etc.

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 a land bank volume that is sufficient for 10 years of construction and sales without new land acquisitions. Real estate is viewed as a good hedge against inflation, which reached 9.2% in February 2022, while the Bank of Russia's key rate was raised to 20%.[1] State-subsidised mortgage programmes for families with children have been extended until the end of 2023 and envisage a rate of up to 6%, which could also lead potential buyers who have access to the programme to accelerate purchases.	High likelihood / medium level of impact Risks realised
Regional risks	A deteriorated economic situation affecting all market participants in key markets could equally have a negative impact on the Company.	• The Company's key markets – the Moscow Metropolitan Area and St Petersburg – are Russia's 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 to these programmes. At the same time, property development is a key industry and, as a rule, the government has lent it support at times of difficult macroeconomic conditions. Notably, the government announced in March 2022 a number of measures to mitigate the crisis and support the industry, including the development of mortgage programmes as well as measures concerning land relations and issues of construction financing.	High likelihood / medium level of impact Risks realised
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 a high degree of scalability. • Etalon Group is developing alternatives to its brick-monolithic construction techniques, including modern prefabricated construction methods, 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.	Medium likelihood / medium level of impact Increased risk compared with the previous period

[1] As of 22 March 2022.

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.	• A sustainable 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.	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 6 mln sqm of unsold NSA represents over 13x the volume of new contract sales for FY 2021. • The Company's regional offices constantly monitor 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.	• 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 consider purchasing non-zoned plots and independent zoning. The advantages of this approach include a wider selection of building sites and lower land acquisition costs. In addition, thanks to a strategy aimed at achieving cost leadership, Etalon Group plans to significantly improve its competitiveness in purchasing new land plots in Moscow and St Petersburg, both zoned and non-zoned. • The Company's expansion into regional markets opens up opportunities to add new projects to its portfolio in excellent locations beyond Moscow and St Petersburg, in large Russian cities with strong demand in the mass-market segment. At the same time, attractive project terms and the low cost of land compared with the Moscow Metropolitan Area enable the Company to ensure profitability comparable to that of its other projects.	Low likelihood / medium level of impact

Risk	Why it affects the Company	Mitigation/minimisation of the consequences		Likelihood / level of potential impact
OPERATIONAL RISKS				
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. • The share of imported construction materials and the cost of maintaining imported materials used in construction historically constituted about 15% of material supplies; therefore, the change in the price of imported materials/equipment would not have a significant impact on the cost of construction.	• As one of the biggest real estate developers in Russia, the Company can choose the most reliable external suppliers and decrease the cost of materials through bulk purchases. • To minimise the risks associated with the suspension of supplies of a number of materials and mechanisms, the Company is implementing an import substitution programme and is considering analogues available in both the domestic market and foreign markets.	High likelihood / high level of impact Increased risks
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, the safety index, etc. • The Company conducts comprehensive inspections at the production sites of factories that supply concrete and mortar mixes; all suppliers are inspected against a comprehensive list of criteria. • 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
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 improve safety at construction sites. • In 2021, the Company's BIM-based safety monitoring tool, the safety index, continued to improve. The methodology was updated to include a fire safety index for temporary construction sites, as well as to take into account the criteria of human (employee) impact on the risk assessment.	Low likelihood / low level of impact
An inability to recruit 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

Risk	Why it affects the Company	Mitigation/minimisation of the consequences		Likelihood / level of potential 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). • The increase in Bank of Russia's key rate will have a limited impact on the cost of servicing the Company's corporate debt, since most of the Company's current debt instruments have fixed interest rates. For a number of credit lines whose interest rates are linked to the key rate, the borrowing agreements provide for a range of key rates with an upper limit that is much lower than the current rate. With sufficient liquidity (cash collections from completed projects and proceeds from an SPO and bond issue in 2021), the Company is in a position to postpone the raising of new corporate debt until interest rates decrease.	• The Company successfully introduced new schemes for working with escrow accounts as part of project finance agreements. As of the end of 2021, escrow account coverage enabled the Company to secure project financing at preferential rates of 0.01% to 3.5%; effective interest rates on project-related debt were in the range of 0.01%–11.5%. Taking into account the increase in the Bank of Russia's key rate in March 2022, the Company expects the base rates for new project financing to increase and its special rates to remain close to where they were at the end of 2021; therefore, the Company's optimal strategy will be to ensure a balance between its schedule for the construction of a property and accruals in escrow from sales in order to ensure that it has sufficient cash balances to service its debt.	Medium likelihood / high level of impact Increased risks
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 significantly below the target of 2x. The FY 2021 net corporate debt/pre-PPA EBITDA ratio amounted to 0.1x.		Medium likelihood / high level of impact Increased risks
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.		Medium likelihood / low level of impact Increased
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 Etalon Finance (formerly Leader-Invest).	• Imported goods make up only a small part of the Company's business costs.	High likelihood / low level of impact Risk realised
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.	• The subsidised mortgage programme for families with children, which is effective until the end of 2023, will support mortgage sales amid double-digit standard mortgage rates.	High likelihood / low level of impact Risk realised

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.[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.

[1] Source: S&P Global - ESG Industry Report Card: Building Materials And Engineering And Construction, 3 June 2019.

[2] Risks associated with far-reaching market, technological, legal and other changes caused by the transition to a low-carbon economy.

Risk	Nature and potential impact	Mitigation/minimisation of the consequences		Notes
CLIMATE RISKS				
Physical risks	Changes in climatic conditions (including extreme weather events, higher average temperatures, etc.) can have a number of consequences, including: – failure to meet construction deadlines and increased construction costs – suspension of work due to extreme conditions (for example, the inability to operate cranes due to strong winds) – damage to erected structures – flooding of construction sites – reduced labour productivity due to the impact of weather conditions on the health of personnel or work stoppages	Risk mitigation • Careful assessment of risks and their possible impact on the environment before the implementation of the project. • Development of a set of measures to prevent or minimise any impact. • Maintenance of a high degree of safety at construction sites and keeping measures in place to protect structures and infrastructure, including maintenance works (roads, earthworks) and additional site monitoring. • Selection of high-quality materials that are highly resistant to temperature, humidity, etc., as well as efficient utility systems. • Careful preparation of sites for construction, taking into account possible environmental risks, including respect for water protection zones, ground stabilisation, etc.	Opportunities • Lengthening of the best season for construction works as a result of warming. • Higher-quality and more environmentally friendly materials and engineering solutions as a factor in increasing the appeal of the product.	
Transition risks[2]	Additional financial costs connected with adaptation to climate change, increasing competition concerning ESG criteria, changing demand for more environmentally friendly solutions. Changes in technologies, the introduction of stricter environmental regulations (including to reduce the Company's carbon footprint) and the increasing complexity of utilities systems.	Risk mitigation • A centralised, automated tender and procurement system helps ensure the high quality of purchased materials while maintaining optimal costs. • The Company is developing new industrial construction technologies that are more environmentally friendly in comparison with traditional cast-in-place construction technologies, and it is preparing a platform for launching production of its own prefabricated elements. • The Company's R&D division and a number of projects aimed at automating the production chain will ease the construction process and decrease the cost of construction while maintaining the high quality and environmental safety of Etalon's product.	Opportunities • Improving the quality of the product and, consequently, the Company's competitive advantages. • Using new technologies to reduce production cost and increase profitability. • Making operations more sustainable by paying greater attention to product quality and workplace safety.	

Risk	Nature and potential impact	Mitigation/minimisation of the consequences		Notes
SOCIAL RISKS				
Human capital management	The need to retain key employees and to recruit new talent regardless of the market situation. Failure to retain key employees or to maintain a high level of professionalism among the workforce could have an adverse impact on the business.	Risk mitigation • Providing comfortable working conditions, decent wages, a system of monetary and non-monetary bonuses, measures of social support for employees. • Cooperation with educational institutions, offering internships and training at Etalon Group to attract the best graduates and enhance staff potential.	Opportunities • Making the Company a more appealing employer for jobseekers. • Creating, through educational partnerships with universities, a talent pool with the knowledge and skills the Company needs.	For more information about HR risks, see the "Operational risks" section above; for more on the Company's actions and opportunities regarding personnel management, see "Employees".
Safety management	Workplace accidents relating to the Company's operations could be costly in terms of potential liability and reputational damage.	Risk mitigation • 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 makes it possible to quickly determine the risk zones for workplace injuries and take proactive measures; the extensive capabilities of safety analytics are the basis for the systematic improvement of the occupational health and safety system.	Opportunities • Increased labour productivity. • Improving the Company's appeal as an employer. • Opportunities to provide services to third-party companies pertaining to the implementation of industrial safety standards based on Etalon Group's proprietary developments.	For more information, see the overview of the main risks above in "Accidents at construction sites"; for more on measures and achievements in the area of occupational health and safety, see "Occupational health and safety".
Community impacts	Risks of overburdening local infrastructure owing to additional residential development, the need to carefully select construction sites with allowances made for controlled-access areas, favourable environmental conditions for future residents, traffic load, etc.	Risk mitigation • 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.	Opportunities • Better brand awareness. • Improving the competitive advantages of the Company's integrated projects, which comprise amenities and modern public spaces, including for customers with children and the younger generation.	

Risk	Nature and potential impact	Mitigation/minimisation of the consequences		Notes
SOCIAL RISKS				
Consumer-related risks due to changing customer behaviour, as impacted by the environment, health, human rights and privacyhealth, human rights and privacy	Risks that projects will fail to meet current consumer preferences; a possible increase in the cost of construction due to increased environmental, technological or other requirements for housing standards.	Risk mitigation • Studying customer preferences through a wide sales network (internal data) and conducting research enables the Company to constantly update project characteristics in accordance with modern standards and customer demand. • The use of new technologies developed by the Company will reduce the cost of construction while ensuring that the product maintains its excellent consumer appeal.	Opportunities • Improved product quality and ease of construction can facilitate higher sales.	
CORPORATE GOVERNANCE RISKS				
Risks related to non-compliance with contract liabilities	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.	Risk mitigation • 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 in the "Operational risks" section.	Opportunities • Automation of the procurement process and a centralised approach to the selection of suppliers enables the Company to establish unified high standards for partner companies, as well as to reduce overhead costs. • Optimisation of the management structure and business processes also contributes to improved business efficiency.	
Risks connected with corruption and anticompetitive practices	Anticompetitive practices and ethical breaches may result in investigations by public authorities, large fines and settlement costs, and reputational damage can affect financial performance.	Risk mitigation • 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. • 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.	Opportunities • Development of the corporate culture and improvement of corporate governance standards in accordance with best practices, which can help improve the Company's investment appeal.	For more on measures and achievements in terms of corporate ethics and information disclosure, see "Business conduct" and "Shareholder interactions".

GRI Index

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	Section: About Etalon Group, p. 05 Section: Project Portfolio, p. 35	Fully disclosed
102-3	Location of headquarters	Parent company ETALON GROUP PLC (Cyprus), main operating company JSC Etalon Group (St Petersburg)	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	As of February 2022, Etalon Group operates in the following regions of Russia: Moscow, Moscow region, St Petersburg, Omsk, Ekaterinburg, Tyumen and Novosibirsk	Fully disclosed
102-5	Ownership and legal form	Section: Shareholder Interactions, p. 142	Fully disclosed
102-6	Markets served, including geographical locations where products and services are offered, sectors served, types of consumers and beneficiaries	Section: About Etalon Group, p. 05 Section: Project Portfolio, p. 35 Section: Customers, p. 94	Fully disclosed
102-7	Scale of organisation	Section: About Etalon Group, p. 05 Section: Employees, p. 87 Section: Operating Results, p. 57 Financial Results, p. 65	Fully disclosed
102-8	Information on employees and other workers	Section: Employees, p. 87	Fully disclosed
102-9	Supply chain	Section: Business Conduct – Responsible Supply Chain, p. 112	Fully disclosed

GRI standard		Report section/commentary	Disclosure
STRATEGY			
102-14	Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and its strategy for addressing sustainability.	Section: Chairman's Statement, p. 14	Fully disclosed
102-15	A description of key impacts, risks and opportunities.	Section: Risk Management Framework, p. 115	Partially disclosed
ETHICS AND INTEGRITY			
102-16	Description of the organisation's values, principles, standards and norms of behaviour	Section: Business Conduct, p. 107	Fully disclosed
102-17	Description of internal and external mechanisms for seeking advice about ethical and lawful behaviour, and organisational integrity, as well as reporting concerns	Section: Business Conduct, p. 107	Fully disclosed
GOVERNANCE			
102-18	Governance structure; committees responsible for economic, environmental and social topics	Section: Corporate Governance, p. 133	Fully disclosed
102-20	Executive-level position or positions with responsibility for economic, environmental and social topics	Section: Sustainability – Introduction, p. 69	Fully disclosed
102-22	Composition of the highest governance body and its committees	Section: Corporate Governance, p. 133	Fully disclosed
102-23	Whether the chair of the highest governance body is also an executive officer	Section: Corporate Governance, p. 133	Fully disclosed
102-26	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	Section: Corporate Governance, p. 133	Fully disclosed
102-35	Remuneration policies for the highest governance body and senior executives	Section: Corporate Governance, p. 133	Partially disclosed

GRI standard		Report section/commentary	Disclosure
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups engaged by the organisation	Section: Stakeholder Engagement, p. 73	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.	Section: Stakeholder Engagement, p. 73	Fully disclosed
102-44	Key topics and concerns that have been raised through stakeholder engagement	Section: Stakeholder Engagement, p. 73	Fully disclosed
REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements	Financial Reporting	Fully disclosed
102-46	Topic boundaries	Section: Sustainability – Introduction, p. 69	Fully disclosed
102-47	List of material topics	Section: Sustainability – Introduction, p. 69	Fully disclosed
102-50	Reporting period	Section: About This Report, p. 04 Section: Sustainability – Introduction, p. 69	Fully disclosed
102-51	The date of the most recent previous report	2020 Annual Report	Fully disclosed
102-52	Reporting cycle (annual or biennial, etc.)	Annual	Fully disclosed
102-53	Contact point for questions regarding the report	Section: Shareholder Interaction, p. 142	Fully disclosed
102-55	GRI content index	Section: Sustainability – GRI Index, p. 124	Fully disclosed
102-56	External assurance (audit)	Section: About This Report, p. 04 Section: Sustainability – Introduction, p. 69	Fully disclosed

GRI standard		Report section/commentary	Disclosure
Management approach			
103-1	Explanation of the material topic and its boundary	Section: Sustainability, p. 70	Fully disclosed
103-2	The management approach and its components	Section: Stakeholder Engagement, p. 73 Section: Environment, p. 83 Section: Employees, p. 87 Section: Social Responsibility, p. 95 Section: Business Conduct, p. 107	Fully disclosed
PROCUREMENT PRACTICES			
204-1	Percentage of local suppliers	Section: Business Conduct – Responsible Supply Chain, p. 112	Fully disclosed
ANTI-CORRUPTION			
205-1	Operations assessed for risks related to corruption	Section: Business Conduct – Anti-corruption Policy, p. 110	Partially disclosed
205-2	Communication and training about anti-corruption policies and procedures	Section: Business Conduct – Anti-corruption Policy, p. 110	Fully disclosed
205-3	Confirmed incidents of corruption and actions taken	Section: Business Conduct – Anti-corruption Policy, p. 110	Fully disclosed

GRI standard		Report section/commentary	Disclosure
ENVIRONMENTAL TOPICS			
301-1	Materials used by weight or volume	Section: Environment, p. 83	Fully disclosed
302-1	Energy consumption within the organisation	Section: Environment, p. 83	Partially disclosed
303-1	Interactions with water as a shared resource	Section: Environment, p. 83	Partially disclosed
303-3	Water withdrawal	Section: Environment, p. 83	Partially disclosed
303-4	Water discharge	Section: Environment, p. 83	Partially disclosed
305-7	Emissions	Section: Environment, p. 83	Partially disclosed
306-2	Management of significant waste-related impacts	Section: Environment, p. 83	Partially disclosed
306-3	Waste generated	Section: Environment, p. 83	Fully disclosed
306-4	Waste diverted from disposal	Section: Environment, p. 83	Partially disclosed
SOCIAL TOPICS			
EMPLOYMENT			
401-1	New employee hires and employee turnover	Section: Employees, p. 87	Fully disclosed
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Section: Employees, p. 87	Fully disclosed
401-3	Parental leave	Section: Employees, p. 87	Partially disclosed

GRI standard		Report section/commentary	Disclosure
LABOUR–MANAGEMENT RELATIONS			
402-1	Minimum notice periods regarding operational changes	Section: Employees, p. 87	Fully disclosed
OCCUPATIONAL HEALTH AND SAFETY			
403-1	Occupational health and safety management system	Section: Occupational Health and Safety, p. 77	Fully disclosed
403-2	Hazard identification, risk assessment and incident investigation	Section: Occupational Health and Safety, p. 77	Fully disclosed
403-4	Worker participation, consultation and communication on occupational health and safety	Section: Occupational Health and Safety, p. 77	Partially disclosed
403-5	Worker training on occupational health and safety	Section: Occupational Health and Safety, p. 77	Fully disclosed
403-8	Workers covered by an occupational health and safety management system	Section: Occupational Health and Safety, p. 77	Fully disclosed
403-9	Work-related injuries	Section: Occupational Health and Safety, p. 77	Partially disclosed
TRAINING AND EDUCATION			
404-1	Average hours of training per year per employee	Section: Employees, p. 87	Partially disclosed
404-2	Programmes for upgrading employees' skills and transition assistance programmes	Section: Employees, p. 87	Partially disclosed
DIVERSITY AND EQUAL OPPORTUNITIES			
405-1	Diversity of governance bodies and employees	Section: Employees, p. 87	Fully disclosed

GRI standard		Report section/commentary	Disclosure
NON-DISCRIMINATION			
406-1	Incidents of discrimination and corrective actions taken	Section: Business Conduct – Anti-discrimination Policy, p. 109	Fully disclosed
CHILD LABOUR			
408-1	Operations and suppliers at significant risk of incidents of child labour	Section: Business Conduct – Respect for Human Rights, p. 107	Fully disclosed
FORCED OR COMPULSORY LABOUR			
409-1	Operations and suppliers at significant risk of incidents of forced or compulsory labor	Section: Business Conduct – Respect for Human Rights, p. 107	Partially disclosed
HUMAN RIGHTS			
412-1	Operations that have been subject to human rights reviews or impact assessments	Section: Business Conduct – Respect for Human Rights, p. 107	Fully disclosed
LOCAL COMMUNITIES			
413-1	Operations with local community engagement, impact assessments and development programmes	Section: Social Responsibility, p. 95	Fully disclosed

SASB Standards

In addition to GRI Standards, the Company has diclosed information in this Report in line with the individual SASB standards listed below.

SASB Standard		Report section/commentary
HOME BUILDERS		
LAND USE & ECOLOGICAL IMPACTS		
IF-HB-160a.1.	Redevelopment sites	Section: Project Portfolio, p. 35
IF-HB-160a.4.	Integration of environmental considerations into site selection, site design, and site development and construction	Section: Environment, p. 83
WORKFORCE HEALTH AND SAFETY		
IF-HB-320a.1.	Total recordable incident rate (TRIR)	Section: Occupational Health and Safety, p. 77
DESIGN FOR RESOURCE EFFICIENCY		
IF-HB-410a.3	Number of homes delivered certified to a third-party multi-attribute green building standard	Section: Environment, p. 83
COMMUNITY IMPACTS OF NEW DEVELOPMENTS		
IF-HB-410b.2.	Development on infill sites	Section: Project Portfolio, p. 35
IF-HB-410b.3.	Compact developments (cluster development, mixed-use development and/or traditional neighbourhood development)	Section: Project Portfolio, p. 35

SASB Standard		Report section/commentary
REAL ESTATE		
ENERGY MANAGEMENT		
IF-RE-130a.2	Total energy consumed	Section: Environment, p. 83
IF-RE-130a.4	Portfolio energy rating	Section: Environment, p. 83
WATER MANAGEMENT		
IF-RE-140a.1	Water withdrawal data coverage as a percentage of total floor area	Total water withdrawal – Section: Environment, p. 83 0.15 CBM/sqm of unsold NSA in 2021 vs 0.45 CBM/sqm of unsold NSA in 2020
IF-RE-140a.2	Total water withdrawn	Section: Environment, p. 83
MANAGEMENT OF TENANT SUSTAINABILITY IMPACTS		
IF-RE-410a.2	Metered grid electricity consumption and water withdrawals	Section: Environment, p. 83

Corporate governance

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140 .... BOARD COMMITTEES

Corporate governance

Etalon Group prioritises ethical business practices in relations with shareholders, investors, authorities, business partners and employees. The Company is guided by established principles of sustainability and corporate social responsibility. Etalon Group has a Code of Ethics that formulates and consolidates basic principles of collective and individual behaviour that Etalon Group and its employees have to comply with in their daily work and when implementing projects in any of the areas in which Etalon Group operates.

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.

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

01

equal treatment of all shareholders and strict protection of their legitimate interests and rights

02

timely disclosure of reliable and accurate information about the Company's activities

03

efficient and reliable maintenance of records of ownership rights

04

open dialogue with all stakeholders and respect for their rights and legitimate interests

05

accountability of the Board of Directors to shareholders, and accountability of executive bodies to the General Meeting of Shareholders and the Board of Directors

General Meeting of Shareholders

The General Meetings of Shareholders met twice in 2021. An Extraordinary General Meeting of Shareholders held on 22 March 2021 decided to increase the Company's share capital from GBP 34,747.899 to GBP 39,172.2686 by issuing 88,487,391 new ordinary shares with a par value of GBP 0.00005 each. Some 77.91% of shareholders attended.

The Annual General Meeting of Shareholders was held on 1 December 2021, with the owners of 73.96% of voting shares taking part. The AGM considered and adopted the following decisions by the required majority of votes:

1

To consider and approve the Company's consolidated financial statements and Etalon Group PLC's individual financial statements for the 12 months ended 31 December 2020, together with the reports of directors and the report of the auditor on the above-mentioned statements, and to ratify the steps taken by the Secretary to present the financial statements to the Registrar of Companies of the Republic of Cyprus.

2

To approve the payment of the final dividend for 2020 in the amount of RUB 9.39 per share from the Company's allocated earnings in accordance with the recommendation of the Board of Directors. Dividends must be paid out on 16 December 2021 to shareholders registered as of 10 December 2021. The payout will be made in US dollars at the exchange rate of the Bank of Russia as of three working days before the date of payment.

3

To appoint Deloitte Limited as auditor of the Company to perform its duties from the conclusion of this meeting until the next Annual General Meeting of Shareholders at which the Company's accounts will be presented.

4

To authorise the directors to fix the auditor's remuneration.

Information on the composition of shareholders is disclosed on the Company's website and available at https://www.etalongroup.com/investor-relations/share-information/ownership-structure/

Board of Directors

11 MEMBERS

were on the Board of Directors as of 31 December 2021, including two executive directors and nine non-executive directors, six of whom were independent.

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 culture of performance management.

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 includes 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 order to judge the performance of the Board of Directors and its committees, the compliance of their work with the Group's development needs and to identify areas in which the work of the Board of Directors and Board committees can be improved, the Board of Directors conducts an annual self-assessment concerning its performance and that of its committees.

In 2021, the composition of the Board of Directors underwent several changes, adding Gennadiy Shcherbina, Etalon Group's Chief Executive Officer, and Alexander Voloshin, an independent non-executive director.

Corporate governance structure

As of 31 December 2021, the Board and its committees were structured as follows:

Shareholders

Board of Directors

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

AUDIT COMMITTEE

- Martin Cocker, Chairman[1]
- Boris Svetlichny
- Ganna Khomenko

REMUNERATION AND NOMINATION COMMITTEE

- Sergey Egorov, Chairman
- Oleg Mubarakshin
- Ganna Khomenko
- Martin Cocker[1]
- Charalampos Avgousti

STRATEGY COMMITTEE

- Maxim Berlovich, Chairman
- Oleg Mubarakshin
- Sergey Egorov
- Gennadiy Shcherbina
- Artyom Zasursky
- Marina Ogloblina
- Dennis Vinokourov

INVESTOR RELATIONS AND INFORMATION DISCLOSURE COMMITTEE

- Petr Kryuchkov, Chairman
- Dennis Vinokourov
- Boris Svetlichny

EXECUTIVE MANAGEMENT

After the reporting date, in April 2022, the Board of Directors appointed Vitaly Pyltsov as a new independent director and Chairman of the Audit Committee.

[1] As of 11 March 2022, after the reporting period, Martin Cocker resigned from the Board and its committees.

Board of Directors[1] 1/2

SERGEY EGOROV

Chairman of the Board of Directors, 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.

GENNADIY SHCHERBINA

Chief Executive Officer of Etalon Group

Gennadiy Shcherbina was born in 1955. Having started his career in 2003, he has over 18 years of experience in the construction industry. He has been the Head of Etalon Group's St Petersburg Operations since 2007. Gennadiy has a candidate of sciences degree in economics, and he graduated from the Marshal A. A. Grechko Naval Academy and St Petersburg State University of Architecture and Civil Engineering.

MAXIM BERLOVICH

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, and he has been a member of the Management Board and Vice President for the Moscow Region since 2021.

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. From 2013 to 2022, he worked at Sistema as Senior Vice President and Head of the Legal Function. Prior to 2013, 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.

DENNIS VINOKOUROV

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.

ALEXANDER VOLOSHIN

Independent Non-executive Director

Alexander Voloshin was born in 1956. He graduated from the Moscow Institute of Transport Engineers in 1978 and then from the All-Union Academy of Foreign Trade. He has over 30 years of experience in economics, investment and asset management. He has spearheaded a number of investment funds and brokerage companies; in 1997–1998, he was a member of the Exchange Council of Moscow Exchange. He later held senior positions in the Russian Presidential Administration: aide (1997–1998), Deputy Chief of Staff to the Russian President (1998–1999) and Chief of Staff to the Russian President (1999–2003). Alexander has served as the Chairman of the Board of Directors of RAO UES, Norilsk Nickel, Uralkali and Freight One. He is currently a partner and co-owner of the venture capital fund Genome Ventures.

[1] As of 5 April 2022.

Board of Directors[1] 2/2

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 more than 31 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 Etalon Group's CFO.

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. She was later appointed Minister and Head of the Department of Economic Policy and Development, and she also headed the city's Office of the Comptroller-General.

Marina began her career at the State Bank of the USSR before being appointed as 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.

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).

He previously 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 2016 he was a board member of Periferiaki Cooperative Credit Society Nicosia Limited.

VITALY PYLTSOV

Independent Non-executive Director

Vitaly Pyltsov has 30 years of experience in finance, audit and management, including strategy development at Russian and international companies. For more than 20 years, Vitaly worked at the Russian and international offices of Ernst & Young in a number of positions including COO for the CIS region and Audit Partner. From 2013 to 2015, he was COO of the Russian Direct Investment Fund (RDIF) and Co-COO of the Russia-China Investment Fund, established by the RDIF and China Investment Corporation. Vitaly is an independent director and head of the Audit Committee at PJSC Renaissance Insurance Group.

Vitaly graduated with distinction from the Moscow Institute of Finance (now the Financial University Under the Government of the Russian Federation) in international economic relations, including study at Humboldt University in Berlin.

[1] As of 5 April 2022.

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	39	Chairman of the Board of Directors, Non-executive Director	2019
Gennadiy Shcherbina	67	Chief Executive Officer	2021
Oleg Mubarakshin	54	Non-executive Director	2019
Maxim Berlovich	35	Executive Director	2018
Marina Ogloblina	65	Independent Non-executive Director	2019
Ganna Khomenko	44	Independent Non-executive Director	2019
Martin Cocker[1]	63	Independent Non-executive Director	2010
Boris Svetlichny	61	Independent Non-executive Director	2013
Dennis Vinokourov	53	Non-executive Director	2018
Charalampos Avgousti	40	Independent Non-executive Director	2016
Alexander Voloshin	66	Independent Non-executive Director	2021

Board attendance during the year

Name	Attendance at in-person Board meetings (a total of 8 meetings in 2021)	Attendance at Board meetings in absentia (written resolutions) (a total of 18 meetings in 2021)
Sergey Egorov	8	18
Gennadiy Shcherbina (from 30 April 2021)	5	13
Oleg Mubarakshin	7	18
Maxim Berlovich	8	18
Marina Ogloblina	8	18
Ganna Khomenko	8	18
Martin Cocker[1]	8	18
Boris Svetlichny	8	18
Dennis Vinokourov	8	18
Charalampos Avgousti	8	18
Alexander Voloshin (from 30 April 2021)	4	13

In 2021, the Board of Directors held 8 in-person meetings and an additional 18 meetings in absentia. While travelling was restricted due to the COVID-19 pandemic, several Board meetings were held online.

8

in-person meetings held in 2021

18

meetings in absentia held in 2021

[1] As of 11 March 2022, after the reporting period, Martin Cocker resigned from the Board and its committees. In April 2022, the Board of Directors appointed Vitaly Pyltsov (age 54) as a new independent director and Chairman of the Audit Committee.

MATTERS SPECIFICALLY RESERVED FOR THE BOARD

- 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, 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 other key senior management posts
- review, following a recommendation from the Audit Committee, of the effectiveness of the internal control and risk management systems
- approval of the Company's corporate governance policies and procedures

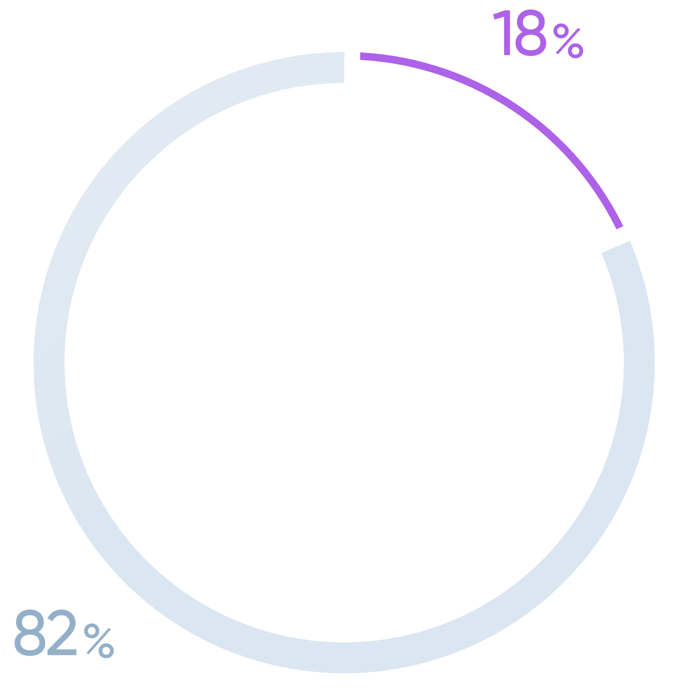
BOARD FOCUS DURING THE YEAR

In 2021, the Board of Directors addressed a wide variety of issues, including but not limited to:

- business strategy;
- budgets and long-term plans for the Company;
- the Company's dividend policy and sustainability policy;
- 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 Board committee reports;
- shareholder feedback and reports from brokers and analysts;
- risk management and risk oversight; and
- COVID-19 mitigation measures.

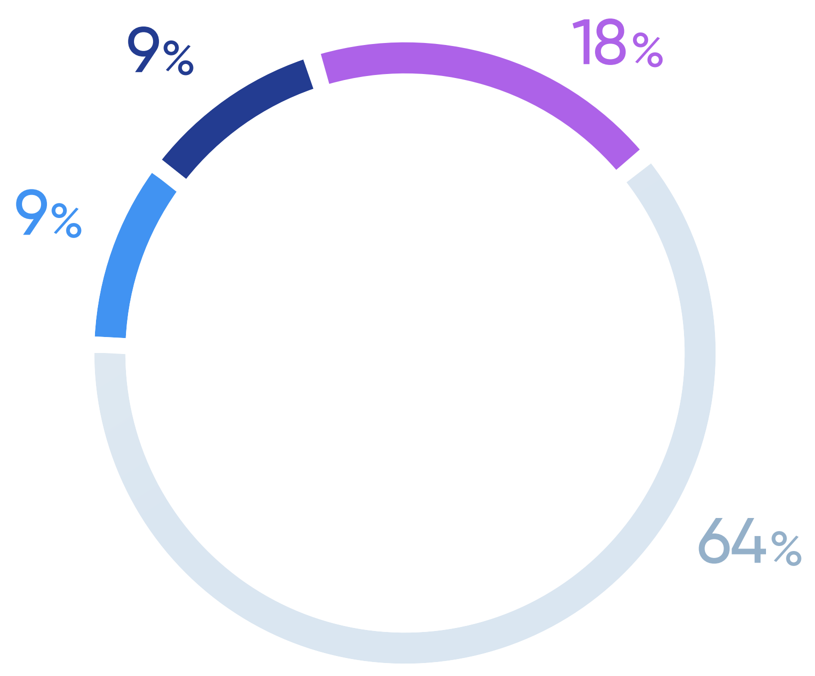
BOARD COMPOSITION

Board gender diversity,[1] %



Men Women

Board nationality,[1] %



Russia Cyprus UK USA

[1] As of 31 December 2021.

REMUNERATION

The principles, grounds, conditions and procedure for payment of remuneration to members of the Board of Directors are set out in the Policy on Remuneration and Compensation Payable to Members of the Board of Directors, approved by the Board of Directors on 17 July 2020. According to this policy, remuneration for participation in the work of the Board of Directors is paid only to independent directors and consists of the following elements (all amounts are before tax):

1. Basic remuneration for participation in the work of the Board of Directors: **EUR 56,190**
2. Additional remuneration for participation in the work of one of the Board committees: **EUR 9,365**
3. Additional remuneration for chairing one of the Board committees: **EUR 18,730**
4. Reimbursement of expenses

Remuneration is paid in cash on a quarterly basis, in equal instalments at the end of the relevant quarter but not later than 10 working days after the end of the quarter.

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 2021, the members of the Audit Committee were as follows:

Martin Cocker[1]
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.

[1] As of 11 March 2022, after the reporting period, Martin Cocker resigned from the Board and its committees. In April 2022, the Board of Directors appointed Vitaly Pyltsov as a new independent director and Chairman of the Audit Committee.

The Audit Committee held a number of meetings in 2021, where the key matters for consideration were the following:

- 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 control 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 of the amendments undertaken.

While only members of the Audit Committee are entitled to attend meetings, the lead partner of the external auditor, 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 2021, the members of the Remuneration and Nomination Committee were as follows:

Sergey Egorov
COMMITTEE CHAIRMAN, CHAIRMAN OF THE BOARD OF DIRECTORS, NON-EXECUTIVE DIRECTOR

Oleg Mubarakshin
NON-EXECUTIVE DIRECTOR

Ganna Khomenko
INDEPENDENT NON-EXECUTIVE DIRECTOR

Martin Cocker[1]
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 2021, where it considered changes in the membership of the Board of Directors and its committees.

Strategy Committee

As of 31 December 2021, and as of the date of publication of this report, 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
NON-EXECUTIVE DIRECTOR

Marina Ogloblina
INDEPENDENT NON-EXECUTIVE DIRECTOR

Artyom Zasursky
PJSFC SISTEMA, VICE PRESIDENT FOR 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 2021, 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

As of 31 December 2021 and as of the date of publication of this report, the members of the Investor Relations and Information Disclosure Committee were as follows:

Peter Kryuchkov
MEMBER OF THE MANAGEMENT BOARD AND DEPUTY CEO FOR CORPORATE INVESTMENTS AND STRATEGY AT ETALON GROUP

Dennis Vinokourov
NON-EXECUTIVE DIRECTOR

Boris Svetlichny
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 2021, 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, whose key responsibilities are:

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.

[1] As of 11 March 2022, after the reporting period, Martin Cocker resigned from the Board and its committees.

Shareholder interactions

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Shareholder interactions

As a publicly traded company, Etalon Group has enjoyed successful relations with capital markets for over 10 years.

Etalon Group's global depositary receipts (GDRs) have been traded on the London Stock Exchange since April 2011. To expand its investor base, the Company successfully completed the listing process for its GDRs in 2020. Etalon Group securities are included in Moscow Exchange's Level 1 quotation list, and they have been included in the calculation base for Moscow Exchange's Broad Market Index since March 2020.

LSE

AS OF 4 FEBRUARY 2022

Code	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

429.5 MLN USD
Market capitalisation

83.2 MLN USD
Trading volume for 2021

GDR PRICE

1.12 USD
closing price

1.83 USD
52-week maximum price

1.06 USD
52-week minimum price

MOEX

AS OF 4 FEBRUARY 2022

Code	ETLN: ME
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

32.97 BLN RUB
Market capitalisation

10.75 BLN RUB
Trading volume for 2021

GDR PRICE

86.0 RUB
closing price

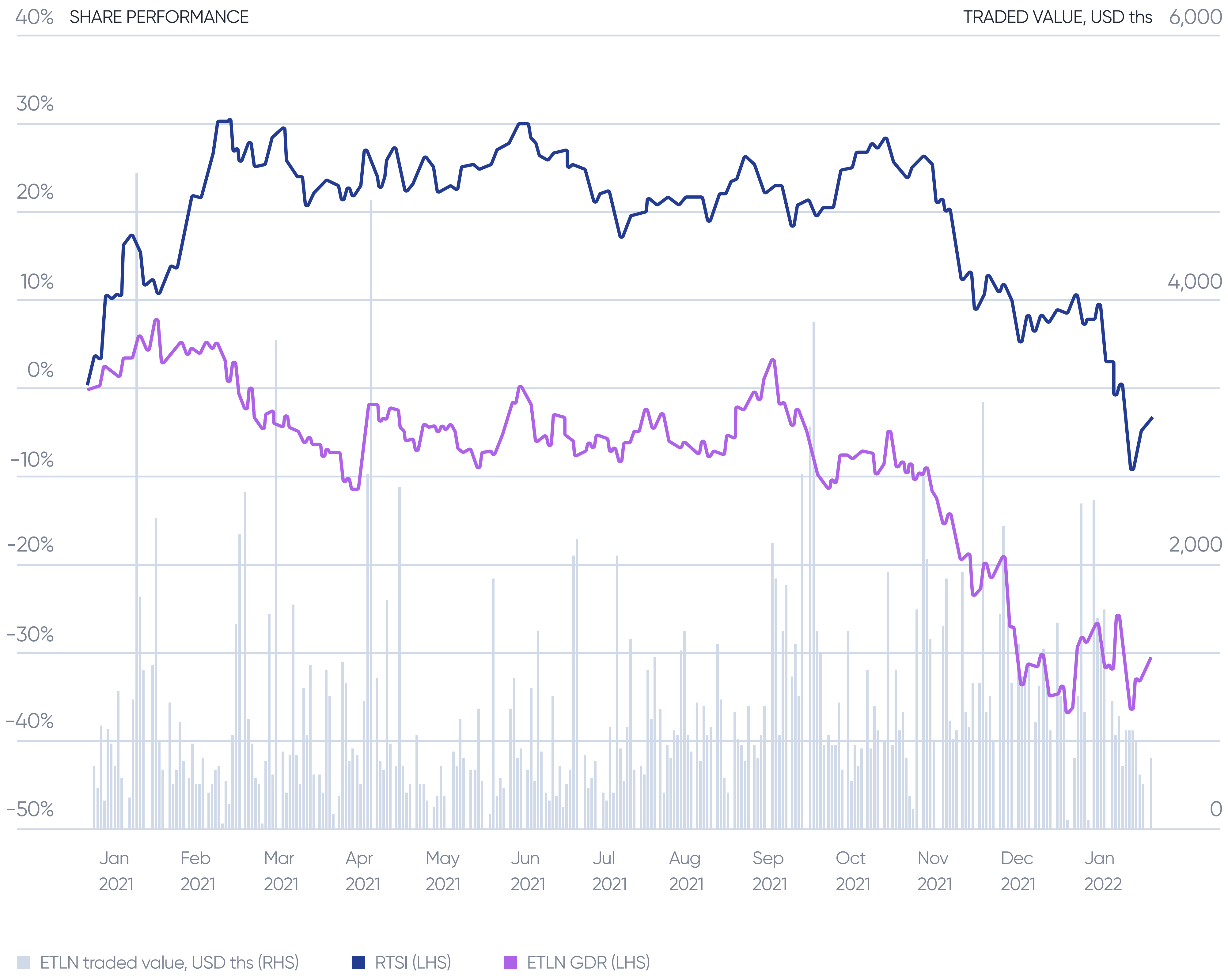
136.76 RUB
52-week maximum price

80.06 RUB
52-week minimum price

Share value and shareholder returns

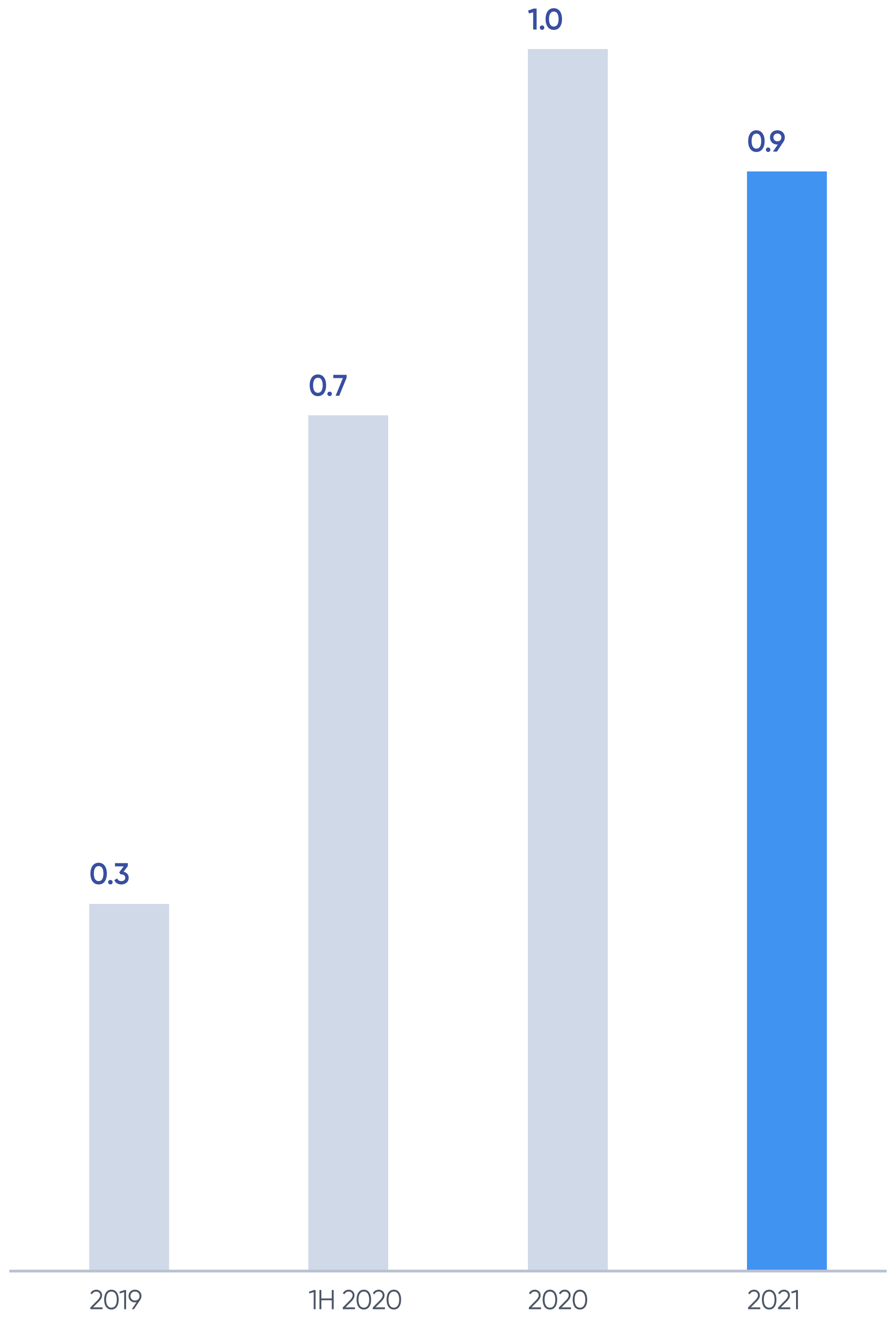
Etalon Group GDR performance in 2021

A number of external and internal factors had an impact on the performance of the Etalon Group's GDRs in 2021, including the tightening of monetary policy and changes to the terms for state-backed mortgage programmes, market cooling, as well as changes to the Company's dividend policy and a reduction in its property supply.

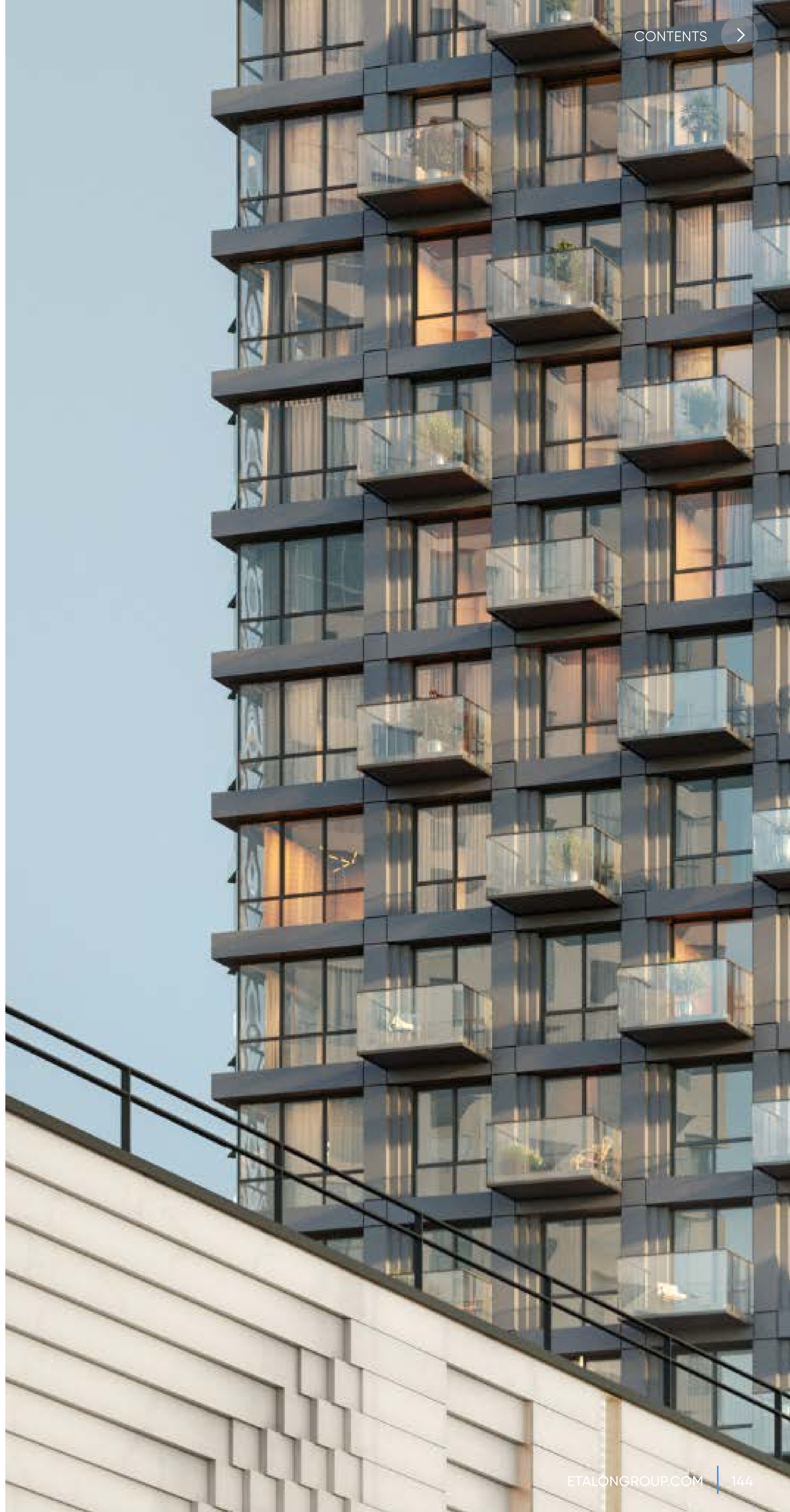


Average daily trading value, mln USD[1]

In 2020, following the Company's listing on Moscow Exchange, the ADTV for Etalon Group's GDRs increased from USD 300 thousand to USD 990 thousand. In 2021, the liquidity of the Company's GDRs remained at the level of the previous year.



[1] Source: Bloomberg.



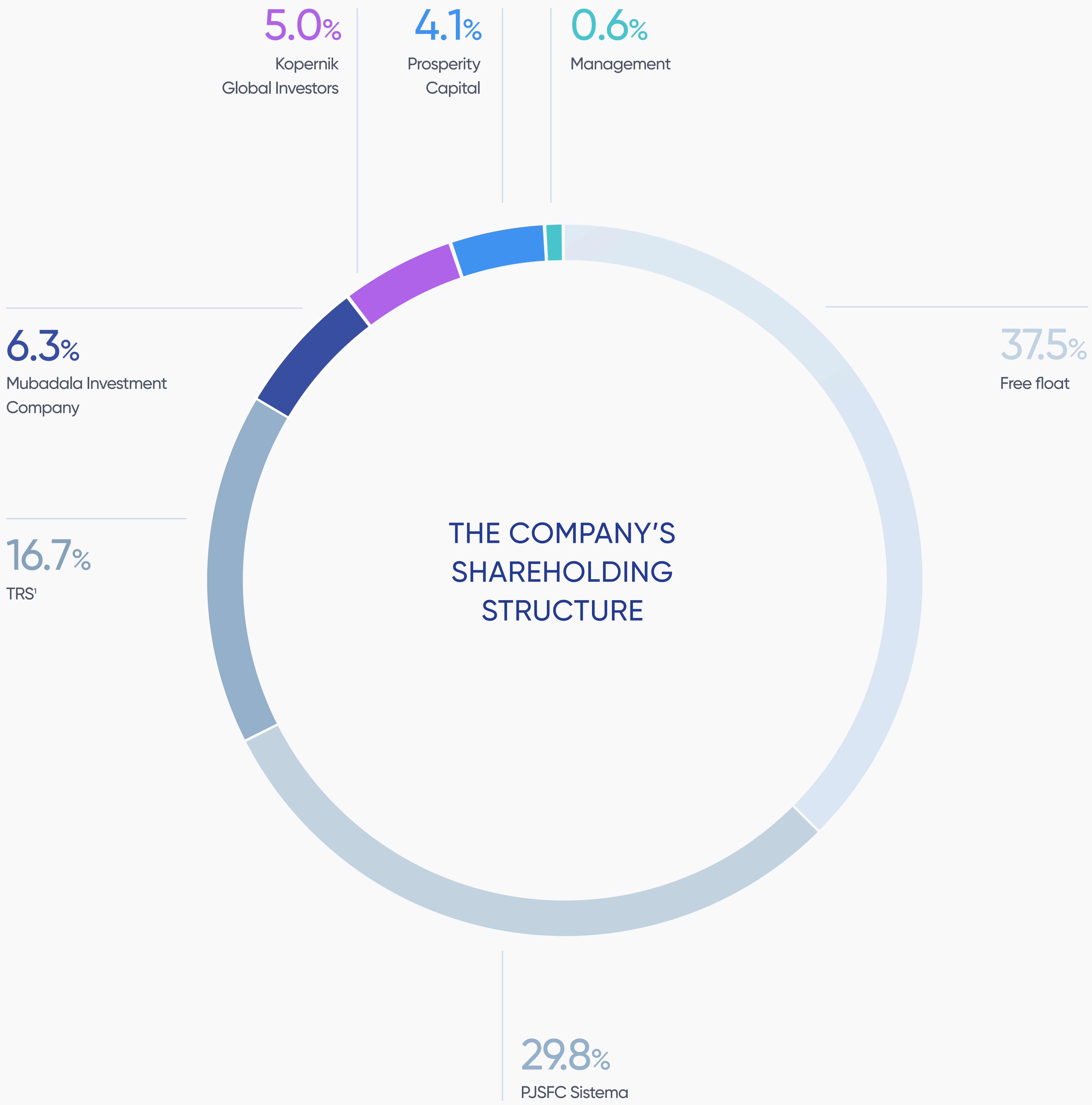
Ownership structure

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.

In March 2021, Etalon Group's General Meeting of Shareholders approved an increase in the Company's share capital through an additional issue of 88,487,391 ordinary shares with a par value of GBP 0.00005 each, which accounted for 30% of the Company's total number of issued ordinary shares. In May 2021, the new ordinary shares were offered to current shareholders in proportion to their existing holdings in Etalon Group's share capital. As a result, eligible GDR holders purchased a total of 23,339,732 newly issued ordinary shares and 281,975 GDRs. Investors purchased 64,865,684 GDRs once the remaining shares were subsequently made available to the market. The total proceeds from the placement exceeded USD 150 million.

Thus, as of the end of 2021, Etalon Group had 383,445,362 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 at the end of 2021 was 37,5%. At the moment, PJSFC Sistema remains the Company's majority shareholder. In May 2021, Mubadala Investment Company purchased a stake in the Company with the acquisition of 24.1 million Etalon Group GDRs. Mubadala, a sovereign investor, makes long-term investments in the Russian economy. The company manages an asset portfolio worth approximately USD 243 billion, including some USD 6 billion invested in Russia and the CIS countries.



[1] Non-deliverable swap agreement between Alfa Bank and Sistema with respect to Etalon Group GDRs.

Dividend policy

Our business's core principle is to create value for shareholders and investors, including through the distribution of dividends. Since 2013, Etalon Group has been purposefully raising the target level for dividend payments from 15%–30% to 40%–70% of net profit under IFRS, as approved in May 2017.

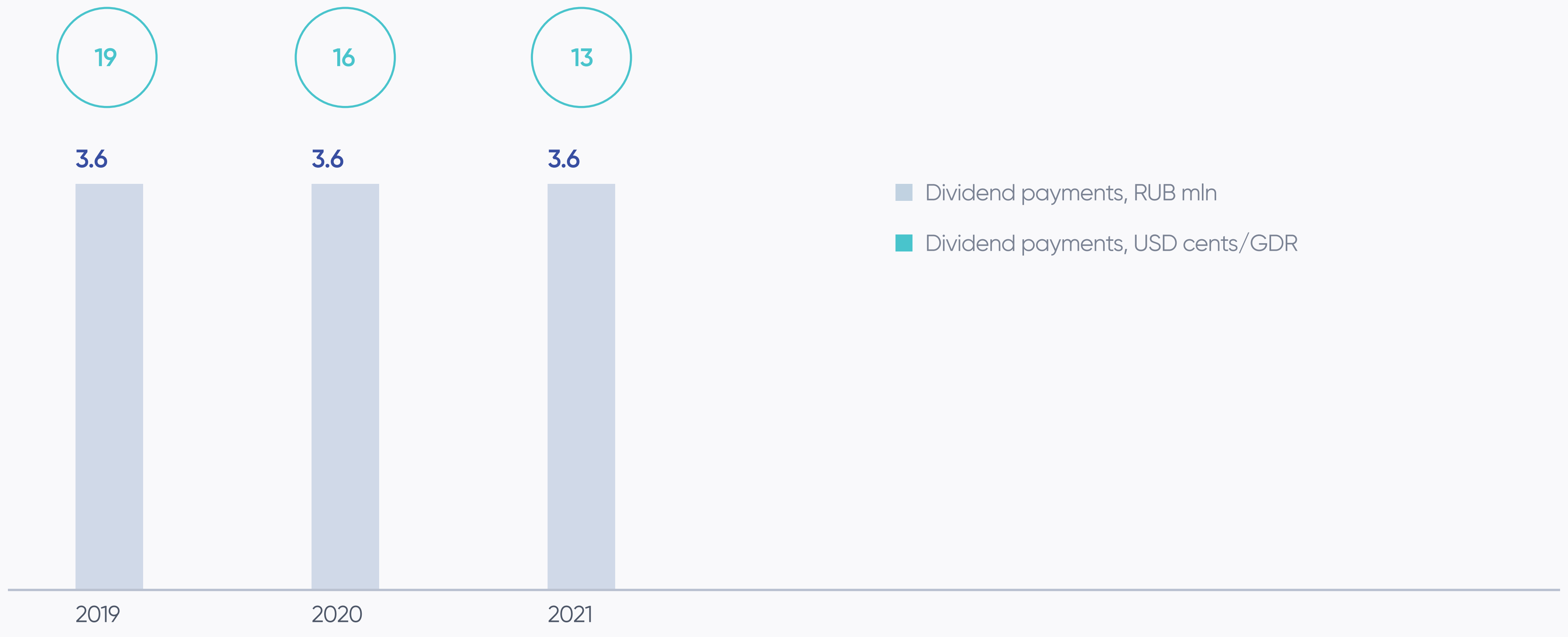
In January 2020, Etalon Group established a minimum annual payment as a temporary measure aimed at reducing the negative impact on shareholders of reduced profitability and of the specifics of accounting for the acquisition of Leader-Invest in 2019. Despite concerns, however, Etalon Group had entered a new stage of development by 2021: the Company demonstrated record profitability among publicly traded Russian developers in 1H 2021 and expanded its land bank by almost 2 mln sqm.

The prospects of further serious expansion of the Company's portfolio in St Petersburg, Moscow and new regions as well as the start of development of a standardised product and the launch of projects aimed at developing new construction technologies have established a foundation for the long-term growth of Etalon Group's business. Moreover, the implementation of the Company's new strategy has created opportunities to increase profit severalfold in the coming years. In this regard, the Board of Directors decided in 2021 to return to calculating dividends as a percentage of net profit in order to ensure a proportional increase in dividend payments as the business grows. To make dividend payments more predictable, the basis for distribution was adjusted and is now based on pre-PPA net profit; in addition, the dates for recommending and paying out dividends have been fixed.

Dividend range of net profit

NOVEMBER 2013	15% — 30%
MAY 2016	30% — 50%
MAY 2017	40% — 70%
JANUARY 2020	40% — 70% + min. dividend to ensure attractive dividend levels during the transition period
SEPTEMBER 2021 dividend range of pre-PPA net profit	40% — 70% + dividend recommendation: by 31 May following the reporting period + dividend payment: by 31 December following the reporting period

Dividend payments



Shareholder relations

In the reporting year, we continued to develop our shareholder relations practices.

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

In line with best practices for investor relations and disclosure of additional information, the Company also published the following:

- News about important stages of project implementation, including acquisitions, 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

Work with institutional investors

Throughout 2021, Etalon Group's management and IR team used every available opportunity to maintain contact with the investment community: they communicated with investors by means of correspondence and online conferences, and they also held more than 90 calls with investors and analysts.

In order to improve IR and corporate practices, Etalon Group together with BNY Mellon's Global Investor Relations Advisory team and the market data provider IHS Markit conducted, for the second year in a row, a study to assess the wider investment community's perception of the Company's strategy, management team, communication policy and initiatives aimed at improving the Company's investment case. The previous investor perception study was carried out in 2H 2021. In response to the study's findings, Etalon Group has been making changes to its strategy and IR programme in addition to identifying areas for improvement.

The following changes were made in 2021 and early 2022:

Expansion of the Investor Relations and Disclosure Committee

As part of efforts to further improve the Company's investor relations practices, the Board of Directors decided to add the independent director Boris Svetlichny to the Investor Relations and Information Disclosure Committee. Since its enlargement, the Committee is now made up of the following directors:

Petr Kryuchkov
Committee Chairman, Deputy CEO for Corporate Investments and Strategy

Dennis Vinokourov
Non-executive director

Boris Svetlichny
Independent non-executive director

Improvement of ESG practices

At the suggestion of the Investor Relations and Disclosure Committee, the Board of Directors added ESG issues to the Committee's remit. The expansion of the Committee's remit will help improve and systematise the Company's ESG practices, promote a responsible approach to social and environmental issues and improve the quality of corporate governance.

Disclosure improvements

In response to feedback from the investment community, the Company changed its approach to the disclosure of its financial and operating results. Etalon Group now conducts bilingual conference calls regarding its quarterly results in which participants are able to select their preferred language. The first conference call in this new format, concerning the results for FY 2021, was held in January 2022.

New corporate policies

In 2021, the Board of Directors approved the Regulation on Insider Information and a new version of Etalon Group's Stock Trading Code that takes into account the rules outlined in the Regulation on Insider Information.

In addition, the Company approved the Etalon Group PLC ESG Policy, which specifies Etalon Group's principles, priorities and main focal points in terms of sustainability as well as the Company's goals and further steps to improve ESG practices, including in terms of non-financial reporting.

The above-mentioned policies are available in the Corporate Governance section of the Company's website

Shareholder relations

Work with retail investors

In view of the increase in retail investments in stock markets, Etalon Group – in addition to its relations with institutional investors – pays a great deal of attention to its work with private investors.

Russian-language website

The Company supports the operation of two versions – English and Russian – of its IR website in order to provide equal, fast and convenient access to information for all groups of investors.

Dealing with requests

We deal with requests from private investors through official communication channels: the feedback form on the Company's website and the Company's IR email address.

Communication with retail investors through social networks

Etalon Group publishes important information through social networks. Since 2018, the Company has maintained its own Twitter account to inform a wide range of investors about important events and changes within the Company.

In 2022, the Company launched its account on Tinkoff Pulse, a social platform for investors.

The Company is also considering expanding its communication with retail investors on other popular platforms.

Participation in events for retail investors

In 2021, the Company took part in two conferences for private investors from VTB's Investor School. In early 2022, the Company took part in a conference hosted by Aton and plans to expand its participation in retail events in the future.

Analyst coverage

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 2021, despite the departure of Andrey Pavlov-Rusinov from Goldman Sachs and the temporary suspension of the Company's coverage, the total number of analysts covering the Company increased thanks to the launch of coverage by analysts from Sber CIB and Sinara. Currently, the following brokerages prepare reports and analytical notes on Etalon Group's operations: J.P. Morgan, VTB Capital, Renaissance Capital, BCS, Sberbank CIB, Gazprombank, Aton, Sova Capital, Wood & Co and Sinara.

Analyst coverage and recommendations[1]

Bank	Analyst	Report date	Recommendation
J.P. Morgan	Alexey Philippov	24 January 2022	Hold
VTB Capital	Maria Kolbina	7 February 2022	Buy
BCS	Elena Tsareva	2 February 2022	Buy
Sberbank CIB	Georgy Ivanin	19 October 2021	Buy
Renaissance Capital	Artem Yamschikov	21 July 2021	Buy
Gazprombank	Marat Ibragimov	15 October 2020	Buy
Aton	Mikhail Ganelin	20 January 2021	Buy
Sova Capital	Leonid Sinyutin	16 July 2020	Buy
Wood & Co	Jakub Caithaml	10 September 2020	Buy
Sinara	Anastasia Egazaryan	16 August 2021	Buy

2.29 USD

Average target price

93 %

Growth potential[2]

[1] As of 10 February 2022.

[2] The growth potential of the Company's GDRs is calculated relative to the price at the close of trading on 1 February 2022: USD 1.19 per GDR.

Investor calendar

The calendar indicates preliminary dates.
Exact dates may vary, and conferences may be cancelled.

APRIL 2022

PUBLICATION

1Q 2022 Operating Results

MAY–JUNE 2022

CONFERENCE

Annual Sberbank CIB Conference

JUNE 2022

CONFERENCE

Annual Renaissance Capital Conference

JULY 2022

PUBLICATION

1H 2022 Operating Results

SEPTEMBER 2022

PUBLICATION

1H 2022 Financial Results

OCTOBER 2022

PUBLICATION

9M 2022 Operating Results

OCTOBER–NOVEMBER 2022

PUBLICATION

MOEX Conference

NOVEMBER 2022

ROADSHOW

Planned offline/Virtual NDR

NOVEMBER 2022

CONFERENCE

Goldman Sachs 14th CEEMEA Conference

Contact information

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Financial Statements

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Consolidated financial statements

For the year ended 31 December 2021

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Board of directors and other officers

Board of Directors

Gennadii Shcherbina	appointed on 30 April 2021
Alexander Voloshin	appointed on 30 April 2021
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 and resigned on 4 March 2022
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
Vitaly Pyltsov	appointed on 4 April 2022

SECRETARY

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Cyprus

INDEPENDENT AUDITORS

Deloitte Limited
Certified Public Accountants
and Registered Auditors
24 Spyrou Kyprianou Avenue
1075, Nicosia
Cyprus

Consolidated management report

The Board of Directors of Etalon Group PLC (the "Company") presents 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 2021. 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.

The results of the Group for the year ended 31 December 2021 are set out on page 19 of the consolidated financial statements.

(a) Revenue

The Group's total revenue for the year ended 31 December 2021 amounted to RUB 87,138 million compared to RUB 78,655 million for the year ended 31 December 2020, an increase of RUB 8,483 million or 11%.

Revenue of the reportable segment "Residential development" increased by RUB 4,793 million or 7%, due to an increase in the revenues recognised from the sales of flats by RUB 5,269 million or 9%, an increase in the revenues recognised from the sales of parking places by RUB 395 million or 10%, and a decrease in the revenues recognised from the sale of built-in commercial premises by RUB 871 million or 18%.

External revenues of the reportable segment "Construction services" decreased by RUB 736 million or 23% mainly due to completion of long-term construction contracts entered into in previous periods and not entering into new ones, aiming to reduce the Group's presence in the segment.

External revenues of the reportable segment "Other" increased by RUB 4,426 million or 88% due to an increase in other revenue transferred at a point in time by RUB 2,184 million, an increase in the sales of construction materials by RUB 983 million or 40%, an increase in the sale of stand-alone commercial premises transferred over time by RUB 586 million or 480%, an increase in sale of stand-alone commercial premises transferred at a point in time by RUB 359 million or 100% and an increase in other revenue related to servicing of premises by RUB 396 million or 22%, partially offset by a decrease in rental revenue by RUB 82 million or 12%.

(b) Gross profit

Gross profit for the year ended 31 December 2021 amounted to RUB 27,782 million compared to RUB 21,915 million for the year ended 31 December 2020, an increase of RUB 5,867 million or 27%, which was mainly driven by the increase in gross profit of the reportable segment "Residential development" by RUB 4,562 million or 22% and an increase in gross profit of the reportable segment "Other" by RUB 1,616 million or 301%.

(c) Results from operating activities

Profit from operating activities during the year ended 31 December 2021 amounted to RUB 13,246 million compared to RUB 10,218 million for the year ended 31 December 2020, an increase of RUB 3,028 million or 30%.

During the year ended 31 December 2021, general and administrative expenses increased by RUB 549 million or 10%, selling expenses increased by RUB 79 million or 2%, other expenses, net increased by RUB 2,371 million or 151%, as compared to the year ended 31 December 2020.

(d) General and administrative expenses

The increase in general and administrative expenses was mainly caused by the increase in payroll and related taxes by RUB 350 million or 11%.

(e) Other expenses, net

During the year ended 31 December 2021, other expenses, net, increased by RUB 2,371 million or 151% mainly due to an increase in impairment loss on inventories by RUB 1,378 million or 204%, an increase in fees and penalties incurred by RUB 256 million or 382%, and an increase in cost of social infrastructure for completed projects by RUB 377 million or 212%.

(f) Net finance costs

Net finance costs for the year ended 31 December 2021 increased by RUB 1,885 million or 34% as compared to the year ended 31 December 2020.

Finance income increased by RUB 500 million or 25% mainly due to an increase in interest income on cash and cash equivalents and bank deposits by RUB 692 million or 63%, an increase in interest income — financing component under IFRS 15 by RUB 138 million or 92%, offset by a decrease in the amount credited to the income statement in respect of the unwinding of the discount on trade receivables of RUB 325 million or 51%.

Finance costs increased by RUB 2,385 million or 32% due to an increase in borrowing costs by RUB 1,154 million or 23% due to the transition from the scheme of customer financing to the bank project financing scheme, an increase in interest expense on leases by RUB 331 million or 198%, an increase in the amount debited to the income statement in respect of the unwinding of the discount on other payables by RUB 1,509 million or 165%, 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"), and net foreign exchange loss of RUB 297 million, offset by a decrease in financing component under IFRS 15 by RUB 1,027 million or 73%.

(g) Income tax expense

Income tax expense for the year ended 31 December 2021 amounted to RUB 2,842 million compared to an income tax expense of RUB 2,686 million for the year ended 31 December 2020.

(h) Profit for the year

The profit for the year ended 31 December 2021 amounted to RUB 3,007 million, compared to a profit of RUB 2,036 million for the year ended 31 December 2020.

(i) Adjusted net debt/adjusted EBITDA and net corporate debt/adjusted EBITDA ratios

As described in note 24 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 structure of the Group's adjusted net debt, being negative (specified assets exceed borrowings), is minus 2.18, well below the required ratio.

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, well below the market rates. As of 31 December 2021, the ratio amounted to 0.18 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 27 of the Consolidated Financial Statements.

FUTURE DEVELOPMENTS OF THE GROUP

Considering the effects of the events that took place subsequent to the reporting date and described in note 33 of the Consolidated Financial Statements, the Board of Directors acknowledges that the current geopolitical situation and the resulting economic developments in Russia may have an adverse impact on operations and financial results of the Group in the future. Still, the Group continues to adhere to its strategy, including regional expansion, and to sustain the scale of its operations, and overall will be able to continue its business for the foreseeable future.

ACTIVITIES RELATED TO RESEARCH AND DEVELOPMENT

The Group has not undertaken any material activities in the field of research and development during the year ended 31 December 2021.

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 2021. 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 27 of the consolidated financial statements.

DIVIDENDS

On 24 September 2021, the Board of Directors recommended a final dividend of RUB 9.39 per share for the financial year ended 31 December 2020. The final dividend for the total amount of RUB 3,601 million was approved by the Annual General Meeting of shareholders on 1 December 2021, and the dividends were paid on 16 December 2021. Up to the date of approval of these consolidated financial statements, no dividends have been recommended for distribution for the year ended 31 December 2021.

CHANGES IN THE COMPANY'S SHARE CAPITAL

On 28 March 2022, the General Meeting of the Shareholders of the Company approved the increase of the authorised share capital of the Company by the issue of 88,487,391 ordinary shares of nominal value of GBP 0.00005 each. On 14 May 2021, the Company announced an offering of rights to subscribe for newly issued Ordinary Shares to the existing holders of the Company's equity securities. Eligible holders of GDRs subscribed for 23,339,732 new ordinary shares and 281,975 new GDRs in total. A rump offering was also completed on 14 May 2021 in which a total of 64,865,684 GDRs was purchased by investors.

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 of Directors during 2021 and until the date these consolidated financial statements have been authorised for issue, 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 11 to these consolidated financial statements.

NONRECURRING OR UNUSUAL ACTIVITIES AND OTHER SIGNIFICANT EVENTS

(a) COVID-19 and the Ukrainian crisis

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, 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. During 2020, 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. During 2021, price limits for preferential mortgage program have been significantly reduced.

During the year 2021, 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.

Since the outbreak of the conflict in Ukraine on 24 February 2022, the US, UK, EU and other countries announced an extension of sanctions on certain Russian officials, businessmen and companies. These developments resulted in reduced access of Russian businesses to international capital, import and export markets, weakening of the Russian Ruble, and other negative economic consequences. This in turn led to an increase in the key interest rate set by the Central Bank of Russia to 20% p.a. (reduced to 17% starting from 11 April 2022).

The impact of these and further developments on future operations and financial position of the Group at this stage is difficult to determine.

Effective from 1 April 2022, the Government of the Russian Federation introduced special mortgage rates of 12% for newly constructed real estate and increased the price limit up to RUB 12 million per apartment in Moscow and St. Petersburg (RUB 6 million in other Russian cities). Together with special mortgage programs, including a family mortgage program of 6% that continue to be in place, these measures are expected to support the demand for real estate.

(b) Amendment of terms of significant contract

During 2014, the Group entered into a transaction for the acquisition of investment rights for a land plot located in Moscow, under which a certain part of the purchase price had to be paid by means of transfer of built-in commercial premises and parking spaces constructed on this land plot. During the year ended 31 December 2021, the Group and the sellers of the plot decided to amend the terms of the contract so that the purchase price for the land plot would be settled in cash. The change in the amount of consideration led to the recognition of other revenue of RUB 2,184 million (note 6) and the recognition of an impairment loss on inventories of RUB 1,544 million (note 9).

Significant events subsequent to the reporting date are disclosed in note 33 of the Consolidated Financial Statements.

INDEPENDENT AUDITORS

On 1 December 2021, 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 assessing the Group's and the Company's ability to continue as a going concern, considering 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 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 authorised and issued share capital of the Company is GBP 39,172 divided into 383,445,362 Ordinary Shares of GBP 0.00005 each and 20,000 redeemable preference shares of GBP 1 each.

294,251,042 ordinary shares (76,7%) 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 at the reporting date have been listed and traded on the Main Market of the London Stock Exchange (LSE). Since the beginning of March 2022, LSE suspended trading in Etalon's GDRs. The Company's GDRs are traded on the Moscow Stock Exchange Starting from 3 February 2020.

As at 31 December 2021, the Company was aware of the following interests in its share capital:

Shareholders	%
Free float	37.5%
Sistema PJSFC	29.8%
Alfa Bank	16.7%
Mubadala Investment Company	6.3%
Kopernik Global Investors	5.0%
Prosperity Capital	4.1%
Management of the Company	0.6%
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 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, 11 April 2022

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 2021:

(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

BORIS SVETLICHNY, Member of the Board of Directors

CHARALAMPOS AVGOUSTI, Member of the Board of Directors

DENIS VINOKUROV, Member of the Board of Directors

ALEXANDER VOLOSHIN, Member of the Board of Directors

VITALY PYLTSOV, Member of the Board of Directors

GENNADII SHCHERBINA, Chief Executive Officer

ILYA KOSOLAPOV, Chief Financial Officer

11 April 2022

Independent Auditor's Report on Consolidated Financial Statements

Deloitte.

INVESTORS IN PEOPLE | Platinum Until 2020

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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 accompanying 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 2021 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 2021, 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 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 key sources of estimation uncertainty and accounting policies on revenue under share participation agreements are disclosed in Note 2 (d) and Note 3(i). For other disclosures on revenue refer to Note 6.	Our audit procedures included amongst others: We analysed 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.

Independent Auditor's Report on Consolidated Financial Statements

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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 18 in the consolidated financial statements), which comprises 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 sale;
• the level of overhead expenses as a percentage of revenue;
• the discount rate used to arrive to the present value of the future expected cash flows.
 	
The key sources of estimation uncertainty and accounting policies 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:
	• obtaining an understanding of the Group's processes and procedures for developing assumptions used and assessing design and implementation;
	• 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

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Impact of events after the year end on the operating environment	
As disclosed in Notes 1, 2 (b) and 33 of the consolidated financial statements, the developments in Ukraine led to additional sanctions being imposed on certain Russian institutions, companies and individuals by the United States, the United Kingdom, the European Union and other countries, subsequent to the year ended 31 December 2021. This has led to significant market volatility, disruption in the supply chains, increase in interest rates and significantly increased the level of economic uncertainty. This could have a possible negative impact on the operations of the Group. As disclosed in Note 2 (b) of the consolidated financial statements, the management of the Group has assessed the going concern and other possible impacts on operations. The situation is currently fast moving and management has considered how the events may ultimately impact the Group based on all relevant information currently known. We consider this area to be a key audit matter due to high level of management judgements and uncertainty on the future impact on the operations and the liquidity of the Group.	Our audit procedures included amongst others: • challenging management's assessment of the potential risks and uncertainties relevant to the Group as a result of the additional sanctions imposed subsequent to the balance sheet date and impact on operating environment; • assessing for reasonableness the assumptions applied in the going concern period cash flow forecast for a period of 12 months from the date of the authorization of the consolidated financial statements through evaluating the potential impact on the operation, cash and facilities available to the group, including the location of the cash and facilities available, in which the group operates, the repayment terms and covenants and the ability to draw down further on the existing facilities; • Considering management's relevant expertise and challenging whether the Group's mitigating actions are reasonable and within the Group's control. We also assessed adequacy of the related disclosures in the consolidated financial statements. 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, 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:

Independent Auditor's Report on Consolidated Financial Statements

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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 (continued)

- 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 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.

Other Matters

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with 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.

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these consolidated financial statements form part of the European Single Electronic Format (ESEF)-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This independent auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

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, 11 April 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2021

mln RUB	Note	2021	2020
Revenue from sale of real estate accounted for at historical cost		53,384	51,801
Revenue from sale of real estate acquired through business combinations and recognised at fair value at initial recognition		21,885	18,675
Other revenue		11,869	8,179
Revenue	6	87,138	78,655
Cost of sales of real estate accounted for at historical cost		(31,676)	(33,744)
Cost of sales of real estate acquired through business combinations and recognised at fair value at initial recognition		(17,904)	(15,605)
Other cost of sales		(9,776)	(7,391)
Cost of sales	7	(59,356)	(56,740)
Gross profit from sale of real estate accounted for at historical cost		21,708	18,057
Gross profit from sale of real estate acquired through business combinations and recognised at fair value at initial recognition		3,981	3,070
Gross profit from other sales		2,093	788

mln RUB	Note	2021	2020
Gross profit		27,782	21,915
General and administrative expenses	8	(5,784)	(5,235)
Selling expenses		(4,639)	(4,560)
Impairment loss on trade and other receivables	27 (b)(ii)	(169)	(329)
Other expenses, net	9	(3,944)	(1,573)
RESULTS FROM OPERATING ACTIVITIES		13,246	10,218
Finance income – interest revenue	12	2,392	1,887
Finance income – other	12	136	141
Finance costs	12	(9,909)	(7,524)
NET FINANCE COSTS		(7,381)	(5,496)
Share of loss of equity accounted investees		(16)	–
PROFIT BEFORE INCOME TAX		5,849	4,722
Income tax expense	13	(2,842)	(2,686)
PROFIT FOR THE YEAR		3,007	2,036

mln RUB	Note	2021	2020
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,007	2,036
Profit attributable to:			
Owners of the Company		3,007	2,036
PROFIT FOR THE YEAR		3,007	2,036
Total comprehensive income attributable to:			
Owners of the Company		3,007	2,036
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,007	2,036
Earnings per share			
Basic and diluted earnings per share (RUB)	23	8.59	6.90

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 165 to 205.

Consolidated Statement of Financial Position

as at 31 December 2021

mln RUB	Note	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	14	4,050	3,508
Investment property	15	416	691
Other long-term investments	16	1,489	424
Trade and other receivables	19	3,345	4,253
Deferred tax assets	17	7,347	6,692
TOTAL NON-CURRENT ASSETS		16,647	15,568
Current assets			
Inventories under construction and development	18	95,431	102,179
Inventories – finished goods	18	13,023	11,291
Other inventories	18	1,699	1,975
Advances paid to suppliers	19	10,857	8,137
Costs to obtain contracts		892	840
Contract assets	19	25,332	7,138
Trade receivables	19	6,308	6,358
Other receivables	19	6,243	5,557
Income tax receivable		953	1,434
Short-term investments	20	126	212
Cash and cash equivalents	21	44,587	25,830
TOTAL CURRENT ASSETS		205,451	170,951
TOTAL ASSETS		222,098	186,519
EQUITY AND LIABILITIES			
Equity			
Share capital	22	2	2
Share premium	22	26,367	15,486
Reserve for own shares	22	(1)	(1)
Retained earnings		34,992	35,586
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		61,360	51,073
TOTAL EQUITY		61,360	51,073
Non-current liabilities			
Loans and borrowings	24	67,132	34,636
Trade and other payables	26	31,230	26,734
Provisions	25	117	129
Deferred tax liabilities	17	7,428	7,930
TOTAL NON-CURRENT LIABILITIES		105,907	69,429
Current liabilities			
Loans and borrowings	24	16,306	15,869
Trade and other payables	26	23,692	21,216
Contract liabilities	26	14,157	28,351
Income tax payable		158	183
Provisions	25	518	398
TOTAL CURRENT LIABILITIES		54,831	66,017
TOTAL EQUITY AND LIABILITIES		222,098	186,519

These Consolidated Financial Statements were approved by the Board of Directors on 11 April 2022 and were signed on its behalf by:

Charalampos Avgousti
Director

Sergey Egorov
Director

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 165 to 205.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

mln RUB	Attributable to equity holders of the Company					TOTAL EQUITY
	Share capital	Share premium	Reserve for own shares	Retained earnings	TOTAL	
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

mln RUB	Attributable to equity holders of the Company					TOTAL EQUITY
	Share capital	Share premium	Reserve for own shares	Retained earnings	TOTAL	
Balance as at 1 January 2021	2	15,486	(1)	35,586	51,073	51,073
Total comprehensive income for the year						
Profit for the year	–	–	–	3,007	3,007	3,007
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–	–	3,007	3,007	3,007
Transactions with owners, recorded directly in equity						
Shares issued	–	11,120	–	–	11,120	11,120
Transaction costs directly attributable to the issue	–	(239)	–	-	(239)	(239)
Dividends to equity holders	–	–	–	(3,601)	(3,601)	(3,601)
TOTAL TRANSACTIONS WITH OWNERS	–	10,881	–	(3,601)	7,280	7,280
BALANCE AS AT 31 DECEMBER 2021	2	26,367	(1)	34,992	61,360	61,360

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 165 to 205.

Consolidated Statement of Cash Flows

for the year ended 31 December 2021

mln RUB	Note	2021	2020
OPERATING ACTIVITIES:			
Profit for the year		3,007	2,036
ADJUSTMENTS FOR:			–
Depreciation, including right-of-use assets	13,14	521	481
Gain on disposal of property, plant and equipment	9	(162)	(51)
Gain on disposal of investment property	9	(279)	(103)
Loss on disposal of inventories under construction and development	9	205	200
Impairment loss on inventories	18	2,054	676
Impairment loss on trade and other receivables, advances paid to suppliers and investments	27 (b)(ii)	327	418
Share of loss of equity accounted investees		16	–
Loss on disposal of subsidiary	9	7	–
Significant financing component from contracts with customers recognised in revenue		(3,003)	(1,210)
Savings on escrow-backed loans recognised in revenue		(1,197)	(448)
Finance costs, net	12	7,381	5,496
Income tax expense	13	2,842	2,686

mln RUB	Note	2021	2020
Cash from operating activities before changes in working capital and provisions		11,719	10,181
Change in inventories		3,211	(15,619)
Change in accounts receivable		(2,386)	2,642
Change in accounts payable		5,937	24,390
Change in provisions	25	108	(278)
Change in contract assets	19	(18,194)	(4,675)
Change in contract liabilities	26	(14,194)	(8,088)
Cash (used in)/generated from operating activities		(13,799)	8,553
Income tax paid		(3,543)	(4,647)
Interest paid		(4,461)	(4,803)
Net cash used in operating activities		(21,803)	(897)

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 165 to 205.

Consolidated Statement of Cash Flows

for the year ended 31 December 2021

mln RUB	Note	2021	2020
INVESTING ACTIVITIES:			
Proceeds from disposal of property, plant and equipment		266	265
Proceeds from disposal of investment property		474	440
Interest received		1,763	1,103
Acquisition of property, plant and equipment		(560)	(396)
Loans given		(823)	(216)
Loans repaid		7	2
Proceeds from disposal of subsidiaries, net of cash disposed of		32	–
Acquisition of investment in associate		(389)	–
Acquisition of other investments	16,20	(4)	(139)
Disposal of other investments	16,20	149	105
Net cash from investing activities		915	1,164

mln RUB	Note	2021	2020
FINANCING ACTIVITIES:			
Proceeds from borrowings	24	49,071	8,691
Repayments of borrowings	24	(14,635)	(10,108)
Payments for lease liabilities, excluding interest	24	(1,775)	(645)
Proceeds from issue of share capital, net		10,881	–
Dividends paid		(3,613)	(3,527)
Net cash from/(used in) financing activities		39,929	(5,589)
Net decrease in cash and cash equivalents		19,041	(5,322)
Cash and cash equivalents at the beginning of the year		25,830	31,128
Effect of exchange rate fluctuations		(284)	24
Cash and cash equivalents at the end of the year	21	44,587	25,830

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 165 to 205.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2021

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. The Group's operations are not subject to seasonality.

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, accompanied by the reduction of disposable income of households and the increase in unemployment rates, led to an 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.

During the year 2021, 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.

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Russia 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.

Starting from 2014, sanctions have been imposed in several packages by the US, UK, EU and others on certain Russian officials, businessmen and companies. On 21 February 2022, the President of Russia signed the executive orders on the recognition of the Donetsk People's Republic and the Lugansk People's Republic. Since the outbreak of the conflict on 24 February 2022, the US, UK, EU and other countries announced an extension of sanctions on certain Russian officials, businessmen and companies. These developments may result in reduced access of Russian businesses to international capital and export markets, weakening of the Russian Ruble, decline in capitals markets and other negative economic consequences.

The impact of these and further developments on future operations and financial position of the Group at this stage is 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. In assessing its going concern status, the Group has taken account of its principal risks and uncertainties including inflation risks for construction materials and labour costs, sharp reduction of the Company's market capitalisation and suspension of trading in the Company's GDRs on the London Stock Exchange, available undrawn credit facilities as at the date of analysis, and its forecast compliance with covenants on project financing and corporate borrowings, anticipated future continuity in demand, and major instalments in relation to acquisition of land plots.

When assessing the Group's ability to continue as a going concern over the next 12 months, the management considered all available information about the future, including events described below, 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.

Subsequent to the reporting date and following the commencement of the Ukrainian crisis, the US, UK, EU and some other countries imposed severe sanctions against the Russian government, major financial institutions and certain other entities and individuals in the Russian Federation. In response to the sanctions, the Russian government introduced certain currency control measures and the Central Bank of the Russian Federation increased the key rate to 20% in March 2022 which was reduced to 17% starting from 11 April 2022. All the above led to significant market volatility, disruption in the supply chains and significantly increased the level of economic uncertainty.

The Group developed a stress scenario of the possible impact on the current operating environment on the Group's demand and supply chain, including continuity in demand, availability and prices for construction materials and supplies, and eventually on cash flows and liquidity position, including the consideration of debt covenants.

The Group considered the following factors when assessing the impact on the current operating environment.

Continuity in demand

The demand for real estate is largely dependent on the availability of mortgage loans and the level of mortgage rates. Effective from 1 April 2022, the Government of the Russian Federation introduced special mortgage rates of 12% for newly constructed real estate and increased the price limit up to RUB 12 million per apartment in Moscow and St. Petersburg (RUB 6 million in other Russian cities). At the same time, special mortgage programs including a family mortgage program of 6% continued to be in place. These measures are expected to support the demand for real estate despite introduction of a restrictive levels of the key rate.

Availability and cost of finance

As reported in the note 27(d)(ii), loans with a carrying amount of RUB 28,537 million or 34% of the total outstanding loans as at 31 December 2021 are linked to the key rate of the Central Bank of the Russian Federation (are variable rate instruments). The Group's loan contracts either include limitation on the maximum interest rate or bear preferential interest rates to debt covered by escrow account balances. These factors will limit the effect of the increase in the Central Bank's key rate on the cost of borrowings. The increase in the key rate to 20% (reduced to 17% starting from 11 April 2022) will result in the increase in interest expense by RUB 691 million for the variable rate loans outstanding at 31 December 2021.

The Group does not have any borrowings denominated in foreign currencies.

The Group has secured project financing for all construction project in place that will enable it to continue financing its construction projects. For the new projects the Group aims to balance the ratio of borrowed funds to cash collected on escrow accounts to reduce borrowing costs.

The Group has sufficient liquidity to repay borrowings and does not expect any breaches of financial covenants during 2022.

Despite the fact that the Group's parent company is registered in Cyprus, the Group's place of operation is the Russian Federation, and the Group is not subject to any restrictions on use of proceeds from sale of real estate which have been introduced by the Russian Government with respect to foreign construction companies operating in Russia.

Availability and cost of construction materials

The Group mainly uses domestically produced construction materials and installations and does not expect any shortages or breakages in its supply chain caused by foreign sanctions. The prices for construction materials are not linked to foreign currencies and the Group does not expect that the high volatility of foreign currency exchange rates will result in a significant increase in its production costs during 2022. Although, constructions costs will continue to increase in line with higher inflation rates, but the Group expects that it will be able to pass increased constructions costs on to the customers.

Considering the above and given the Group's history of profitable operations and ready access to financial resources, the Group reached a conclusion that the going concern basis of accounting is appropriate for the preparation of these consolidated financial statements.

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 the 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*, as such asset is ready for its intended sale in its current condition.

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 18 — 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, impairment;
- Note 27(b)(ii) — measurement of Expected Credit Loss (ECL) allowance for trade and other receivables and contract assets: probability of default and loss given default.

2. Basis of preparation

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 2021. 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

The following amendments to the standards and interpretations are effective for annual periods beginning on or after 1 January 2021 and did not have any significant impact on the Group's financial position or performance.

- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

The following amendments have been issued that are mandatory for the annual periods beginning after 1 January 2022, which the Group has not early adopted:

- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Disclosure of Accounting policies* (issued on 12 February 2021 and 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 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors*: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 12 *Income Taxes* – Deferred tax related to assets and liabilities arising from a single transaction (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 3 *Business Combinations* – Reference to the Conceptual Framework (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);
- 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 37 *Provisions, Contingent Liabilities and Contingent Assets* – 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 at 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.

(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.

3. Significant accounting policies

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 assesses 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).

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.

3. Significant accounting policies

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.

(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 and contract 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. Bank balances kept in escrow accounts, which represent funds received by authorized banks from escrow-account holders — participants of share participation agreements for construction of real estate, are not included in the balance of cash and cash equivalents. The funds will be transferred to the

3. Significant accounting policies

Group's bank accounts upon completion of construction of respective real estate and on such time will be recognised within cash and cash equivalents.

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.

(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 owned by the Group 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 2021.

a) 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.

b) 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.

c) 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. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. 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

3. Significant accounting policies

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.

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:

- Contracts for provision of construction services;
- 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 i)(i).

The Group presents lease liabilities in "Trade and other payables" (note 26) 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

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. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

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 and sale of stand-alone commercial premises 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 2021 and 2020.

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 the financial statements for the year ended 31 December 2020, the performance of the reportable segment "Residential development" is additionally assessed on the basis of gross profit adjusted for purchase price allocation from the acquisition of Leader-Invest.

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.

The transition from the scheme of customer financing to 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 focuses on the measures of profit or loss of each reportable segment. The information about reportable segments' assets and liabilities is not disclosed.

5. Operating segments

a) INFORMATION ABOUT REPORTABLE SEGMENTS

mln RUB	Residential development		Construction services		Other		TOTAL	
	2021	2020	2021	2020	2021	2020	2021	2020
EXTERNAL REVENUES	75,269	70,476	2,401	3,137	9,468	5,042	87,138	78,655
Including:								
St. Petersburg metropolitan area	31,946	30,649						
Moscow metropolitan area	43,323	39,827						
Inter-segment revenue	–	–	18,573	16,459	595	2,149	19,168	18,608
TOTAL SEGMENT REVENUE	75,269	70,476	20,974	19,596	10,063	7,191	106,306	97,263
Gross profit adjusted for purchase price allocation from acquisition of Leader-Invest	28,948	24,987	(60)	251	2,153	558	31,041	25,796
Gross profit adjusted for purchase price allocation from acquisition of Leader-Invest, %	38%	35%						
GROSS PROFIT	25,689	21,127	(60)	251	2,153	537	27,782	21,915
Including:								
St. Petersburg metropolitan area	12,883	8,556						
Moscow metropolitan area	12,806	12,571						
GROSS PROFIT, %	34%	30%						
Including:								
St. Petersburg metropolitan area	40%	28%						
Moscow metropolitan area	30%	32%						

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.

mln RUB	Revenues		Non-current assets	
	2021	2020	2021	2020
St. Petersburg metropolitan area	40,076	37,679	3,094	2,982
Moscow metropolitan area	47,062	40,976	1,372	1,217
	87,138	78,655	4,466	4,199

c) RECONCILIATIONS OF REPORTABLE SEGMENT REVENUES AND GROSS PROFIT

mln RUB	2021	2020
Reconciliation of revenue		
Total revenue for reportable segments	106,306	97,263
Elimination of inter-segment revenue	(19,168)	(18,608)
CONSOLIDATED REVENUE	87,138	78,655

5. Operating segments

c) RECONCILIATIONS OF REPORTABLE SEGMENT REVENUES AND GROSS PROFIT

mln RUB	2021	2020
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	31,041	25,796
Purchase price allocation from acquisition of Leader-Invest included in cost of sales	(3,259)	(3,881)
CONSOLIDATED GROSS PROFIT	27,782	21,915
UNALLOCATED AMOUNTS		
General and administrative expenses	(5,784)	(5,235)
Selling expenses	(4,639)	(4,560)
Impairment loss on trade and other receivables	(169)	(329)
Other expenses, net	(3,944)	(1,573)
Finance income and interest revenue	2,528	2,028
Finance costs	(9,909)	(7,524)
Share of loss of equity accounted investees	(16)	–
CONSOLIDATED PROFIT BEFORE INCOME TAX	5,849	4,722

6. Revenue

mln RUB	2021	2020
Sale of flats – transferred at a point in time	13,351	13,781
Sale of flats – transferred over time	53,776	48,077
Sale of built-in commercial premises – transferred at a point in time	1,487	1,973
Sale of built-in commercial premises – transferred over time	2,430	2,815
Sale of parking places – transferred at a point in time	2,006	2,199
Sale of parking places – transferred over time	2,219	1,631
Total revenue – segment Residential development (note 5 (a))	75,269	70,476
Long term construction contracts – transferred over time	1,459	2,368
Short term construction services – transferred at a point in time	942	769
Total revenue of segment Construction services (note 5 (a))	2,401	3,137
Sale of construction materials – transferred at a point in time	3,412	2,429
Sale of stand-alone commercial premises – transferred over time	708	122
Sale of stand-alone commercial premises – transferred at a point in time	359	–
Other revenue – transferred over time	2,203	1,807
Other revenue – transferred at a point in time (note 9)	2,184	–
Total other revenue (note 5 (a))	8,866	4,358
TOTAL REVENUES FROM CONTRACTS WITH CUSTOMERS	86,536	77,971
Rental revenue (note 5 (a))	602	684
TOTAL REVENUES	87,138	78,655

CONTRACT BALANCES

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers

mln RUB	2021	2020
Trade receivables	9,429	10,413
Contract assets	25,332	7,138
Contract liabilities	(14,157)	(28,351)

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 payment in arrears of 2 to 5 years after the date of completion of construction for specific projects.

Contract liabilities include advance consideration received from customers.

6. Revenue

The explanation of significant changes in contract asset and contract liability balances during the reporting period is presented in the table below.

mln RUB	2021		2020	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Balance at 1 January	7,138	(28,351)	2,463	(36,439)
Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period	–	24,150	–	33,524
Other revenue — transferred at a point in time		2,184	–	–
Increases due to cash received, excluding amounts recognized as revenue during the year	–	(11,768)	–	(24,037)
Transfers from contract assets recognised at the beginning of the year to receivables	(1,568)	–	(1,552)	–
Increase as a result of changes in the measure of progress	19,474	–	6,077	–
Financing component under IFRS 15	288	(372)	150	(1,399)
Balance at 31 December	25,332	(14,157)	7,138	(28,351)
CHANGE DURING THE YEAR	18,194	14,194	4,675	8,088

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 2021, mln RUB	2022	2023	2024	2025	TOTAL
Residential development	35,475	10,355	1,720	78	47,628
Construction services	58	–	–	–	58
Construction of stand-alone commercial premises	3,665	74	51	–	3,790
TOTAL	39,198	10,429	1,771	78	51,476

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

As at 31 December 2021, capitalised costs to obtain contracts with the customers of RUB 259 million will be recognised within selling expenses after more than 12 months from the reporting date (31 December 2020: RUB 323 million).

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. Cost of sales

mln RUB	2021	2020
Cost of design and construction works and engineering infrastructure	33,204	34,466
Cost of land plots	11,425	10,732
Cost of construction of social infrastructure	2,511	1,345
Other costs	2,440	2,806
Total cost of sales — segment Residential development	49,580	49,349
Cost of sales for segment Construction services	2,461	2,886
Cost of sales for segment Other	7,315	4,505
TOTAL COST OF SALES	59,356	56,740

Cost of design and construction works and engineering infrastructure, among other, includes costs of raw materials and consumables used in construction, production employees' benefits expenses, and depreciation expense of construction machinery and equipment.

8. General and administrative expenses

mln RUB	2021	2020
Payroll and related taxes	3,574	3,224
Services	716	655
Audit and consulting services	292	244
Depreciation	242	237
Other taxes	117	227
Bank fees and commissions	130	111
Repair and maintenance	81	75
Materials	61	50
Other	571	412
TOTAL	5,784	5,235

Remuneration of the statutory audit firm for the year ended 31 December 2021 amounted to RUB 7.5 million for audit services (2020: RUB 7.7 million) and RUB 7.2 million for other assurance services (2020: RUB 0.9 million). Remuneration of other members of the statutory auditors' network for the year ended 31 December 2021 amounted to RUB 5.0 million for audit services (2020: RUB 4.7 million) and RUB 17.6 million for other assurance services (2020: RUB 0.8 million).

9. Other expenses, net

mln RUB	2021	2020
OTHER INCOME		
Gain on disposal of investment property	279	103
Gain on disposal of property, plant and equipment	162	51
Fees and penalties received	142	220
Reversal of impairment of an investment in an associate	–	38
Other income	128	151
	711	563
OTHER EXPENSES		
Impairment loss on inventories (note 18)	(2,054)	(676)
Fees and penalties incurred	(323)	(67)
Other taxes	(382)	(265)
Cost of social infrastructure for completed projects	(555)	(178)
Charity	(60)	(38)
Loss on disposal of subsidiary	(7)	–
Loss on disposal of inventories under construction and development	(205)	(200)
Other expenses	(1,069)	(569)
Contingent consideration for acquisition of Leader-Invest	–	(143)
	(4,655)	(2,136)
OTHER EXPENSES, NET	(3,944)	(1,573)

During 2014, the Group entered into a transaction for the acquisition of investment rights for a land plot located in Moscow, under which a certain part of the purchase price had to be paid by means of transfer of built-in commercial premises and parking places constructed on this land plot. The Group recognised the land component of this construction project as a part of the inventory at the fair value of the acquired investment rights, and the respective liabilities to the sellers of the land plot within contract liabilities. The Group also accrued interest expense (financing component under IFRS 15) onto the balance of contract liabilities, part of which was capitalised into the cost of the commercial premises under construction.

During the year ended 31 December 2021, the Group and the sellers of the plot decided to amend the terms of the contract so that the purchase price for the land plot would be settled in cash. The change in the amount of consideration in the amended contract led to the recognition of RUB 2,184 million of other revenue recognised at a point in time — as the difference between the carrying amount of the liability to the sellers of the land plot and the amount of cash consideration payable.

The Group also recognised an impairment loss of RUB 1,544 million on inventories constructed on that land plot, including built-in commercial premises and parking places.

10. Personnel costs

mln RUB	2021	2020
Wages and salaries	7,371	7,121
Social security contributions	1,765	1,567
	9,136	8,688

Remuneration to employees in respect of services rendered during the reporting period 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 2021, personnel costs and related taxes included in cost of production amounted to RUB 4,631 million (year ended 31 December 2020: RUB 4,480 million). The remaining part of personnel expenses was subsumed within general and administrative expenses and selling expenses in the total amount of RUB 4,505 million (year ended 31 December 2020: RUB 4,208 million).

The average number of staff employed by the Group during the year ended 31 December 2021 was 4,479 employees (year ended 31 December 2020: 4,671 employees).

11. 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 at 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.

12. Finance income and finance costs

mln RUB	2021	2020
RECOGNISED IN PROFIT OR LOSS		
FINANCE INCOME		
Interest income under the effective interest method on:		
Cash and cash equivalents (except bank deposits)	524	518
Unwinding of discount on trade receivables	309	634
Bank deposits — at amortised cost	1,271	585
Interest income — financing component under IFRS 15	288	150
TOTAL INTEREST INCOME ARISING FROM FINANCIAL ASSETS MEASURED AT AMORTISED COST	2,392	1,887
Gain on write-off of accounts payable	136	105
Net foreign exchange gain	–	36
FINANCE INCOME — OTHER	136	141

mln RUB	2021	2020
FINANCE COSTS		
Financial liabilities measured at amortised cost:		
Interest expenses- financing component under IFRS 15	(372)	(1,399)
Interest expenses — borrowing costs	(6,078)	(4,924)
Interest expense on leases	(498)	(167)
Unwinding of discount on other payables	(2,424)	(915)
Impairment loss on advances paid to suppliers and financial investments	(158)	(21)
Other finance costs	(82)	(98)
Net foreign exchange loss	(297)	–
FINANCE COSTS	(9,909)	(7,524)
NET FINANCE COSTS RECOGNISED IN PROFIT OR LOSS	(7,381)	(5,496)

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	2021	2020
Borrowing costs and significant financing component capitalised during the year	239	274
Weighted average capitalisation rate	12.69%	14.86%

During the year ended 31 December 2021, 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) of RUB 72 million (year ended 31 December 2020: RUB 212 million), were included into the cost of sales upon construction and sale of those properties — including borrowing costs of RUB 56 million (year ended 31 December 2020: RUB 116 million) and significant financing component of RUB 16 million (year ended 31 December 2020: RUB 96 million).

13. 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 2020: 20%).

mln RUB	2021	2020
CURRENT TAX EXPENSE		
Current year	4,013	3,991
Over-provided in prior year	(14)	(4)
	3,999	3,987
DEFERRED TAX EXPENSE		
Origination and reversal of temporary differences	(1,157)	(1,301)
INCOME TAX EXPENSE	2,842	2,686

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate 20%:

mln RUB	2021	2020
Profit before income tax	5,849	4,722
Theoretical income tax at statutory rate of 20%	1,170	944
Adjustments due to:		
Over-provided in prior year	(14)	(4)
Tax losses for which no deferred tax asset was recognised	74	84
Write-off of previously recognised deferred tax assets	–	273
Tax effect of dividends from Russian subsidiaries	–	233
Expenses not deductible and income not taxable for tax purposes, net	1,612	1,156
INCOME TAX EXPENSE	2,842	2,686

The Group prepares reconciliation using the tax rate of 20% that is applicable in the Russian Federation and not the domestic tax rate of the Cyprus parent Company (12,5%) since substantially all taxable profit is generated in the Russian Federation.

During the year ended 31 December 2021, expenses not deductible for tax purposes included, among other, interest accrued in respect of discounted trade payables for acquisition of 88% of share capital of LLC "Specialized Developer "ZIL-YUG" of RUB 1,989 million (year ended 31 December 2020: nil) and interest accrued on secured bank loans used to finance the acquisition of JSC "Leader-Invest" in 2019 of RUB 2,746 million and (year ended 31 December 2020: RUB 2,662 million).

14. Property, plant and equipment

During the year ended 31 December 2021, depreciation expense of RUB 249 million (year ended 31 December 2020: RUB 239 million) was charged to cost of sales, RUB 14 million (year ended 31 December 2020: RUB 13 million) to cost of real estate properties under construction and development, RUB 11 million to other expenses, net (year ended 31 December 2020: RUB 28 million) and RUB 242 million (year ended 31 December 2020: RUB 179 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 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
Balance at 1 January 2021	2,927	2,459	111	448	117	273	6,335
Additions	812	169	11	112	–	240	1,344
Reclassification to inventories	(147)	–	–	–	–	–	(147)
Disposals	(311)	(371)	(14)	(200)	(4)	–	(900)
Transfers	40	6	–	4	–	(50)	–
Balance at 31 December 2021	3,321	2,263	108	364	113	463	6,632

mln RUB	Buildings and constructions	Machinery and equipment	Vehicles	Other	Land	Construction in progress	TOTAL
DEPRECIATION AND IMPAIRMENT LOSSES							
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)
Balance at 1 January 2021	(610)	(1,892)	(79)	(246)	–	–	(2,827)
Depreciation for the year	(256)	(161)	(16)	(83)	–	–	(516)
Disposals	284	329	13	135	–	–	761
Balance at 31 December 2021	(582)	(1,724)	(82)	(194)	–	–	(2,582)
CARRYING AMOUNTS							
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
BALANCE AT 1 JANUARY 2021	2,317	567	32	202	117	273	3,508
BALANCE AT 31 DECEMBER 2021	2,739	539	26	170	113	463	4,050

15. Investment property

mln RUB	2021	2020
COST		
Balance at 1 January	1,017	1,375
Additions	6	–
Reclassification to inventories	(67)	–
Disposals	(268)	(358)
Balance at 31 December	688	1,017
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES		
Balance at 1 January	(326)	(310)
Depreciation for the year	(19)	(37)
Disposals	73	21
Balance at 31 December	(272)	(326)
CARRYING AMOUNT AT 1 JANUARY	691	1,065
CARRYING AMOUNT AT 31 DECEMBER	416	691

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 2021, the fair value of investment property amounted to RUB 659 million (31 December 2020: RUB 1,027 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, as defined in note 27. The Group did not identify any indicators of impairment as at 31 December 2021 and 2020, and did not recognise any impairment losses for investment property during the year ended 31 December 2021 and 2020.

16. Other long-term investments

mln RUB	2021	2020
Loans – at amortised cost	1,106	321
Investments in associates	500	124
Bank promissory notes – at amortised cost	3	3
	1,609	448
Loss allowance for loans given	(120)	(24)
	1,489	424

As at 31 December 2021, a bank promissory note of RUB 3 million (31 December 2020: RUB 3 million) was pledged as security for a secured bank loan, see note 24.

As at 31 December 2021, investment in associate of RUB 380 million represents a 40,7% stake in QB Technology Ltd acquired in 2021 and accounted for using the equity method.

As at 31 December 2021, loan at amortised cost of RUB 850 million represents a loan issued to an entity owning a land plot in the St. Petersburg metropolitan area. The entity has been acquired by the Group subsequent to the reporting date, see note 33.

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 27.

17. 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	
	2021	2020	2021	2020	2021	2020
Property, plant and equipment	223	178	(388)	(255)	(165)	(77)
Investments	68	169	(20)	(28)	48	141
Inventories	12,056	9,269	(2,307)	(3,522)	9,749	5,747
Contract assets and trade and other receivables	1,635	1,750	(7,722)	(4,034)	(6,087)	(2,284)
Deferred expenses	18	19	(7)	–	11	19
Loans and borrowings	492	52	(135)	(130)	357	(78)
Provisions	137	141	(168)	(95)	(31)	46
Contract liabilities and trade and other payables	6,019	5,285	(11,393)	(11,146)	(5,374)	(5,861)
Tax loss carry-forwards	1,626	1,295	–	–	1,626	1,295
Other	125	155	(340)	(341)	(215)	(186)
TAX ASSETS/(LIABILITIES)	22,399	18,313	(22,480)	(19,551)	(81)	(1,238)
SET OFF OF TAX	(15,052)	(11,621)	15,052	11,621	–	–
NET TAX ASSETS/(LIABILITIES)	7,347	6,692	(7,428)	(7,930)	(81)	(1,238)

b) UNRECOGNISED DEFERRED TAX LIABILITY

At 31 December 2021, a deferred tax liability arising on temporary differences of RUB 81,287 million (31 December 2020: RUB 70,777 million) related to investments in subsidiaries was not recognized because the Company controls the timing of reversal of the temporary differences and is satisfied that those differences will not be reversed in the foreseeable future.

c) UNUSED TAX LOSSES

A deferred tax asset of RUB 923 million (31 December 2020: RUB 357 million) was not recognised for the carry forward of unused tax losses to the extent that it is not probable that future taxable profit will be available against which these unused tax losses can be utilised.

17. Deferred tax assets and liabilities

d) MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR

mln RUB	1 January 2021	Recognised in profit or loss	31 December 2021
Property, plant and equipment	(77)	(88)	(165)
Investments	141	(93)	48
Inventories	5,747	4,002	9,749
Contract assets and trade and other receivables	(2,284)	(3,803)	(6,087)
Deferred expenses	19	(8)	11
Loans and borrowings	(78)	435	357
Provisions	46	(77)	(31)
Contract liabilities and trade and other payables	(5,861)	487	(5,374)
Tax loss carry-forwards	1,295	331	1,626
Other	(186)	(29)	(215)
	(1,238)	1,157	(81)

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)

18. Inventories

mln RUB	2021	2020
INVENTORIES UNDER CONSTRUCTION AND DEVELOPMENT		
Own flats under construction and development	80,000	81,898
Built-in commercial premises under construction and development	11,023	14,453
Parking places under construction and development	8,243	8,526
TOTAL	99,266	104,877
Less: Allowance for inventories under construction and development	(3,835)	(2,698)
TOTAL INVENTORIES UNDER CONSTRUCTION AND DEVELOPMENT	95,431	102,179
INVENTORIES — FINISHED GOODS		
Own flats	4,423	4,684
Built-in commercial premises	5,641	2,426
Parking places	6,480	5,993
TOTAL	16,544	13,103

mln RUB	2021	2020
Less: Allowance for inventories — finished goods	(3,521)	(1,812)
TOTAL INVENTORIES — FINISHED GOODS	13,023	11,291
OTHER INVENTORIES		
Construction materials	1,423	1,297
Other	278	700
TOTAL	1,701	1,997
Less: Allowance for other inventories	(2)	(22)
TOTAL OTHER INVENTORIES	1,699	1,975
TOTAL	110,153	115,445

Inventories under construction and development of RUB 92,204 million relate to construction projects that will be completed after more than 12 months from the reporting date (31 December 2020: RUB 77,928 million).

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 2021, the cost of such social infrastructure amounts to RUB 1,086 million and is included into the balance of finished goods and inventories under construction and development (31 December 2020: RUB 1,633 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.

18. Inventories

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 investment 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 investment 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 investment 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 investment 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 investment 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 2021, the cost of land plots (Project 1) measured as described above and related to sold premises, was recognised in cost of sales during 2013-2021 in the amount of RUB 8,660 million, while the remaining balance of RUB 274 million is included into finished goods and RUB 90 million into inventories under construction and development.

At 31 December 2021, 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 2021 in the amount of RUB 4,014 million, while the remaining balance of RUB 435 million is included in finished goods and RUB 73 million in inventories under construction and development.

At 31 December 2021, 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 2021 in the amount of RUB 4,258 million, while the remaining balance of RUB 65 million is included in finished goods and RUB 72 million in inventories under construction and development.

At 31 December 2021, 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 2021 in the amount of RUB 1,792 million, while the remaining balance of RUB 8 million is included in finished goods.

At 31 December 2021, 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 2021 in the amount of RUB 864 million, while the remaining balance of RUB 329 million is included in inventories under construction and development.

b) ALLOWANCE FOR IMPAIRMENT OF INVENTORIES

The following is movement in the allowance for impairment of inventories:

mln RUB	2021	2020
Balance at 1 January	4,532	3,856
Write down to net realisable value of inventories	4,896	1,983
Reversal of write down of inventories	(2,071)	(1,307)
BALANCE AT 31 DECEMBER	7,357	4,532

As at 31 December 2021, the net realizable value testing resulted in an amount which was less than the carrying amount by RUB 7,357 million (31 December 2020: RUB 4,532 million) and the respective allowance was recognised in other expenses, see note 9, and in cost of sales for segment Other, note 7. As at 31 December 2021, the allowance of RUB 4,686 million related to parking places (31 December 2020: RUB 4,283 million).

As at 31 December 2021, the balance of parking places is equal to RUB 14,723 million (31 December 2020: RUB 14,519 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 – 8,57% per annum;
- Inflation rates – 2,88 – 4,45% 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 significant impact on the impairment allowance amount.

The assumptions used in determining net realizable value for parking places were effective as of 31 December 2021 and did not reflect any of the non-adjusting events after the reporting period in accordance with IAS 10 *Events after the Reporting Period*.

18. Inventories

The following table demonstrates changes in key inputs and sensitivity of measurement of allowance for impairment:

	31 December 2021		
	Change of parameter	Impact on allowance for impairment	In monetary terms (mln RUB)
Growth of discount rate	2%	10%	409
Growth of inflation rates	2%	-6%	(245)
Reduction of turnover of finished goods, years	1	6%	246
Reduction of revenue from uncontracted parking places	2%	2%	94

	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, years	1	3%	104
Reduction of revenue from uncontracted parking places	2%	2%	83

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 2021, the total carrying value of these items of property was RUB 378 million (31 December 2020: RUB 361 million). The Group is actively seeking buyers for these properties.

d) PLEDGES

As at 31 December 2021, inventories with a carrying amount of RUB 55,147 million (31 December 2020: RUB 16,505 million) are pledged as security for borrowings, see note 24.

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	2021	2020
Cost of acquisition of rights for land plots during the period	9,961	2,036
Including fees for changing of the type of permitted use of land plots	*2,022*	*539*
Capitalised lease payments for land plots	790	896
TOTAL	10,751	2,932

19. Contract assets, trade and other receivables

mln RUB	2021	2020
LONG-TERM TRADE AND OTHER RECEIVABLES		
Trade receivables	3,131	4,082
Less: loss allowance for expected credit losses on trade accounts receivable	(10)	(27)
LONG-TERM TRADE RECEIVABLES LESS ALLOWANCE	3,121	4,055
Other receivables	255	231
Less: loss allowance for expected credit losses on other accounts receivable	(31)	(34)
LONG-TERM OTHER RECEIVABLES LESS ALLOWANCE	224	197
Advances paid to suppliers	–	1
TOTAL LONG-TERM TRADE AND OTHER RECEIVABLES	3,345	4,253
SHORT-TERM TRADE AND OTHER RECEIVABLES		
Contract assets	25,332	7,138
Trade receivables	6,837	6,993
Less: loss allowance for expected credit losses on trade accounts receivable	(529)	(635)
SHORT-TERM TRADE RECEIVABLES LESS ALLOWANCE	31,640	13,496

mln RUB	2021	2020
Advances paid to suppliers	11,015	8,384
Less: loss allowance for expected credit losses on advances paid to suppliers	(158)	(247)
SHORT-TERM ADVANCES PAID TO SUPPLIERS LESS ALLOWANCE	10,857	8,137
VAT recoverable	4,915	3,656
Financial asset arising from preferential rate on escrow-backed loans	496	1,053
Other taxes receivable	35	70
Other receivables due from related parties	91	187
Other receivables	1,509	1,521
	7,046	6,487
Less: loss allowance for expected credit losses on other accounts receivable	(803)	(930)
SHORT-TERM OTHER RECEIVABLES LESS ALLOWANCE	6,243	5,557
TOTAL SHORT-TERM TRADE AND OTHER RECEIVABLES	48,740	27,190
TOTAL	52,085	31,443

As at 31 December 2021, contract assets of RUB 10,560 million relate to construction projects that will be completed after more than 12 months from the reporting date (31 December 2020: RUB 4,396 million).

As at 31 December 2021, non-financial assets recognised within advances paid to suppliers, VAT and other taxes receivable amounted to RUB 15,812 million (31 December 2020: RUB 11,863 million).

The explanation of significant changes in contract asset balance during the reporting period is presented in note 6.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 27.

20. Short-term investments

mln RUB	2021	2020
Loans – at amortised cost	172	109
Bank deposits (over 3 months)	42	100
Bank promissory notes – at amortised cost	–	91
	214	300
Loss allowance for loans given	(88)	(88)
TOTAL	126	212

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 27.

21. Cash and cash equivalents

mln RUB	2021	2020
Cash in banks, in RUB	7,740	10,455
Cash in banks, in USD	85	163
Cash in banks, in EUR	5	18
Cash in banks, in GBP	2	2
Cash in banks, in CHF	1	1
Petty cash	1	2
Cash in transit	–	1
Short-term deposits (less than 3 months)	36,753	15,188
TOTAL	44,587	25,830

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 a foreign bank with credit rating A+.

These credit ratings were effective as of 31 December 2021 and did not reflect any subsequent changes of credit ratings as these changes represent non-adjusting events after the reporting period in accordance with IAS 10 *Events after the Reporting Period*.

At 31 December 2021, the most significant amount of cash and cash equivalents held with one bank totalled RUB 19,018 million (31 December 2020: RUB 13,707 million). At 31 December 2021, the Group had outstanding loans and borrowings with the same bank that held the most significant amount of cash and cash equivalents of RUB 59,733 million (31 December 2020: RUB 28,342 million). The bank has a Standard & Poor's/Moody's credit rating credit rating of BBB-.

At 31 December 2021, short-term deposits bore interest rates ranging from 6,1% to 9,43% per annum (31 December 2020: 2,27% to 4,56% per annum).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 27.

Bank balances on escrow accounts – supplementary disclosure

mln RUB	2021	2020
Bank balances in escrow accounts	59,752	23,572

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	2021	2020
Balance at 1 January	23,572	692
Receipts of funds on escrow accounts	36,180	22,880
Release of funds from escrow accounts	–	–
BALANCE AT 31 DECEMBER	59,752	23,572

22. Capital and reserves

a) SHARE CAPITAL

The table below summarizes the information about the issued share capital of the Company.

Number of shares unless otherwise stated	2021		2020	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
ISSUED SHARES				
Par value	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
New shares issued during the year	88,487,391	–	–	–
ON ISSUE AT THE END OF THE YEAR, FULLY PAID	383,445,362	20,000	294,957,971	20,000

At 31 December 2020, the number of authorised and issued shares was 294,957,971. On 28 March 2021, the General Meeting of the Shareholders of the Company approved the increase of the authorised share capital of the Company by the creation of 88,487,391 ordinary shares of nominal value of GBP 0.00005 each. On 14 May 2021, the Company announced an offering of rights to subscribe for newly issued Ordinary Shares to the existing holders of the Company's equity securities. Eligible holders of GDRs subscribed for 23,339,732 new ordinary shares and 281,975 new GDRs in total. A rump offering was also completed on 14 May 2021 in which a total of 64,865,684 GDRs was purchased by investors.

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 issuance of 117,647 ordinary £0,01 shares for a consideration of USD 82,352,900 in March 2008, from the initial public offering of 71,428,571 ordinary shares at a value USD 7 each in form of global depository receipts (GDRs) on the London Stock Exchange on 4 April 2011 and from a supplementary public offering of 88,487,391 ordinary shares at a value USD 1,7 in form of shares and global depository receipts on 14 May 2021.

c) RESERVE FOR OWN SHARES

During 2011–2017, the Company acquired 8,216,378 GDRs for own shares under GDR repurchase programmes.

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 11. As at 31 December 2021 and 31 December 2020, 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. The term of the programme expired on 14 April 2021 and no GDRs were purchased thereunder.

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 2021, the Company paid dividends in the amount of RUB 3,613 million (year ended 31 December 2020: RUB 3,527 million).

23. 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 reporting period, as shown below. The Company has no dilutive potential ordinary shares.

Number of shares unless otherwise stated	2021	2020
Issued shares at 1 January	294,954,025	294,954,025
Effect of shares issued in May 2021	55,031,884	–
WEIGHTED AVERAGE NUMBER OF SHARES FOR THE YEAR ENDED 31 DECEMBER	349,985,909	294,954,025
Profit attributable to the owners of the Company, mln RUB	3,007	2,036
Basic and diluted earnings per share (RUB)	8.59	6.90

24. 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 27.

mln RUB	2021	2020
NON-CURRENT LIABILITIES		
Secured bank loans	20,676	26,571
Secured project financing	28,923	4,995
Unsecured bank and other loans	2,602	1,375
Unsecured bond issues	14,931	1,695
	67,132	34,636
CURRENT LIABILITIES		
Current portion of secured bank loans	5,345	2,329
Current portion of secured project financing	7,305	–
Current portion of unsecured bank and other loans	1,777	4,988
Current portion of unsecured bond issues	1,879	8,552
	16,306	15,869

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	Loans and borrowings	Lease liabilities	Retained earnings	Share premium	TOTAL
BALANCE AT 1 JANUARY 2021	50,505	1,862	35,586	15,486	103,439
CHANGES FROM FINANCING CASH FLOWS					
Proceeds from loans and borrowing	49,071	–	–	–	49,071
Repayment of loans and borrowing	(14,635)	–	–	–	(14,635)
Payment of lease liabilities	–	(1,775)	–	–	(1,775)
Payment of dividends	–	–	(3,613)	–	(3,613)
Proceeds from issue of share capital	–	–	–	10,881	10,881
TOTAL CHANGES FROM FINANCING CASH FLOWS	34,436	(1,775)	(3,613)	10,881	39,929
OTHER CHANGES					
Interest expense on loans and borrowings	6,078	–	–	–	6,078
Foreign exchange loss	–	–	12	–	12

24. Loans and borrowings

mln RUB	Loans and borrowings	Lease liabilities	Retained earnings	Share premium	TOTAL
Interest expense on lease liabilities	–	498	–	–	498
Additions/terminations to lease liabilities	–	9,346	–	–	9,346
Modifications of lease contracts	–	(63)	–	–	(63)
Interest paid on loans and borrowings	(3,963)	–	–	–	(3,963)
Interest paid on lease liabilities	–	(498)	–	–	(498)
Discounting of loans	(3,618)	–	–	–	(3,618)
TOTAL LIABILITY-RELATED OTHER CHANGES	(1,503)	9,283	12	–	7,792
TOTAL EQUITY-RELATED OTHER CHANGES	–	–	3,007	–	3,007
BALANCE AT 31 DECEMBER 2021	83,438	9,370	34,992	26,367	154,167
BALANCE AT 1 JANUARY 2020	52,692	2,038	37,089	15,486	107,305
CHANGES FROM FINANCING CASH FLOWS					
Proceeds from loans and borrowing	8,691	–	–	–	8,691
Repayment of loans and borrowing	(10,108)	–	–	–	(10,108)
Payment of lease liabilities	–	(645)	–	–	(645)
Payment of dividends	–	–	(3,527)	–	(3,527)
TOTAL CHANGES FROM FINANCING CASH FLOWS	(1,417)	(645)	(3,527)	–	(5,589)

mln RUB	Loans and borrowings	Lease liabilities	Retained earnings	Share premium	TOTAL
OTHER CHANGES					
Interest expense on loans and borrowings	4,739	–	–	–	4,739
Foreign exchange loss	–	–	(12)	–	(12)
Interest expense on lease liabilities	–	167	–	–	167
Additions/terminations to lease liabilities	–	547	–	–	547
Modifications of lease contracts	–	(78)	–	–	(78)
Interest paid on loans and borrowings	(4,636)	–	–	–	(4,636)
Interest paid on lease liabilities	–	(167)	–	–	(167)
Discounting of loans	(873)	–	–	–	(873)
TOTAL LIABILITY-RELATED OTHER CHANGES	(770)	469	(12)	–	(313)
TOTAL EQUITY-RELATED OTHER CHANGES	–	–	2,036	–	2,036
BALANCE AT 31 DECEMBER 2020	50,505	1,862	35,586	15,486	103,439

During the year ended 31 December 2021, 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.

24. Loans and borrowings

mln RUB	Currency	Nominal interest rate as of 31 December	Year of maturity	2021		2020	
				Face value	Carrying amount	Face value	Carrying amount
SECURED BANK LOANS							
Secured bank loan	RUB	CBR's key rate + 3%	2027	13,918	13,872	14,642	14,522
Secured bank loan	RUB	CBR's key rate + 2.35%	2024	12,188	12,149	13,700	13,529
Secured project financing	RUB	0.01% – 7.99%	2024	7,329	6,614	–	–
Secured project financing	RUB	0.01% – 9.5%	2025	6,145	5,622	3,402	2,814
Secured project financing	RUB	0.01%-7.1%	2024	3,000	2,887	1,539	1,372
Secured project financing	RUB	0.01-7.60%	2024	3,169	2,935	–	–
Secured project financing	RUB	0.01% – CBR's key rate + 3.05%	2025	2,831	2,516	–	–
Secured project financing	RUB	0.01% – 7.7%	2025	2,799	2,482	–	–
Secured project financing	RUB	0.01% – 7.15%	2024	2,723	2,712	–	–
Secured project financing	RUB	0.01% – 7.15%	2024	2,431	2,421	–	–
Secured project financing	RUB	0.01% – 7.65%	2025	2,284	2,059	–	–
Secured project financing	RUB	0.01% – 7.65%	2025	2,118	1,906	–	–
Secured project financing	RUB	0.01% – 8.85%	2025	1,526	1,317	–	–
Secured project financing	RUB	0.01% -7.1 %	2024	1,098	1,092	–	–
Secured project financing	RUB	0.01% – 9%	2022	916	895	440	407
Secured project financing	RUB	0.01% – 8.5%	2023	769	770	445	404
Secured bank loan	RUB	CBR's key rate + 3.5%	2022	–	–	482	482
Secured bank loan	RUB	10.50%	2023	–	–	373	366
TOTAL SECURED BANK LOANS				65,244	62,249	35,023	33,896

TERMS AND DEBT REPAYMENT SCHEDULE

The table below shows the terms and conditions of outstanding loans (the table continues on the next page).

As at 31 December 2021, the weighted average interest rate on current credit portfolio amounted to 6,52% p.a. (31 December 2020: 8,31% p.a.).

Bank loans are secured by:

- inventories with a carrying amount of RUB 55,147 million (31 December 2020: RUB 16,505 million), see note 18;
- pledge of bank promissory note of RUB 3 million (31 December 2020: RUB 3 million), note 16;
- pledge of 68% of shares in subsidiary company JSC "Zatonskoe" which represents RUB 3,921 million in its net assets* (31 December 2020: 48% of shares represents RUB 2,866 million in net assets);
- As at 31 December 2020: pledge of 100% of shares in subsidiary company LLC "Specialized Developer "LS-Rielty" which represents RUB 4,151 million in its net assets*, as at 31 December 2021 — no pledge;
- pledge of 100% shares of JSC "Leader-Invest" and 100% of other subsidiary companies of JSC "Leader-Invest" which collectively represent RUB 42,151 million in net assets* (31 December 2020: RUB 43,927 million in net assets);
- pledge of 100% shares of JSC "Etalon LenSpetsSMU", LLC "SZ Etalon Pushkin", LLC "Zolotaya Zvezda", JSC "SZ Komplekt", LLC "EtalonStroy" and JSC "SZ "Izmaylovskoe 20" which collectively represent RUB 46,344 million in net assets* (31 December 2020: RUB 45,994 million in net assets);
- pledge of 99,9942% shares of LLC "Specialized Developer "Serebryaniy Fontan" which represents RUB 3,667 million in its net assets (31 December 2020: RUB 3,487 million in net assets).

* net assets are based om individual IFRS accounts of the relevant companies.

24. Loans and borrowings

mln RUB	Currency	Nominal interest rate as of 31 December	Year of maturity	2021		2020	
				Face value	Carrying amount	Face value	Carrying amount
UNSECURED BANK AND OTHER LOANS							
Unsecured bank loan	RUB	7.15%	2023	3,004	3,004	2,124	2,124
Unsecured bank loan	RUB	9.25%	2022	819	819	827	819
Unsecured bank loan	RUB	8.70%	2022	160	160	500	500
Unsecured loan	RUB	9.31%	2021	355	355	501	501
Unsecured loan	RUB	0.00%	2022	40	40	482	482
Unsecured bank loan	RUB	8.7% – 8.9%	2021	–	–	751	751
Unsecured bank loan	RUB	8.75%	2021	–	–	250	250
Unsecured bank loan	RUB	4.25% – 9.7%	2021	–	–	501	501
Unsecured bank loan	RUB	CBR's key rate + 1.75%	2021	–	–	435	435
TOTAL UNSECURED BANK AND OTHER LOANS				4,378	4,378	6,371	6,363
UNSECURED BOND ISSUES							
Unsecured bonds	RUB	9.10%	2026	10,025	9,976	–	–
Unsecured bonds	RUB	7.95%	2023	5,147	5,128	5,215	5,181
Unsecured bonds	RUB	8.95%	2022	1,709	1,707	3,919	3,911
Unsecured bonds	RUB	11.85%	2021	–	–	1,155	1,154
TOTAL UNSECURED BOND ISSUES				16,881	16,811	10,289	10,246
TOTAL OUTSTANDING LOANS				86,503	83,438	51,683	50,505

TERMS AND DEBT REPAYMENT SCHEDULE

Terms and conditions of outstanding loans, continued.

As at 31 December 2021, the amount of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments amount to RUB 64,696 million (31 December 2020: RUB 67,365 million).

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 reporting period, the Group breached operating covenants on several loans. The Group obtained waivers from the banks before the reporting date, and the obligations were not transferred to current liabilities.

As at the date these consolidated financial statements have been authorised for issue, taking into account waivers obtained from the banks before the reporting date, the Group was in compliance with loans' operating covenants.

25. Provisions

mln RUB	Warranty provision	Provision for deferred works	Provision for onerous contracts	Provision for litigations and claims	TOTAL
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
Balance at 1 January 2021	129	369	25	4	527
Provisions made during the year	18	1,669	57	149	1,893
Provisions used during the year	(25)	(1,586)	–	(32)	(1,643)
Provision reversed during the year	(5)	(121)	(14)	(2)	(142)
BALANCE AT 31 DECEMBER 2021	117	331	68	119	635
Non-current	117	–	–	–	117
Current	–	331	68	119	518
	117	331	68	119	635

a) WARRANTIES

The provision for warranties relates mainly to the residential units sold during the reporting period. 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.

c) PROVISION FOR LITIGATIONS AND CLAIMS

The Group records provision for litigations and claims when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

26. Contract liabilities, trade and other payables

mln RUB	2021	2020
LONG-TERM		
Trade payables	24,257	25,695
Lease liabilities	6,859	998
Other payables	114	41
	31,230	26,734
SHORT-TERM		
Contract liabilities	14,157	28,351
Trade payables	5,000	6,396
VAT payable	4,234	3,466
Payroll liabilities	1,164	928
Other taxes payable	362	302
Lease liabilities	2,511	864
Other payables	10,421	9,260
	37,849	49,567
TOTAL	69,079	76,301

Long-term trade payables mainly consist of an obligation equal to RUB 23,168 million (31 December 2020: RUB 25,245 million) 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 2023-2024. In addition, the current part of the obligation of RUB 2,108 million (31 December 2020: RUB 2,265 million) 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 to reflect the time value of money.

Short-term other payables mainly consist of an obligation, including accrued interest, to construct social infrastructure objects of RUB 8,042 million (31 December 2020: RUB 7,552 million) and a liability of RUB 622 million (31 December 2020: RUB 1,928 million) to the City authorities for change of intended use of land plot recognised as part of inventories.

As at 31 December 2021, non-financial liabilities recognised within contract liabilities, VAT and other taxes payable amounted to RUB 19,312 million (31 December 2020: RUB 32,119 million).

The explanation of significant changes in contract liability balance during the reporting period is presented in note 6.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 27.

27. 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.

mln RUB	Carrying amount		Fair value		
31 December 2021	At amortised cost	TOTAL	Level 1	Level 2	TOTAL
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE					
Trade receivables	9,429	9,429	–	9,220	9,220
Other receivables (excluding taxes receivable and advances paid to suppliers)	1,022	1,022	–	979	979
Loans given	1,070	1,070	–	647	647
Bank deposits (over 3 months)	42	42	–	42	42
Bank promissory notes	3	3	–	2	2
Cash and cash equivalents	44,587	44,587	44,587	–	44,587
	56,153	56,153	44,587	10,890	55,477
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE					
Secured bank loans	(26,020)	(26,020)	–	(27,368)	(27,368)
Secured project financing	(36,228)	(36,228)		(31,191)	(31,191)
Unsecured bank loans	(4,378)	(4,378)	–	(4,197)	(4,197)
Unsecured bond issues	(16,811)	(16,811)	(16,169)	–	(16,169)
Trade and other payables	(50,327)	(50,327)	–	(44,257)	(44,257)
	(133,764)	(133,764)	(16,169)	(107,013)	(123,182)

mln RUB	Carrying amount		Fair value		
31 December 2020	At amortised cost	TOTAL	Level 1	Level 2	TOTAL
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE					
Trade receivables	11,845	11,845	–	11,591	11,591
Other receivables (excluding taxes receivable and advances paid to suppliers)	2,030	2,030	–	1,991	1,991
Loans given	319	319	–	264	264
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)

27. Financial instruments and risk management

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	2021	2020
Receivables (excluding taxes receivable and advances paid to suppliers)	Weighted average rate on mortgages issued during the year	7.81%	7.36%
Loans given	Weighted average interest rates on loans to non-financial organizations	8.57%	6.88%
Unsecured loans and bond issued, and trade and other payables		8.57%	6.88%
Bank promissory notes	Weighted average interest rate on deposits of non-financial organizations	7.58%	4.30%

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 21.

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 2021, receivables from one customer equalled to RUB 414 million or 4% of the Group`s consolidated trade and other receivables (31 December 2020: RUB 284 million or 2%).

(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	2021	2020
Loans given	1,070	318
Receivables (excluding taxes receivable, advances paid to suppliers)*, including contract assets	28,995	10,309
Bank promissory notes	3	94
Bank deposits (over 3 months)	42	100
Cash and cash equivalents	44,587	25,830
	74,697	36,651

* presented net of receivables and contract assets arising from the sale of real estate that is secured by a pledge of the sold real estate (see 3(c)(vi)).

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".

27. Financial instruments and risk management

Maturity analysis and impairment

The ageing of trade receivables and contract assets at the reporting date was as follows. Contract assets are not past due and not impaired.

mln RUB	2021		2020	
	Gross	Impairment	Gross	Impairment
Not past due	32,819	(4)	7,650	(7)
Past due 0–30 days	302	–	318	–
Past due 31–90 days	254	(1)	395	–
Past due 91–120 days	58	(1)	198	–
Past due more than 120 days	1,867	(533)	2,514	(655)
	35,300	(539)	11,075	(662)

The ageing of loans given receivables at the reporting date was:

mln RUB	2021		2020	
	Gross	Impairment	Gross	Impairment
Not past due	1,146	(120)	342	(24)
Past due 0–30 days	–	–	–	–
Past due more than 120 days	132	(88)	88	(88)
	1,278	(208)	430	(112)

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	2021	2020
Balance at 1 January	662	747
Amounts written off	(84)	(137)
Net remeasurement of loss allowance	(39)	52
BALANCE AT 31 DECEMBER	539	662

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 ended 31 December 2021.

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	2021	2020
Balance at 1 January	964	763
Amounts written off	(359)	(72)
Net remeasurement of loss allowance	229	273
BALANCE AT 31 DECEMBER	834	964

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	2021	2020
Balance at 1 January	112	143
Amounts written off	–	(43)
Net remeasurement of loss allowance	96	12
BALANCE AT 31 DECEMBER	208	112

As at 31 December 2021 and 31 December 2020, the credit risk on financial investments has not increased significantly since initial recognition, and the Group measures the loss allowance for those financial instruments at an amount equal to 12-month expected credit losses.

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.

27. Financial instruments and risk management

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	2021	2020
Balance at 1 January	247	238
Amounts written off	(151)	(68)
Increase during the year	62	77
BALANCE AT 31 DECEMBER	158	247

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.

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 2021 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	83,437	97,766	19,980	23,317	30,754	19,645	3,298	772
Trade and other payables (excluding taxes payable and contract liabilities)	40,957	40,959	11,783	8,695	18,466	1,433	580	2
Lease liabilities	9,370	11,297	2,387	2,341	4,959	142	142	1,326
	133,764	150,022	34,150	34,353	54,179	21,220	4,020	2,100

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

27. Financial instruments and risk management

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 2021 and 31 December 2020 the Group's net positions in foreign currency were as follows:

	2021			2020		
mln RUB	USD	GBP	EUR	USD	GBP	EUR
Cash and cash equivalents (see note 21)	85	2	5	163	2	18
NET EXPOSURE	85	2	5	163	2	18

The following significant exchange rates applied during the reporting period:

	Average rate		Reporting date spot rate	
mln RUB	2021	2020	31 December 2021	31 December 2020
USD 1	73.67	72.32	74.29	73.88
EUR 1	87.09	82.84	84.07	90.68

(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	
	2021	2020
FIXED RATE INSTRUMENTS		
Financial assets	41,119	19,806
Financial liabilities	(64,271)	(22,602)
	(23,152)	(2,796)
VARIABLE RATE INSTRUMENTS		
Financial liabilities	(28,537)	(29,765)
	(28,537)	(29,765)

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 2021				
Variable rate instruments	(571)	285	(571)	285
Cash flow sensitivity (net)	(571)	285	(571)	285
31 December 2020				
Variable rate instruments	(595)	298	(595)	298
Cash flow sensitivity (net)	(595)	298	(595)	298

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the reporting date. The analysis shows how profit or loss and equity would have been affected by a 2% increase or 1% decrease in the variable interest rates and represents management's assessment of the change in the interest rates that were reasonably possible at the reporting date. This does not reflect any changes to variable interest rates subsequent to the year end as such changes represent non-adjusting events after the reporting period in accordance with IAS 10 *Events after the Reporting Period*.

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.

27. Financial instruments and risk management

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 22). 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	2021	2020
Loans and borrowings, note 24	83,438	50,505
Less: cash and cash equivalents, note 21	(44,587)	(25,830)
Less: bank deposits over 3 months, note 20	(42)	(100)
Net debt	38,809	24,575
TOTAL EQUITY	61,360	51,073
Debt to capital ratio at end of period	0.63	0.48

At 31 December 2021, lease liabilities of RUB 9,018 million (31 December 2020: RUB 1,888 million) are included in trade and other payables (see notes 26 and 28) and are not included in the total amount of borrowings.

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 2021	2,395	312	2,707
Additions to right-of-use assets	8,573	784	9,357
Modifications of lease contracts	(38)	(25)	(63)
Depreciation charge	(221)	(200)	(421)
BALANCE AT 31 DECEMBER 2021	10,709	871	11,580
LEASE LIABILITIES			
Balance at 1 January 2021	1,587	275	1,862
Settlement of lease liabilities, including interest	(2,121)	(153)	(2,274)
Interest expense on lease liabilities	456	43	499
Additions to lease liabilities	8,573	773	9,346
Modifications of lease contracts	(38)	(25)	(63)
BALANCE AT 31 DECEMBER 2021	8,457	913	9,370

28. Leases

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)
Termination of lease contracts	–	–	–
BALANCE AT 31 DECEMBER 2020	1,586	276	1,862

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 1,294 million (31 December 2020: RUB 812 million).

29. Capital commitments

As at 31 December 2021, the Group had no capital commitments (31 December 2020: 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 2021 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.

In the opinion of management, there are no current legal proceedings or 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 ended 31 December 2021, which is included in personnel costs (see note 10):

mln RUB	2021	2020
Short-term employee benefits — salaries and bonuses	652	312
	652	312

During the year ended 31 December 2021 and 2020, the Group did not grant any loans and pensions to its key management personnel.

During the year ended 31 December 2021, the remuneration of the members of the Board of Directors of the Company amounted to RUB 33 million (2020: RUB 28 million).

b) TRANSACTIONS WITH OTHER RELATED PARTIES

The Group's transactions with other related parties are disclosed below.

(i) Revenue

	Transaction value		Outstanding balance	
mln RUB	2021	2020	2021	2020
Other related parties	882	409	408	218
	882	409	408	218

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	2021	2020	2021	2020
Other related parties	(680)	(178)	2,376	(116)
	(680)	(178)	2,376	(116)

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	2021	2020	2021	2020
Loans given	–	(5)	2	2
Loans received	(4,362)	(1,210)	(5,349)	(5,145)
	(4,362)	(1,215)	(5,347)	(5,143)

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	2021	2020	2021	2020
Cash and cash equivalents in banks-related parties	102,256	262	9,312	276
Proceeds from investments in associates	40	12	(25)	–
Interest on deposits	201	18	–	–
Interest payable	(395)	157	(21)	(6)
	102,102	449	9,266	270

32. Group entities

SIGNIFICANT SUBSIDIARIES

mln RUB	Country of incorporation	31 December 2021	31 December 2020
"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" (JSC "Etalon-Finance" after 4 April 2022)	Russian Federation	100.00%	100.00%
LLC "Razvitiye"	Russian Federation	100.00%	100.00%
LLC "Specialized Developer "ZIL-YUG"	Russian Federation	100.00%	100.00%
LLC "Specialized Developer "MBI"	Russian Federation	100.00%	100.00%
JSC "Lobachevskogo 120"	Russian Federation	100.00%	100.00%

As at 31 December 2021, the Group controlled 105 legal entities (31 December 2020: 119). 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 ENVIRONMENT

Subsequent to the balance sheet date, the rapid and significant developments related to the conflict in Ukraine has led to additional and more severe sanctions imposed by the US, UK, EU and other countries on certain Russian institutions and individuals. These developments may result in reduced access for Russian businesses to international capital and export markets, weakening of the Russian Ruble, decline in capitals markets and other negative economic consequences.

The full impact of sanctions and consequent political and economic developments in Russia on future operations and the financial position of the Group is difficult to determine at this stage.

Although there is currently no prohibition on dividend distribution by the Company, certain provisions of sanctions as well as rules introduced by the Central Bank of Russia make it difficult to conduct the necessary intra-group transactions, which may affect the ability to pay dividends under the current dividend policy.

The Group continues to operate and fulfil its obligations to its customers, partners and employees, although the Company can provide no assurance that the current geopolitical situation and the resulting economic developments in Russia will not adversely affect operations and financial results in the future. The abovementioned events led to suspension of trading in the Company's GDRs starting from March 2022, and have had, and may continue to have, a negative impact on the trading price of the Company's GDRs.

OPERATING EVENTS

Prospective acquisition of YIT Russia

On 31 March 2022, the Boards of Directors of the Company and of YIT Corporation have agreed on the sale of YIT Russia for a maximum consideration of RUB 4,597 million to be paid in cash. The completion of the transaction is subject to further regulatory approvals.

YIT Russia focuses on mid-market residential real estate with a portfolio of 19 projects in five Russian regions, including the Moscow metropolitan area, St. Petersburg, the Ekaterinburg region, Kazan and Tyumen with a total unsold net sellable area (NSA) of 0.6 million sqm. It also operates several housing-service companies.

The primary reasons for the prospective acquisition are to increase supply in the Group's primary markets of Moscow and St Petersburg and to speed up Group's regional expansion, as well as to get access to the YIT Russia's software and technological know-how, including Dispatcher 24 software for managing apartment buildings and residential areas, project design documentation and a library of standard design solutions for cast-in-place construction and buildings made of prefabricated panels.

Financing events

Subsequent to the reporting date, the Group has repaid loans and borrowings outstanding as at 31 December 2021 for the total amount of RUB 10,285 million and unsecured bonds for the total amount of RUB 550 million.

Subsequent to the reporting date, the Group has obtained additional tranches of loans for the total amount of RUB 15,651 million with nominal interest rates of 0,01%-9 % and repayable by 2025.

Subsequent to the reporting date, the Group has completed the acquisition of a land plot in the St. Petersburg metropolitan area where a part of acquisition price was financed by issuance of loan of RUB 850 million to the entity owning that land plot (note 16). Following the acquisition and completion of the consolidation procedures with regards to the acquired entity in 2022, the balance of loan will be included into the cost of acquired land plot within the line Inventories under construction and development in the consolidation statement of financial position for the year 2022.

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	2021	2020
Loans and borrowings	83,438	50,505
Less: cash and cash equivalents	(44,587)	(25,830)
Less: bank deposits over 3 months, note 20	(42)	(100)
Add: contract liabilities, reportable segment Residential development	10,528	25,530
Less: Inventories under construction, note 18	(95,431)	(102,179)
ADJUSTED NET DEBT	(46,094)	(52,074)

mln RUB	2021	2020
Gross profit	27,782	21,915
Less: General and administrative expenses	(5,784)	(5,235)
Less: Selling expenses	(4,639)	(4,560)
Adjusted operating profit	17,359	12,120
Add: Depreciation and amortisation	521	481
EBITDA	17,880	12,601
Add: Purchase price allocation from acquisition of Leader-Invest included in cost of sales	3,259	3,881
ADJUSTED EBITDA	21,139	16,482
ADJUSTED NET DEBT/ ADJUSTED EBITDA	(2.18)	(3.16)

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.

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.

NET CORPORATE DEBT/ADJUSTED EBITDA

Net corporate debt represents net debt as defined in the note 27(e) adjusted for the amount of project financing (borrowings backed by balances on escrow accounts).

mln RUB	2021	2020
Loans and borrowings	83,438	50,505
Less: secured project financing	(36,228)	(4,995)
Total corporate borrowings	47,210	45,510
Less: cash and cash equivalents	(44,587)	(25,830)
Less: bank deposits over 3 months, notes 16 and 20	(42)	(100)
NET CORPORATE DEBT	2,581	19,580
NET CORPORATE DEBT/ ADJUSTED EBITDA	0.12	1.19

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 results and will continue to do so in the next few years. The disclosure increases the transparency of the reporting and enables financial statements' users to correctly assess the effect of PPA on the financial results.

mln RUB	2021	2020
Balance at 1 January	20,896	25,695
Included in Cost of sales	(3,259)	(3,881)
Included in Other expenses, net	(1,152)	(918)
BALANCE AT 31 DECEMBER	16,485	20,896

Profit for the year adjusted for the effect of purchase price allocation (PPA) from the acquisition of Leader-Invest

mln RUB	2021	2020
Profit for the year	3,007	2,036
Add: PPA included in Cost of sales	3,259	3,881
Add: PPA included in Other expenses, net	1,152	918
Less: tax effect of PPA	(882)	(960)
PROFIT FOR THE YEAR BEFORE PPA	6,536	5,875

Parent Company financial statements

For the year ended 31 December 2021

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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 and resigned on 4 March 2022
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
Alexander Voloshin	appointed on 30 April 2021
Gennadii Shcherbina	appointed on 30 April 2021
Vitaly Pyltsov	appointed on 4 April 2022

SECRETARY

G.T. Globaltrust Services Limited
Themistokli Dervi, 15
Margarita House, 5th floor,
flat/office 502
1066 Nicosia
Cyprus

REGISTERED OFFICE

2-4 Arch. Makariou III Avenue
Capital Center, 9th floor
1065 Nicosia
Cyprus

INDEPENDENT AUDITORS

Deloitte Limited
Certified Public Accountants
and Registered Auditors
24 Spyrou Kyprianou Avenue
1075, 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 2021.

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. Since the beginning of March 2022, LSE suspended trading in Etalon's GDRs. 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 June 2021, the Company's subsidiary, Etalon Group Limited, approved a transfer to the Company of 1,300,245 shares in JSC GK Etalon with nominal value of RUB 1.200 as result of reduction of share premium. After the transaction, the Company increased its share of ownership in JSC GK Etalon to 99.9%.

During December 2021, all investments of Etalon Group Limited were sold to the Company.

On 28 December 2021, the Company entered into a Share Purchase Agreement with a third party, under which the Company sold its entire shareholding of its subsidiary Etalon Group Limited to the third party for a total consideration of US$13,199.

During 2021, a restructuring and merger plan of the Cyprus subsidiaries of the Group was implemented. As a result, a number of companies were absorbed by other group companies and dissolved, therefore the number of the Cyprus entities within the Group was reduced.

REVIEW OF DEVELOPMENTS, POSITION AND PERFORMANCE OF THE COMPANY'S BUSINESS

The profit of the Company for the year ended 31 December 2021 was Russian Ruble RUB'000 31,413,344 (2020: profit of RUB'000 8,018,572). The main source of profit for the period is the change in fair value of investments in subsidiaries in the amount of RUB'000 29,974,688 (2020: the dividend income from subsidiaries in the amount of RUB'000 3,870,166 and change in fair value of investments of RUB'000 4,458,099).

On 31 December 2021, the total assets of the Company were RUB'000 111,771,758 (31 December 2020: RUB'000 73,746,552) and the net assets were RUB'000 111,752,218 (31 December 2020: RUB'000 73,057,213). Investment in subsidiaries was RUB'000 98,441,246 (31 December 2020: RUB'000 64,769,755).

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 214 and 215 (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 other then as further described below.

SHARE CAPITAL

On 28 March 2021, the General Meeting of the Shareholders of the Company approved the increase of the authorised share capital of the Company by the creation of 88,487,391 ordinary shares of nominal value of GBP 0.00005 each. On 14 May 2021, the Company announced an offering of rights to subscribe for newly issued Ordinary Shares to the existing holders of the Company's equity securities. Eligible holders of GDRs subscribed for 23,339,732 new ordinary shares and 281,975 new GDRs in total. A rump offering was also completed on 14 May 2021 in which a total of 64,865,684 GDRs was purchased by investors.

ACQUISITION OF OWN SHARES

During 2021, the Company did not acquire own shares. As of 31 December 2021, the total number of own shares acquired by the Company in prior periods amounted to 3,946 or 0.001% of issued share capital.

BOARD OF DIRECTORS

The members of the Board of Directors of the Company at 31 December 2021 and at the date of this report are shown on page 1. The details of all appointment and resignations of Directors are shown on page 1.

Management Report

COVID-19 AND THE UKRAINIAN CRISIS

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, 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. During 2020, 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. During 2021, price limits for preferential mortgage program have been significantly reduced.

During the year 2021, 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.

Since the outbreak of the conflict in Ukraine on 24 February 2022, the US, UK, EU and other countries announced an extension of sanctions on certain Russian officials, businessmen and companies. These developments resulted in reduced access of Russian businesses to international capital, import and export markets, weakening of the Russian Ruble, and other negative economic consequences. This in turn led to an increase in the key interest rate set by the Central Bank of Russia to 20% p.a. (reduced to 17% starting from 11 April 2022).

The impact of these and further developments on future operations and financial position of the Group at this stage is difficult to determine.

Effective from 1 April 2022, the Government of the Russian Federation introduced special mortgage rates of 12% for newly constructed real estate and increased the price limit up to RUB 12 million per apartment in Moscow and St. Petersburg (RUB 6 million in other Russian cities). Together with special mortgage programs, including a family mortgage program of 6% that continue to be in place, these measures are expected to support the demand for real estate.

INDEPENDENT AUDITORS

On 1 December 2021, 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 24 September 2021, the Board of Directors recommended a final dividend of RUB 9.39 per share for the financial year ended 31 December 2020.

The final dividend for the total amount of RUB 3,600,552 million was approved by the Annual General Meeting of shareholders on 1 December 2021, and the dividends were paid on 16 December 2021. No dividends has been declared for 2021.

BRANCHES

The Company did not operate through any branches during the year ended 31 December 2021.

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 2021, the Company is aware of the following interests in its share capital:

Shareholders	%
Free float	37.5%
Sistema PJSFC	29.8%
Alfa Bank	16.7%
Mubadala Investment Company	6.3%
Kopernik Global Investors	5.0%
Prosperity Capital	4.1%
Management of the Company	0.6%
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 EXERCISINGOF 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 him from his 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, 28 April 2022

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 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 2021:

(iii). 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;

(iv). Give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company included in the consolidated 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

BORIS SVETLICHNY, Member of the Board of Directors

CHARALAMPOS AVGOUSTI, Member of the Board of Directors

DENIS VINOKUROV, Member of the Board of Directors

VITALY PYLTSOV, Member of the Board of Directors

GENNADII SHCHERBINA, Chief Executive Officer

ALEXANDER VOLOSHIN, Independent Non-Executive Director

ILYA KOSOLAPOV, Chief Financial Officer

28 April 2022

Independent Auditor’s Report to the Members

Deloitte.

INVESTORS IN PEOPLE
We invest in people Platinum

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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 accompanying parent company financial statements of Etalon Group PLC (the “Company”), which are presented in pages 15 to 41 and comprise the statement of financial position as at 31 December 2021 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 2021, 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.

MAKING AN IMPACT THAT MATTERS since 1845

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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 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.

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 2021, the carrying value of the Company’s investments in subsidiaries is RUB'98.441.246 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 valuation assumptions underlying the estimation of fair value of investments in subsidiaries as at 31 December 2021; -we assessed the competence, capabilities and objectivity of management’s third party valuer, as well as independence; - evaluating the appropriateness of management’s business 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 2021 - 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.

Independent Auditor's Report to the Members

Deloitte.

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
Recoverability of loans receivable	
At 31 December 2021, the Company had loans receivable from related parties amounting to RUB'12.849.279 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; - testing that the process to identify and measure individually assessed provisions is appropriate based on DCF for the underlying projects; - 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.

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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
Impact of events after the year end on the operating environment	
As disclosed in Notes 2 and 17 of the financial statements, the developments in Ukraine led to additional sanctions being imposed on certain Russian institutions, companies and individuals by the United States, the United Kingdom, the European Union and other countries, subsequent to the year ended 31 December 2021. This has led to significant market volatility, disruption in the supply chains, increase in interest rates and significantly increased the level of economic uncertainty. This could have a possible negative impact on the operations of the Company and the Group. As disclosed in Note 2 of the financial statements, the management has assessed the going concern and other possible impacts on operations. The situation is currently fast moving and management has considered how the events may ultimately impact the Company and the Group based on all relevant information currently known. We consider this area to be a key audit matter due to high level of management judgements and uncertainty on the future impact on the operations and the liquidity of the Company and the Group.	Our audit procedures included amongst others: • challenging management's assessment of the potential risks and uncertainties relevant to the Company and Group as a result of the additional sanctions imposed subsequent to the balance sheet date and impact on operating environment; • assessing for reasonableness the assumptions applied in the going concern period cash flow forecast for a period of 12 months from the date of the authorization of the financial statements through evaluating the potential impact on the operation, cash and facilities available to the company, including the location of the cash and facilities available, in which the Company and the Group operates, the repayment terms and covenants and the ability to draw down further on the existing facilities; • Considering management's relevant expertise and challenging whether the mitigating actions are reasonable and within the control of the Company and Group. We also assessed adequacy of the related disclosures in the financial statements . 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

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 scepticism throughout the audit. We also:

- 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;

- 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;

Independent Auditor's Report to the Members

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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)

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the 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 financial statements of the current period, and are therefore the key audit matters.

Report on 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.

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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 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.

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF)-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This independent auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

We also have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2021.

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, 28 April 2022

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Statement of Financial Position

As at 31 December 2021

	Note	31 December 2021, RUB'000	31 December 2020, RUB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	9	98,441,246	64,769,755
Loans receivable	10	12,849,279	6,008,715
TOTAL NON-CURRENT ASSETS		111,290,525	70,778,470
Current assets			
Loans receivable	10	–	2,126,031
Other receivables and prepayments	11	160,077	349,435
Cash and cash equivalents	12	321,156	492,616
TOTAL CURRENT ASSETS		481,233	2,968,082
TOTAL ASSETS		111,771,758	73,746,552

	Note	31 December 2021, RUB'000	31 December 2020, RUB'000
EQUITY			
Share capital	13	2,723	2,266
Share premium	13	26,367,865	15,486,109
Reserve for own shares	13	(694)	(694)
Capital contribution	13	16,584,198	16,584,198
Retained earnings		68,798,126	40,985,334
TOTAL EQUITY		111,752,218	73,057,213
CURRENT LIABILITIES			
Other payables and accruals	14	19,540	17,424
Borrowings	15	–	671,915
TOTAL CURRENT LIABILITIES		19,540	689,339
TOTAL EQUITY AND LIABILITIES		111,771,758	73,746,552

On 28 April 2022, the Board of Directors of Etalon Group PLC authorized these financial statements for issue.

Charalampos Avgousti
Director

Sergey Egorov
Director

The notes on pages 218 to 230 are an integral part of these financial statements.

Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2021

	Note	2021, RUB'000	2020, RUB'000
Change in fair value of investments in subsidiaries	9	29,974,688	4,458,099
Interest income		562,654	435,797
Interest expenses	16(v)	(14,333)	(24,340)
Dividend income from subsidiaries	16(vi)	–	3,870,116
Reversal of impairment/(impairment) on trade, other receivables and loans	16(iii), (iv)	1,355,089	(1,551,724)
Administrative expenses	5	(239,717)	(148,468)
Other expenses		(22,337)	(28,249)
Other income		11,000	–
OPERATING PROFIT BEFORE NET FINANCE (EXPENSES)/INCOME		31,627,044	7,011,231

	Note	2021, RUB'000	2020, RUB'000
Finance income		86,008	1,115,244
Finance expenses		(299,708)	(105,533)
NET FINANCE (EXPENSES)/INCOME	6	(213,700)	1,009,711
Profit before tax		31,413,344	8,020,942
Income tax expense	8	–	(2,370)
PROFIT FOR THE YEAR		31,413,344	8,018,572
Other comprehensive income for the year		–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		31,413,344	8,018,572

The notes on pages 218 to 230 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2021

	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 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

	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 2021	2,266	15,486,109	16,584,198	(694)	40,985,334	73,057,213
PROFIT FOR THE YEAR						
Profit for the year	-	-	-	-	31,413,344	31,413,344
Total comprehensive income for the year	-	-	-	-	31,413,344	31,413,344
TRANSACTIONS WITH OWNERS						
Share issued	457	11,120,638	-	-	-	11,121,095
Transaction costs directly attributable to the issue	-	(238,882)	-	-	-	(238,882)
Dividends paid	-	-	-	-	(3,600,552)	(3,600,552)
TOTAL TRANSACTIONS WITH OWNERS	457	10,881,756	-	-	(3,600,552)	7,281,661
BALANCE AT 31 DECEMBER 2021	2,723	26,367,865	16,584,198	(694)	68,798,126	111,752,218

The notes on pages 218 to 230 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021, RUB'000	2020, RUB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		31,413,344	8,018,572
Adjustments for:			
Change in fair value of investments in subsidiaries	9	(29,974,688)	(4,458,099)
Reversal of impairment/(impairment) on trade, other receivables and loans	16(iii), (iv), 9	(1,355,089)	1,551,724
Reversal of prior year over accrual	5	–	(12,133)
Dividend income from subsidiaries	16(vi)	–	(3,870,116)
Interest income on bank deposits		(120,119)	(26)
Interest income on loans issued	16(iii)	(442,535)	(435,771)
Interest expenses	16(v)	14,333	24,340
Foreign exchange (gains)/losses, net		212,826	(1,010,146)
CASH FLOWS USED IN OPERATIONS BEFORE CHANGES IN WORKING CAPITAL		(251,928)	(191,655)
Change in other receivables and prepayments		(108,198)	(39,431)
Change in other payables and accruals		(8,874)	11,040
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		(369,001)	(220,046)

	Note	2021, RUB'000	2020, RUB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment of loans by subsidiaries	16(iii)	–	282,066
Repayment of interest on loans by subsidiaries	16(iii)	2,908	–
Proseeds from issue of share capital		10,882,213	–
Loans issued during the year to subsidiaries	16(iii)	(6,937,050)	–
Interest on bank deposits received	16(vi)	120,119	–
Dividends received from subsidiaries		–	3,867,746
NET CASH FROM INVESTING ACTIVITIES		4,068,190	4,149,812
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(3,600,552)	(3,539,496)
NET CASH USED IN FINANCING ACTIVITIES		(3,600,552)	(3,539,496)
NET INCREASE IN CASH AND CASH EQUIVALENTS		98,637	390,270
Cash and cash equivalents at beginning of year		492,618	81,343
Effects of exchange rate changes on cash and cash equivalents		(270,099)	21,005
Cash and cash equivalents at end of year	12	321,156	492,618

Non-cash transactions are disclosed in notes to these financial statements.

The notes on pages 218 to 230 are an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2021

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. Since the beginning of March 2022, LSE suspended trading in Etalon's GDRs.

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 2021 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

(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

When assessing the Group's ability to continue as a going concern over the next 12 months, the management considered all available information about the future, including events described below, 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.

Subsequent to the reporting date and following the commencement of the Ukrainian crisis, the US, UK, EU and some other countries imposed severe sanctions against the Russian government, major financial institutions and certain other entities and individuals in the Russian Federation. In response to the sanctions, the Russian government introduced certain currency control measures and the Central Bank of the Russian Federation increased the key rate to 20% in March 2022 which was reduced to 17% starting from 11 April 2022. All the above led to significant market volatility, disruption in the supply chains and significantly increased the level of economic uncertainty.

The Group developed a stress scenario of the possible impact on the current operating environment on the Group's demand and supply chain, including continuity in demand, availability and prices for construction materials and supplies, and eventually on cash flows and liquidity position, including the consideration of debt covenants.

The Group considered the following factors when assessing the impact on the current operating environment.

2. Summary of significant accounting policies

Continuity in demand

The demand for real estate is largely dependent on the availability of mortgage loans and the level of mortgage rates. Effective from 1 April 2022, the Government of the Russian Federation introduced special mortgage rates of 12% for newly constructed real estate and increased the price limit up to RUB 12 million per apartment in Moscow and St. Petersburg (RUB 6 million in other Russian cities). At the same time, special mortgage programs including a family mortgage program of 6% continued to be in place. These measures are expected to support the demand for real estate despite introduction of a restrictive levels of the key rate.

Availability and cost of finance

The Group's loan contracts either include limitation on the maximum interest rate or bear preferential interest rates to debt covered by escrow account balances. These factors will limit the effect of the increase in the Central Bank's key rate on the cost of borrowings. The increase in the key rate to 20% (reduced to 17% starting from 11 April 2022) will result in the increase in interest expense by RUB 691 million for the variable rate loans outstanding at 31 December 2021.

The Group does not have any borrowings denominated in foreign currencies.

The Group has secured project financing for all construction project in place that will enable it to continue financing its construction projects. For the new projects the Group aims to balance the ratio of borrowed funds to cash collected on escrow accounts to reduce borrowing costs.

The Group has sufficient liquidity to repay borrowings and does not expect any breaches of financial covenants during 2022.

Despite the fact that the Group's parent company is registered in Cyprus, the Group's place of operation is the Russian Federation, and the Group is not subject to any restrictions on use of proceeds from sale of real estate which have been introduced by the Russian Government with respect to foreign construction companies operating in Russia.

(C) GOING CONCERN

Availability and cost of construction materials

The Group mainly uses domestically produced construction materials and installations and does not expect any shortages or breakages in its supply chain caused by foreign sanctions. The prices for construction materials are not linked to foreign currencies and the Group does not expect that the high volatility of foreign currency exchange rates will result in a significant increase in its production costs during 2022. Although, constructions costs will continue to increase in line with higher inflation rates, but the Group expects that it will be able to pass increased constructions costs on to the customers.

Considering the above and given the Group's history of profitable operations and ready access to financial resources, the Group reached a conclusion that the going concern basis of accounting is appropriate for the preparation of these consolidated 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.

2. Summary of significant accounting policies

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.

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.

Investments in subsidiary companies are classified as investments at fair value through profit or loss and are measured at fair value. The Company's financial statements are publicly available and can be used by investors for their economic decisions, and the management believes that measurement of investments in subsidiaries at fair value provides more reliable and more relevant information about the Company's financial position than the measurement of investments at cost.

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.

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.

(III) 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.

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.

2. Summary of significant accounting policies

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.

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 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

3. Financial risk management and tax risk

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:

31.12.2021	Note	12-month/ lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Loans receivable	10	Lifetime ECL	17,246,344	(4,397,065)	12,849,279
Other receivables	11	Lifetime ECL	160,457	(380)	160,077
Cash and cash equivalents	12	12-month	321,156	–	321,156

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

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:

	2021, RUB'000	2020, RUB'000
Balance at 1 January	(6,006,247)	(3,746,309)
Change of impairment for the period	1,634,495	(1,547,668)
FOREX	(25,313)	(712,270)
BALANCE AT 31 DECEMBER	(4,397,065)	(6,006,247)

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.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2021	Carrying amounts, RUB'000	Contractual cash flows, RUB'000	Between 0-12 months, RUB'000
Borrowings	–	–	–
Other payables and accruals	19,540	19,540	19,540
	19,540	19,540	19,540

31 December 2020	Carrying amounts, RUB'000	Contractual cash flows, RUB'000	Between 0-12 months, RUB'000
Borrowings	671,915	684,187	684,187
Other payables and accruals	17,424	17,424	17,424
	689,339	701,611	701,611

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

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 2021, RUB'000	31 December 2020, RUB'000
ASSETS		
US Dollar		
Cash and cash equivalents	75,644	158,885
Loans receivable	5,989,259	6,608,667
Other receivables	17,563	74
TOTAL	6,082,466	6,767,626
Euro		
Cash and cash equivalents	4,055	6,522
Other receivables	147,747	268,464
TOTAL	151,802	274,986

	31 December 2021, RUB'000	31 December 2020, RUB'000
LIABILITIES		
US Dollar		
Other payables and accruals	–	(207,967)
Borrowings	–	(671,915)
TOTAL	–	(879,882)
Euro		
Other payables and accruals	(14,732)	(16,480)
TOTAL	(14,732)	(16,480)
NET POSITION		
US Dollar	6,082,466	5,887,744
Euro	137,070	258,506

The following significant exchange rates applied during the reporting period:

	Average rate		Reporting date spot rate	
mln RUB	2021	2020	31 December 2021	31 December 2020
USD 1	73.65	72.15	74.27	73.88
EUR 1	87.19	82.45	84.07	90.68

Sensitivity analysis

A 10% strengthening of the US$ against the RUB at 31 December 2021 and 31 December 2020 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.

US Dollar	2021, RUB'000	2020, RUB'000
Equity	608,247	588,774
Profit ot Loss	608,247	588,774

A 10% strengthening of the Euro against the RUB at 31 December 2021 and 31 December 2020 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.

Euro	2021, RUB'000	2020, RUB'000
Equity	13,707	25,851
Profit ot Loss	13,707	25,851

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.

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

	2021, RUB'000	2020, RUB'000
Insurance expenses	103,799	59,366
Legal, consulting and other professional services	59,157	44,122
Staff costs (Note 16(i))	33,893	31,791
Payroll tax	8,998	8,712
Auditors' remuneration	18,501	7,708
Accounting and administration expenses	8,810	5,114
Social insurance contribution	1,830	2,740
Secretarial fees	4,729	1,048
Reversal of prior year over accrual of staff costs	–	(12,133)
TOTAL	239,717	148,468

Remuneration of the statutory audit firm for the year ended 31 December 2021 amounted to RUB 7.5 million for audit services (2020: RUB 7.7 million) and RUB 7.2 million for other assurance services (2020: RUB 0.9 million).

6. Net finance (expenses) / income

	2021, RUB'000	2020, RUB'000
Foreign exchange gains	86,008	1,115,244
Finance income	86,008	1,115,244
Foreign exchange losses	(299,245)	(105,098)
Bank charges	(463)	(435)
Finance expenses	(299,708)	(105,533)
NET FINANCE (EXPENSES) / INCOME	(213,700)	1,009,711

7. 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 at 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.

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:

	2021, RUB'000	2020, RUB'000
Profit before tax	31,413,344	8,020,942
Tax calculated at the applicable tax rate of 12,5% (2020: tax rate of 12,5%)	3,926,668	1,002,618
Tax effect of expenses not deductible and income not taxable for income tax purposes, net	(3,385,366)	(951,042)
Tax withheld on dividends from Russian Federation	–	2,370
Notional Interest Deduction (NID)	(54,218)	(41,896)
Application of group relief	(7,084)	(9,680)
TAX FOR THE PERIOD	–	2,370

9. Investments in subsidiaries

	2021, RUB'000	2020, RUB'000
At beginning of year 1 January	64,769,755	60,311,656
Contributions to share capital of subsidiaries (Note 16 (iii))	3,696,803	–
Change in fair value of investments in subsidiaries	29,974,688	4,458,099
AT END OF YEAR 31 DECEMBER	98,441,246	64,769,755

9. Investments in subsidiaries

The Company's main subsidiaries, which are unlisted, are as follows:

Name	Principal activity	Country of incorpotiration	31 December 2021, RUB'000	31 December 2020, RUB'000
AO Zatonskoe	Holding of investments	Russia	32%	–
Etalon Group Limited	Holding of investments	Cyprus	–	99.99%
Tinctoria Holdings Limited	Provision of financing services	Cyprus	100%	–
Vandelo Limited	Holding of investments	Cyprus	100%	–
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	99.9%	26.16%

The investments are measured at fair value.

On 30 June 2021, the Company's subsidiary, Etalon Group Limited, approved a transfer to the Company of 1,300,245 shares in JSC GK Etalon with nominal value of RUB 1,200 as result of reduction of share premium. As a result of the transaction, the Company increased its share of ownership in JSC GK Etalon to 99.9%.

As at 31 December 2021 and 31 December 2020 the Company holds 99.9% and 26.16% in JSC GK Etalon respectively.

During December 2021, investments in subsidiaries held by Etalon Group Limited were sold to the Company for nominal amount of share capital.

On 28 December 2021, the Company entered into a Share Purchase Agreement with a third party, under which the Company sold its entire shareholding of its subsidiary Etalon Group Limited to the third party for a total consideration of US$13.199.

During 2021, a restructuring and merger plan of the Cyprus companies of the Group was implemented. As a result, a number of companies were absorbed by other group companies and dissolved, therefore the number of subsidiaries of the Group was reduced.

The fair value of investments in subsidiaries at 31 December 2021 and 31 December 2020 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 2021.

The key assumptions used in the estimation of the fair value of subsidiaries are set out below.

	31 December 2021, RUB'000	31 December 2020, RUB'000
CAPM (discount rate)	20.41%	18.47%

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 29,974,688 for the year ended 31 December 2021 (31 December 2020: increase of RUB'000 4,458,099).

9. Investments in subsidiaries

SENSITIVITY ANALYSIS

The following tables demonstrate changes in key inputs and sensitivity of fair value measurement:

	31 December 2021		
	Change of parameter	Impact on fair value	In monetary terms, RUB'000
Growth of discount rate	1%	(2.26%)	(2,210,997)
Growth of cost of construction projects	5%	(10.36%)	(10,199,018)
Reducing of revenue from construction projects	(5%)	(14.95%)	(14,716,163)
Growth of expenses on non-developer types of activities	5%	(2.93%)	(2,882,751)

	31 December 2020		
	Change of parameter	Impact on fair value	In monetary terms, RUB'000
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)

10. Loans receivable

	31 December 2021, RUB'000	31 December 2020, RUB'000
NON-CURRENT		
Loans to related parties (Note 16(iii))	12,849,279	6,008,715
Total non-current loans receivable	12,849,279	6,008,715
CURRENT		
Loans to related parties (Note 16(iii))		2,126,031
Total current loans receivable	–	2,126,031
TOTAL LOANS RECEIVABLE	12,849,279	8,134,746

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 4,312,708 was recognised as at 31 December 2021 (31 December 2020: RUB'000 5,968,063).

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 2021, the loss allowance on loans and receivables would have been RUB'000 5,423 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 2021, RUB'000	31 December 2020, RUB'000
Receivable from related parties (Note 16(iv))	160,077	349,435
	160,077	349,435

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 2021, RUB'000	31 December 2020, RUB'000
Cash at bank	321,156	492,616

13. Share capital and share premium

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 2020	294,954,025	20,000	2,266	(694)	15,486,109	15,487,681
New share issue at the beginning of the period	88,487,391	–	457	–	10,881,756	10,882,213
AT 31 DECEMBER 2021	383,441,416	20,000	2,723	(694)	26,367,865	26,369,894

At 31 December 2020, the number of authorised and issued shares was 294,954,025. On 28 March 2021, the General Meeting of the Shareholders of the Company approved the increase of the authorised share capital of the Company by the creation of 88,487,391 ordinary shares of nominal value of GBP 0.00005 each. On 14 May 2021, the Company announced an offering of rights to subscribe for newly issued Ordinary Shares to the existing holders of the Company's equity securities. Eligible holders of GDRs subscribed for 23,339,732 new ordinary shares and 281,975 new GDRs in total. A rump offering was also completed on 14 May 2021 in which a total of 64,865,684 GDRs was purchased by investors.

(I) RESERVE FOR OWN SHARES

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. The term of the programme expired on 14 April 2021 and no GDRs were purchased thereunder.

As of 31 December 2021 and 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.

(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 and from a supplementary public offering of 88,487,391 ordinary shares at a value USD 1,7 each in form of global depository receipts on 14 May 2021.

(III) DIVIDENDS

As at 31 December 2021, the retained earnings were RUB'000 68,506,616 (31 December 2020: RUB'000 40,985,334). During the year ended 31 December 2021, the AGM of shareholders approved Board of Directors recommendation for dividends in the amount of RUB' 000 3,600,552 (31 December 2020: RUB'000 3,539,496).

(IV) 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 2021, RUB'000	31 December 2020, RUB'000
Accrued audit fees	16,025	13,832
Other payables and accruals	2,481	1,419
Accrued accounting and administration expenses	1,034	2,173
	19,540	17,424

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 2021, RUB'000	31 December 2020, RUB'000
CURRENT		
Borrowings from subsidiary (Note 16(v))	-	671,915
TOTAL CURRENT BORROWINGS	-	671,915

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.

As a result of the implementation of the Cyprus companies merger plan in 2021 year, this borrowing was offset against loans receivable from Fagestrom Limited.

16. Related party transactions

The following transactions were carried out with related parties:

(I) DIRECTORS' REMUNERATION

	2021, RUB'000	2020, RUB'000
Directors' remuneration (Note 5)	33,893	31,791
Payroll and social tax (Note 5)	10,828	11,452
	44,721	43,243

As at 31 December 2021, outstanding balances of remuneration payable to the Board of Directors was nil (Note 14) (31 December 2020: was nil).

(II) YEAR-END BALANCES

	31 December 2021, RUB'000	31 December 2020, RUB'000
Receivables from subsidiary companies (Note 11)	160,077	349,435
Borrowings from subsidiary company (Note 15)	–	(671,915)
Loans due from subsidiary companies (Note 10)	12,849,279	8,134,746

(III) LOANS DUE FROM SUBSIDIARY COMPANIES

	2021, RUB'000	2020, RUB'000
On 1 January	8,134,746	8,451,946
Loans repaid during the year	(2,908)	(282,066)
Interest charged	442,535	435,771
Offset of loans under the merger plan ((Note 16 (v))	(679,326)	–
Contribution of loans to share capital of subsidiaries (Note 9)	(3,696,803)	–
Loans issued during the year to subsidiaries	6,937,050	–
(Impairment)/reversal of impairment for loans receivable	1,634,495	(1,547,668)
Foreign exchange gains	79,490	1,076,763
ON 31 DECEMBER (NOTE 10)	12,849,279	8,134,746

As at 31 December 2021, the loans amounted to RUB'000 12,849,279 (31 December 2020: RUB'000 8,134,746), 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

	2021, RUB'000	2020, RUB'000
On 1 January	349,435	300,922
Transfers of funds under reimbursement agreements	108,197	174,180
Write-off of receivables	(280,413)	(3,360)
(Impairment)/reversal of impairment for receivables	1,007	(696)
Dividends paid for prior period (Note 16(vi))	–	(130,330)
Foreign exchange gains/(losses)	(18,149)	8,719
ON 31 DECEMBER (NOTE 11)	160,077	349,435

16. Related party transactions

(V) BORROWINGS FROM SUBSIDIARY COMPANIES

	2021, RUB'000	2020, RUB'000
On 1 January	671,915	542,479
Interest accrued	14,333	24,340
Offset of loans under the merger plan (Note 16 (iii))	(679,326)	–
Foreign exchange losses/(gains)	(6,922)	105,096
ON 31 DECEMBER (NOTE 15)	–	671,915

(VI) DIVIDEND INCOME/DIVIDEND RECEIVABLE SUBSIDIARY COMPANIES

	2021, RUB'000	2020, RUB'000
On 1 January	–	132,379
Dividends declared by subsidiaries	–	16,976,026
Income tax withheld on dividends (Note 8)	–	(2,370)
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)
Foreign exchange losses	–	(2,049)
ON 31 DECEMBER (NOTE 16 (IV))	–	–

(VII) CASH AND CASH EQUIVALENTS IN BANKS-RELATED PARTIES

	2021, RUB'000	2020, RUB'000
On 1 January	–	–
Receipt to the deposit account	4,850,000	–
Interest income on deposits	120,119	–
Withdrawal of funds from the deposit	(4,747,496)	–
Other expenses	(22,312)	–
ON 31 DECEMBER	200,311	–

17. Events subsequent to the reporting date

OPERATING ENVIRONMENT

Subsequent to the balance sheet date, the rapid and significant developments related to the conflict in Ukraine has led to additional and more severe sanctions imposed by the US, UK, EU and other countries on certain Russian institutions and individuals. These developments may result in reduced access for Russian businesses to international capital and export markets, weakening of the Russian Ruble, decline in capitals markets and other negative economic consequences.

The full impact of sanctions and consequent political and economic developments in Russia on future operations and the financial position of the Company is difficult to determine at this stage.

Although there is currently no prohibition on dividend distribution by the Company, certain provisions of sanctions as well as rules introduced by the Central Bank of Russia make it difficult to conduct the necessary intra-group transactions, which may affect the ability to pay dividends under the current dividend policy.

The Company continues to operate and fulfil its obligations to its customers, partners and employees, although the Company can provide no assurance that the current geopolitical situation and the resulting economic developments in Russia will not adversely affect operations and financial results in the future. The abovementioned events have had, and may continue to have, a negative impact on the trading price of the Company's GDRs.

OPERATING EVENTS

Prospective acquisition of YIT Russia

On 31 March 2022, the Boards of Directors of the Company and of YIT Corporation have agreed on the sale of YIT Russia for a maximum consideration of RUB 4,597 million to be paid in cash. The completion of the transaction is subject to further regulatory approvals.

YIT Russia focuses on mid-market residential real estate with a portfolio of 19 projects in five Russian regions, including the Moscow metropolitan area, St. Petersburg, the Ekaterinburg region, Kazan and Tyumen with a total unsold net sellable area (NSA) of 0.6 million sqm. It also operates several housing-service companies.

The primary reasons for the prospective acquisition are to increase supply in the Group's primary markets of Moscow and St Petersburg and to speed up Group's regional expansion, as well as to get access to the YIT Russia's software and technological know-how, including Dispatcher 24 software for managing apartment buildings and residential areas, project design documentation and a library of standard design solutions for cast-in-place construction and buildings made of prefabricated panels.

Alternative performance measures

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Alternative performance measures used in the 2021 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.

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.

[1] Pre-PPA EBITDA in the Company's disclosure is defined as adjusted EBITDA in the supplementary information to the IFRS statements.

Alternative performance measures used in the 2021 Annual Report

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).

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.

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 built-in commercial premises, as well as parking places and social infrastructure that are part of the project.